

EDITORIAL HIGHLIGHTS

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Introduction

THIS editorial for April covers the main developments at the state, national and international levels during the month of February. The state section begins with a review of some of the problems of the finances in the state which the raising of the PDS selling prices of rice and wheat had thrown into some confusion. In the power sector the setting up of the lignite based power station in Jayamkondan by SIEMENS as well as the Ocean Thermal Energy Conversion project are briefly reviewed and their cost effective nature emphasised. The US Consortium to undertake the Rs.5000 crores southern gas grid as well as the problems faced by the state in regard to the wasteful flaring of the Narimanam gas are referred to. In the area of water the plentiful North East monsoon has met the water needs of Madras and the surrounding districts. Feasibility of the functioning of the Cauvery monitoring committee is discussed. In agriculture the losses of the samba paddy harvest in Thanjavur and Nagapattinam Quaide Milleth districts in February because of the heavy rains are referred to. The effort to bring about uniformity in state advised cane prices is noted and commended, as is the development of the organic manure through recycling of kitchen waste, garden leaves and other organic refuse. In the industrial area the sharp fall in growth in 1992-93 in the government's economic appraisal is referred to. A number of individual projects such as the joint TVS Cherry Corporation plant for quality switches, the set back

faced by the Standard Motors project, the weaver estate being developed by SIDCO and the setting up of the common effluent treatment plants as well as the initiatives in promoting the Madras Industrial park by TIDCO with private companies, the massive joint project in steel by TIDCO and Lakshmi Machines, the boom in sago and starch trade are noted. Under National, the major event in February (the end of February) was the union budget 1994-95 as presented to parliament, its highlights are referred to as well as its strengths and weaknesses. Similarly the Railway budget for 1994-95 which continues to be presented as a separate budget despite repeated queries raised in parliament and by this journal is reviewed along with its few strong points and many weaknesses. This is followed as usual by the union government's Economic Survey 1993-94 which does not bring in any new information but is very valuable for the data that it brings to light and makes available for the users in one place. The weaknesses pointed out by the survey (without specifically acknowledging it) is the inability of the reform programme to pull the economy out of its recessionary phase. There follows a brief discussion of the inflationary developments in November notably the increase in petrol and diesel prices to which is added the increase in administered prices. The annual rate of inflation as at February is noted with concern and the possibility of the year ending with a two digit level inflation is referred to. In regard to power, the US

companies investment for three plants of \$900 million is referred to with some of the problems that it raises. The power ministry's denial of the charges of favouring foreign companies is briefly discussed. The positive development in the area of wind energy points to the potential of non conventional energy meeting increasingly the augmented demand for power, with its sources not yet been fully exploited. On the economy, the various individual events in February are noted such as the banking ordinance, the decision of two nationalised banks to go public, the food subsidies and fertiliser subsidies exceeding the budgeted amount, the deficit in oil pool account, the Air India and Indian Airlines divesting part of their equity and the setting up of a regulatory board for Civil Aviation. The composition of the IBRD's \$6 billion proposed loan is referred to along with high inflation rates and growing fiscal deficit dampening the two way convertibility, leave alone full convertibility, the provision in the companies act to aid MNCs, the Rs.700 crores of foreign direct investment approved as of February and above all the contradiction between economic reform and its promise of economising on public expenditure and the increase in government staff during year upto February. In the agriculture section the foodgrain at 179 million tonnes is noted and its short fall vis a vis the target for the year. The heavy rice procurement which also increases the subsidy bill for foodgrain is referred to, as is the suspension of the export of cotton. The small farmers agri business consortium piloted by NABARD at last gives effect to this three year old project. In the research field some 21 project reports received in February is referred to, particularly their distribution. In plantation crops the main developments in tea, coffee, pepper and spices are recorded. The industry section in February is reviewed beginning with the rise in some areas of manufacturing which is still in the grip of recession. ONGC becoming a limited company is noted along with the high cost

and delay in execution of PSU projects and the problem of PSU reform processes. In foreign trade the BOP improvement is noted in February and the rising share of exports particularly farm exports, the duty free import of 5 lakh tonnes of cotton bales and the simplification of export clearance are other developments during the month. In individual items marine exports and automobiles particularly their spare parts are doing well. In the loan field the World Bank loan for financing the reforms including the IDA loans on the safety net and upgradation of vocational training are noted along with the German loan during the month. In the Human Resources Development field the use of distance education to attain the Education For All target and the proposal for levying an education cess are discussed. The setting up of village education panels and the report on the technical university in Tamil Nadu are referred to. Under sciences, the growing science gap between rich and poor countries which is also widening and the setting up of the technology informations centre are briefly discussed. Under employment the disturbingly growing educated unemployment data in Tamil nadu are referred to. Under international events, the world economy facing serious water scarcity according to FAO estimates, the ADB review of Asian growth, and the rise of poverty and under employment in Asia as seen by UNDP are briefly discussed. Under other items, some five activities in which the Institute has been involved are referred to, including the meeting of the Executive Committee of the Tamil Nadu State Council for Science and Technology, the Swaminathan Foundation organised lecture on Sustainable Development by the World Bank's Vice President, the bimonthly meeting of SRC/TNBCE, some questions posed by the Indian Institute for Foreign Trade, and the events in February of the India International Centre - the panel discussion and the seminar.

State

Finances

The direction of the state's finances is confusing. In the PDS (Public Distribution System), the selling price of rice and wheat was increased in February because of the centre's decision to raise their prices from Rs.3.50 to Rs.4.75 for rice, in the case of wheat by Rs.75 per quintal. There are several curious aspects to these increases. First, these increases are far above the increased minimum support prices for wheat and rice, second, the foodgrain subsidy which had been budgeted at Rs.225 to Rs.250 crores will now increase to Rs.400 crores. Third, the off take of rice through PDS has increased to 1.5 lakh tonnes a month in the case of rice even during the main harvest season because 27,00,000 new cards have been distributed recently. There is also suspicion that the low price PDS rice against the high prices in the neighbour states is leading to large scale smuggling to those states. Finally, the result of these finances on the rate of inflation is serious, to be dealt with later.

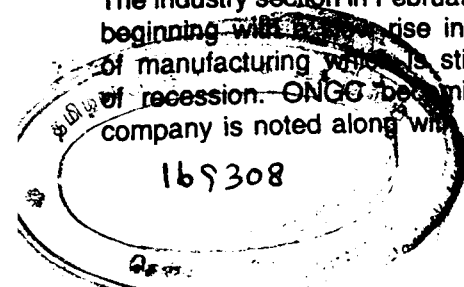
Power

In the area of power, the German multinational SIEMENS is setting up two power plants of which one will be 1500 MW in this state. This Lignite based power station is to be built in Jayamkondam in the Thanjavur district. Another project, the Ocean Thermal Energy Conservation will be 1000 MW and set up in Kulasekharapatnam in Nellai Kattabomman district with the expertise of Sea Solar Power Ltd. It will cost Rs.800 crores, appear like an oil rig occupying 100M by 100 M, it will be cost effective in providing energy which is cheap, clean and an easy form and which can be replicated. Another exciting development is the offer of the ICMC power consortium of the US to undertake the Rs.5000 crores southern gas grid. The consortium has addressed the four southern

chief ministers of this project explaining its own technical and financial capabilities to build, operate and own the gas grid project. The Consortium intends to fund the project through borrowing from international financial institutions and the state's have been offered a nominal equity. The consortium has already obtained approval for building the Kayamkulam project in Kerala and the Cuddalore power scheme in this state. Now it is important that the four states should make an early decision on this offer. Meanwhile the surplus gas available in the hydro carbon rich Cauvery basin is to be developed by the Gas Authority of India Ltd (GAIL) which will provide it with thwarted factors. The pipe line network is expected to be completed by the end of December or early 1995 and will minimise the wasteful flaring of this rather scarce resources. At present Rs.80,000 worth of gas is being flared daily due to under-utilisation of the valuable fuel. The TNEB which had committed itself to drawing 57,000 million cubic metres per day to operate its two gas turbines (2x5MW) at Narimanam has not been able to utilise the gas in full because one of its machines is out of operation. The losses on flaring is borne by both TNEB and ONGC. It is a question for further review as to whether the project if entrusted to another unit will commercially use PYI and PYIII structures in the Cauvery off shore where oil and gas was struck a few years ago. This might avoid the problem created by TNEB not being able to maintain its commitment and resulting in the waste of the valuable gas resources.

Water

The World Bank aided Rs.1400 crores Water Resources Consolidation project (WRCP) is to be launched from first of April. All irrigation areas except the Cauvery delta will be covered under WRCP, a new body the Water Resource Control and Review Council has been formed in the state to monitor supply of irrigation facilities for better



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utilisation. The Cauvery monitoring committee set up by the centre referred to in the last issue held its first meeting in December. There are doubt whether the panel will be able to fulfill its mandate which includes the study and reconciliation of the mismatch between the flows measured between Billigundu and Mettur; the interim orders of the tribunal do not refer to Billigundu, on which the Karnataka government wanted Billigundu and not Mettur to be the reference point. Infact the question of taking Billigundu has a reference point rejected by the tribunal. Under these circumstances it is not clear how the committee would be able to ensure the implementation of the interim order. Tamil Nadu maintains round the clock measuring of the flow at Mettur and is obtained, taking reading of the direct flows at Billigundu. This deadlock has serious implications for the farmers in the delta regrow as there is a short fall about 25 tmcft during the crucial period of the first round. Fortunately both last year and this year the monsoons have been plentiful to cover this gap.

Agriculture

Samba paddy harvest in Thanjavur and Nagapattinam, Quaide Milleth districts was affected in February because of the heavy rains. This was in addition to the losses suffered by the farmers in the December cyclone. Samba has been completed on 55,000 hectares and the thaladi crop harvest 14,000 hectares. A decision of the state sugar/food ministers meeting - a national conference in early February has set up a committee on state advised sugar prices to bring about uniformity in them. The committee is expected to submit its report in May so that its recommendations can form part of the agenda of the next sugar conference to be held in August. The committee is expected to suggest a national uniform structure in the state advised prices. The state's mainly involved are Tamil Nadu, Karnataka, Maharashtra and Punjab who are members

of the committee. One other important decision of the conference is that by March 31 all sugar mills in the country should install affluent treatment plants and pollution control device, failing which they might be ordered to be closed down, though the participating state governments agreed to the deadline, its implementation as well as the other decision for the states to clear their dues of Rs.32 crores borrowed from the sugar development fund are likely to raise problems in their non implementation. Another important project is the vermi composing plant to recycle and convert organic Manure which was inaugurated in early February in the state. Under the project kitchen waste, garden leaves and other organic refuse are dumped into the composite pile dug into the open area. Then the earth worms are released into the pits and in 6-8 months they consume the garbages and their droppings can be used as good manure. The project is workable but its scale raises the problem of adequacy.

Industry

Industrial output in the state shows a sharp fall in 1992-93 with a negative growth of 4.2 per cent against the positive growth of 4.1 per cent for the previous year. The Economic Appraisal by the government ascribes this low growth to the even lower record of -5.6 per cent of the manufacturing sector. 11 out of the 16 sub groups in that sector registered a decline in output, with only chemical and chemical products and cotton textiles recording positive growth. The government ascribes this sharp fall in industrial output to certain factors at the national level like demand recession, credit squeeze and heavy interest rates. Later in its Appraisal, it admits that there was also important state factors such as the hesitancy of investors, the lack of entrepreneurial spirit in the state and the shortfalls in power supply to industry which contributed to this decline. On individual industrial units in the state TVS and the US multi-national Cherry Corporation have joined to float a company for the

manufacture of quality switches and switch system. The new company called TVS Cherry will have its plants near Madurai with an initial outlay of Rs.3 crores. It intends to take advantage of the liberalised process to expand further and meet the growing demand for its products. On the other hand Standard Motors Products Ltd. faces a serious set back in relation to the development reported earlier. Its promoters have served notice to the company's management, asking them to look for alternative employment. The service termination orders are effective from March 1. In the past three months the active operation of the unit have been restricted to using up the existing inventory and the suspension of any further sourcing of any new material or components. While the labour units have agreed to a voluntary retirement scheme to the entire workforce, a settlement of their compensation which is a key element is yet to be arrived at. A Rs.6 crore weaver's estate is being set up in the SIDCO sponsored industrial complex at Pallipet in Chengai MGR district. The project is to be assisted by TIIC, DIC and the banks. This industrial estate would help the weavers who are a backward group in the district. The state announces that it is setting up 26 common effluent treatment plants with a view to preserving the environment. The treatment plants are to be set up at Vaniyambadi, Tiruour, Dindigul, Karur and Erode. For this purpose the tanning and textile dyeing sectors have been asked to organise themselves as companies or associations as they are to set up the plant with financial help from the state government and the centre. A joint sector project involving Lakshmi Machine Works (LMW) and TIDCO to manufacture pig iron, special steel and coke is being set up at Potheneri as a Rs.520 crore joint sector project with LMW having 40 per cent of the holdings. The plant will produce 1.8 lakh tonnes of pig iron from March 1995 to meet the needs of foundries in the state. The project is to be completed in 3 stages, with the first stage being production of pig iron, the second stage special steel making

facilities (Rs.185 crores) and the third stage coke manufacturing (Rs.165 crores). The project is to be located in a 7 acre area which has good infrastructural facilities like railway lines and Cauvery water supply with a 20MW captive power plant. It is expected to employ 1500 persons. The Sago and starch trade faces a sellers market in the state. The sale of starch and sago manufactures services industrial cooperative society reports that its annual sale turn over is about to cross Rs.100 crores. This is a remarkable achievement over last year's sale turn over of Rs.87 crores. The average ruling prices of sago is around Rs.900 per bag of 90 kgs and that of starch Rs.750 per bag of 90kgs. Fine and super fine qualities of sago are being quoted at prices between Rs.1100 and Rs.1300 per bag. Thus the sago industry is well established and is moving with focus in the Salem district. Its raw material tapioca is being extended in cultivation and growers are now getting Rs.130 and Rs.140 per bag of Rs.75 kgs. SPIC reports that it has separated itself from MRL and decided to produce its own PTA. This means that the National Aromatics Petro Chemicals Corporation (AROCHEM) floated by the two to produce PTA and allied products will now be produced by SPIC and a separate company is set up, namely SPIC Petro Chemicals Ltd. to produce PTA and PFY on its own. This development must be noted with regret because it will place a great strain on SPIC to produce on its own the products - both high tech and capital intensive, and whether this will delay the centre's approval of the project remains to be seen. The manufacturing facilities for all types of industries promoted by investors from various countries particularly Singapore will be allowed free at the proposed Madras Industrial Park according to the state government. This project is being pushed as a priority with the state investing the needed infrastructural facilities. The government states that it will choose a private sector company partner for setting up the Park from among the 10 leading companies such as L&T, SPIC,

ACCM, Videocon, ESSAR and Chakhani, TIDCO and will review and evaluate the project reports from these institutions. The government has in late February registered the Madras Industrial Park Ltd as the company in which the Indian private sector partner will have 49 per cent stake, the Singapore promoter will hold 40 per cent (which is the FERA regulation for foreign investment in real estate) and TIDCO 11 per cent. A separate Madras Industrial Park authority is being set up to clear investment in units to be set up in the Park and to coordinate with the agencies such as MMDA, pollution control Board and factories inspectorate. This potential major programme will push both the industrialisation of the state and its collaboration in Singapore.

National

Union Budget 1994-95

The Union budget as presented to Parliament at the end of February, in its many aspects is summarised in Table 1.

The main highlights of the budget may be summarised as: (1) the 1993-94 budget's revised estimates are much below the budget estimates - both for tax revenue and non tax revenue and other receipts, while borrowings in the revised budget exceed as does non plan expenditure, particularly both on revenue account and capital account. This means there has been a systematic over estimation of the receipts and under estimation of expenditure. (2) For 1994-95 this trend seems to continue with the revenue receipts both tax and non tax being much higher than the revised estimates for the previous year while, non plan expenditure both on revenue and capital account shoots up. (3) The overall result is that for 1993-94 the revenue deficit nearly doubled in the revised estimates as did the budgeted deficit, while the fiscal deficit

rose alarmingly by over 80 per cent. (4) The 1994-95 budget proposes full convertibility for current account. (5) Repayment of the IMF loan of \$1.4 billion one year earlier is announced. (6) On indirect taxes, the peak of customs duty is reduced to 65 per cent, computers and telecom materials made cheaper, ayurvedic and homeopathy drugs costlier, yarn duty reduced to 5 per cent. (7) On direct taxes the corporate tax is cut to 40 per cent while the surcharge remains, presumptive tax is levied on contractors and mutual funds are included in capital gains, wedding gifts upto Rs. 1 lakh exempted, income tax exemption limit is raised upto Rs.35,000 crores and the surcharge abolished. (8) The lending rate is reduced by 1 per cent and rural development outlay is increased. (9) The budgetary gap for 1994-95 at the existing level of taxation is set at Rs.6000 crores while the revised budget deficit for the previous year is shown at Rs.9060 crores. Even on this latter there are questions as will be noted later that the RBI reports the budget deficit at Rs.10340 crores at the end of December and at Rs.14308 crores as the monthly average for the first nine months of 1993-94. The sharp reduction shown in the revised budget might be due to some adjustments of the figures. (10) The fiscal deficit in 1993-94 has shot up to 7.3 per cent of GDP which is much higher than the 5 per cent envisaged in the budget. (11) The convertibility on current account for 1994-95 as referred to earlier liberalises access to foreign exchange for all current business transactions and also for travel, education and medical expenses. (12) The defence budget will be Rs.23,000 crores which is Rs.3820 crores more than for 1993-94 outlay. (13) There is an increase in central plan outlay by 17.4 per cent including a 40 per cent increase in rural development outlay and increase in infrastructure sectors. (14) To promote industrial revival a number of measures in the budget include a reduction of 1 percentage point in lending rates, lowering peak customs duty to 65 per cent from 85 per cent, adjustment in customs for a broad

TABLE 1 : The Union Budget and Its Many Aspects

(Rs. in crores)

	1992-93 actuals	1993-94 budget estimates	1993-94 revised estimates	1994-95 budget estimates
1 Revenue Receipts	74128	84209	76166	86084
2 Tax revenue (net to centre)	54044	62739	54473	62742
3 Non tax revenue	20084	21470	21693	23342
4 Capital Receipts	36178	42800	56846	59615
5 Recoveries of loans	6356	6655	6655	6700
6 Other receipts	1961	3500	2500	4000
7 Borrowings and other liabilities	27861	32645	49491	48915
8 Total Receipts (1+4)	110306	127009	134812	145699
9 Non plan expenditure	85958	90072	97846	105117
10 On revenue account of which	72925	77654	83870	90749
11 Interest payments	31035	38000	37500	46000
12 On capital account	13033	12418	13976	14368
13 Plan expenditure	36660	41251	46026	46582
14 On revenue account	19777	24185	26354	28062
15 On capital account	16883	17066	19672	18520
16 Total expenditure (9+13)	122618	131323	143872	151699
17 Revenue expenditure (10+14)	92702	101839	110224	118811
18 Capital expenditure (12+15)	29916	29484	33648	32888
19 Revenue deficit (1-17)	18574	17630	34058	32727
20 Budgetary deficit (8-16)	12312	4314	9060	6000
21 Fiscal deficit (1+5+6) - 16 = 7 + 20	40173	36959	58551	54915
22 Primary deficit (21-11)	9138	(-1041)	21051	8915

segment of industry and rationalisation of the excise structure, the extension of MODVAT to the capital goods and petroleum sector, the lowering of the corporate tax to 40 per cent for both closely held and widely held domestic companies, the surcharge for over Rs.75,000 on annual income continues. The long term capital gains tax structure is altered with the rate for Indian companies down to 30 per cent and a revised definition for long term holding of UTI units and those from approved mutual funds. (15) For the first time the

services sector has been brought under the tax net through a 5 per cent tax on the amount of telephone bill, the net non life insurance premia and brokerage and commission charge for stock brokers for their services. (16) In the area of personal taxation the income tax exemption limit is raised from Rs.30,000 to Rs.35,000 which enables a salary wage earner with a gross income of Rs.50,000 and a working women with a salary of Rs.52,000 to pay no tax. The tax slabs are adjusted - 20 per cent tax on

Rs.35,000 to Rs.60,000, 30 per cent tax on Rs.60,000 to Rs.1,20,000 and 40 per cent on income above Rs.1,20,000. The surcharge on non corporate income is withdrawn completely. (17) The capital gains tax on domestic companies is reduced to 30 per cent, UTI units and other approved mutual funds if held for more than 12 months are to be treated as long term capital assets. A uniform tax paid on 20 per cent of investment income of non residents and will not lose their non residents status if they stay in India upto 181 days instead of the current limit of 149 days. (18) Tax rebate admissible to senior citizens is to be raised from 20 per cent of the tax gains to 40 per cent, making the benefit available to those senior citizens having income upto Rs.1 lakh. (19) The export sector has received further incentives, exporters been allowed to retain 25 per cent of their foreign exchange earnings in case of export oriented units and for those in the export promotion zones retention limit is 50 per cent. (20) The budgetary support for the central plan for 1994-95 is raised to Rs.27,278 crores from Rs.23,241 crores for 1993-94. The total outlay for the central plan has been placed at Rs.70,141 crores, financed to the extent of 30 per cent by the budgetary support and the balance from internal and extra budgetary resources of the central public sector enterprises. (21) The budget takes credit for Rs.4000 crores through public sector equity disinvestment for 1994-95. (22) The increased budgetary support in the central plan outlay is in support of rural development, education, health and family welfare, women and child development, welfare of backward classes and various employment guarantee schemes. (23) Following the budget announcement, RBI reduced the minimum lending rates of scheduled commercial banks on term loans three years and above from 15 per cent to 14 per cent from March 1. (24) The main changes in indirect tax include in the case of customs reduction of the maximum customs duty from 85 per cent to 65 per cent, basic customs duty on project imports and general capital gains reduced from 35 per

cent to 25 per cent, import duty on parts reduced to 25 per cent from the present range of 25 per cent to 85 per cent, import duty on fertiliser projects and power projects continues at the rate of 20 per cent but without any countervailing duty, imports of capital goods will have a countervailing duty equivalent to the duty on domestic capital goods, MODVAT is extended to capital goods as earlier noted. Duty on machine tools ranged from 40 per cent, 60 per cent and 80 per cent to 35 per cent and 45 per cent, customs duty of steel reduced from 85 per cent to 30 per cent. Import duty on primary forms of non ferrous metals, unified at 50 per cent, as are import duty on all ores and concentrates reduced to uniformly at 10 per cent, import duty on melting scraps reduced from 12.5 per cent to 10 per cent and on iron ore pellets from 15 per cent to 10 per cent, import duty on a large number of items of machinery and raw materials used in leather industry reduced to a uniform 20 per cent without the addition of countervailing duty, import duty on computer parts reduced from 80 per cent to 50 per cent and on specified components from 50 per cent to 40 per cent, import duty on non electric telecommunication parts reduced from 50 per cent to 40 per cent and on optical fibre from 85 per cent to 40 per cent, import duty on certain items of machinery for the watch industry reduced from 50 per cent to 35 per cent, duty on components of raw materials for the watch industry also reduced from the present 70 per cent and 50 per cent to 25 per cent and to 20 per cent, system of certification for charitable hospitals abolished with reduction in import tax at zero now available for government hospitals extended to all, import duty on other medical equipment reduced from 85 per cent to 40 per cent. Import duty on crude, petroleum and coal being reduced to 35 per cent, from 85 per cent, LPG and other petroleum gas will attract import duty at 15 per cent, import duty of large number of raw materials in the pharmaceutical sector reduced from 85 per cent to 50 per cent and from 50 per cent to 25 per cent. In the case

of excise duty single formulation of scheduled drugs and other branded drugs will have a unified excise duty at 15 per cent, ayurvedic and homeopathy medicines will have 10 per cent excise, excise duty of bulk drugs raised to 10 per cent, unbranded drugs continue the present exemption from excise duty. Far reaching measures proposed to rationalise central excise reducing the number of ad valorem rates, extending MODVAT to petroleum goods granting full excise exemption to essential items like sugar, excise duty of cotton yarn reduced to 5 per cent uniformly on all counts, excise duty of metals reduced to 15 per cent, duty on pig iron reduced to 10 per cent, duty on cosmetics reduced from 70 per cent to 50 per cent. More items are brought under small scale coverage, excise duty on cigarettes reduced to Rs.60 per 1000 from Rs.120. (25) On the basis of conventional estimation the changes in customs duty would result in a revenue loss of Rs.2981 crores and a gain of Rs.699 crores, in case of excise the revenue gain is estimated at Rs.2106 crores and the reliefs at Rs.2000 crores, the effect of the changes in income tax would result in a loss of Rs.1075 crores and Rs.1355 crores more due to corporate tax changes. The reduction in expenditure tax on hotels from 20 per cent to 10 per cent will mean a loss of Rs.75 crores. Taking into account the gain of Rs.600 crores on account of the tax on services the total loss on account of tax would be Rs.4081 crores. The Loss to the states on account of reliefs in personal income tax is Rs.625 crores and the gains on the excise front Rs.148 crores. On this basis, the centre suffers a net loss of Rs.3054 crores, the the extended MODVAT credit system and the shift to ad valorem rates and elimination of half of the end use exemption. The government has not accepted the revenue loss to the exchequer on account of the changes in direct and indirect tax because it believes that the loss will be made good by the buoyancy in collections and better compliance. Thus the budget for 1994-95 plans for a total expenditure of Rs.1,51,699

crores with revenue and capital receipts of Rs.1,45,699 crores resulting in the budgetary deficit of Rs.6000 crores mentioned earlier. The revenue deficit, however, is at a high Rs.32,727 crores as against the budget estimate for 1993-94 of the revenue deficit of Rs.17,630 crores and the revised estimate of Rs.34,058 crores. Looking further at 1994-95 budget estimates, it will be noted that the reform programme is not halted but is continued. There is also a rather important reform of the tax system with the increasing resort to ad valorem tax, extension of MODVAT system, and the services. Increased agricultural investment and inflows are clearly set forth for the first time since the reform programme began through the action by NABARD, the regional rural banks which are to be restructured and the cooperatives, state, central and district. The package of measures to raise industrial growth is important, and of all its six constituents the extension of the MODVAT system is the most important. It is also good that the services sector as at long last is been brought into tax net. The human resource development sector, education, health and family planning, rural development, employment and science & technology receive attention with a little increase in their allocations. The improvement of the infrastructure particularly telecommunications, roads and power are provided for and it is hoped that they will be actualised. There is a much needed boost to small scale sector with action against large firms misusing the small scale sector reliefs. The negative aspects of the budget are alarming. As noted earlier the budget deficit is large but the real deficit is not known because of the manipulation of figures. The high fiscal deficit will bring the economy back very near to where it was at the crisis point in 1991. There is no attempt made to reduce the revenue deficit particularly the non plan deficit. Attention is later called to the inexorable increase in central staff costs despite talk about liberalisation, decontrol, deregulation. In addition to the absence of the fiscal discipline noted in the run away fiscal deficit one of the

most worrying aspects of the budget, is that it is built on the some what shaky assumption of the positive receipts to the tax reforms with the finance minister specifically ruling at the usual remedies of rise in taxes. Similarly the announcement of the full convertibility of the rupee is based on estimation which are not dependable, taking into account the very heavy commitment on foreign exchange out go during the coming years. The budget is thus a mixed bag of pluses and minuses with the negative feature being stronger needing to be curbed.

Railway Budget

The railway budget for 1994-95 was presented to Parliament at the end of February. It is summarised in Table 2.

The major issues to be noted are the rise in freight rates of a wide range of commodities along with a multiple increase in upper class and second class fares to gather an additional Rs.997 crores reflected in the gross traffic receipts in the budget estimates. Rs.800 crores of this is to be raised through upward restructuring of freight rates particularly of high speed diesel and cement. These will have a cascading affect on the price level. The fares for the upper class AC I class, AC Sleeper, AC Chair Car are raised by 6 per cent. In view of the heavy subsidised suburban fares there is an increased levy on them ranging from Rs.1 - Rs.9 for second class monthly fares and Rs.11 - Rs.40 at the higher classes. The tariff proposals relating to freight which accounts for 67 per cent of the revenue have been made telescopic - the freight rate per km decreasing as the distance increases. It is from this telescoping that it is hoped to cover the bulk of the additional revenues. In a gesture to a recession hit cement and chemical manures sector, the rebate of 6 per cent on freight is proposed to be increased to 10 per cent. The exemption list for the essential commodities remains. For short distances passenger on main lines and branch routes it is proposed to introduce

rail buses and diesel multiple units for 1994-95. The railways target for revenue earning tariff is to be increased by 16 million tonnes above this year's 362 million tonnes. Passenger traffic is likely to grow at 2 per cent which helps a 2 per cent increase in gross traffic receipts estimated at Rs.19,937 crores which is an increase of Rs.812 crores over that of the current year. Ordinary working expenditure are estimated at Rs.13,307 crores which is an increase of Rs.1552 crores over the current year, to cover inputs for incremental traffic, anticipated increase in prices, additional DAs, full year's impact of interim relief and increase lease charges to Indian Railways Finance Corporation. The appropriation to the depreciation reserve fund is raised by Rs.200 crores to Rs.2300 crores and that for the pension fund raises similarly by Rs.200 to Rs.1700 crores. Dividend to general revenues is placed at Rs.1372 crores. The operating ratio rises from 83 per cent to 85.4 per cent which is a retrograde development. There is a call therefore for further economies in the railways functioning. The budgets proposed distribution of funds between renewal of track and transport facilities and opening of new lines is on the right lines because the urgency is to renew the outdated tracks and wagons and not open new lines for which there are no funds. Also the economies mentioned in the budget may be dissipated by an increase in the number of its working hours for which the workers get paid in terms of bonus. Despite the commitment made that the railways have taken up the challenge of change with commitment and dedication with a far degree of success, the factors given are worrying - the freight earning for 1993-94 have been revised down reflecting less the export gains and more the recessionary conditions in the manufacturing sector. The cut in plan size in 1993-94 by Rs.300 crores will in view of the rising inflation be much larger in real terms. For the next year the railway plan outlay includes market borrowings of Rs.1050 crores but the problem of the activities of Indian Railways

TABLE 2 : The Railway Budget for 1994-95

(Rs. in Crores)				
Actuals 1992-93	Budget 1993-94		Revised 1993-94	Budget 1994-95
15688.44	19021.00	a) Gross traffic receipts	18598.00	20394.00
10480.08	11955.00	b) Ordinary working expenses	11755.00	13307.00
2300.00	2400.00	c) Appropriation to Depreciation Reserve Fund	2100.00	2300.00
1200.00	1500.00	d) Appropriate to Pension Fund	1500.00	1700.00
15355.00	17307.00	e) Total working expenses (b)+(c)+(d)	13980.00	15855.00
1708.00	3166.00	f) Net traffic receipts (a)-(c)	3230.00	3087.00
247.07	282.00	g) Net miscellaneous receipts	264.00	255.00
1955.43	3448.00	h) Net railway revenue (f)+(g)	3494.00	3342.00
1172.39	1253.00	i) Dividend payment to General Payments	1299.00	1372.00
341.99	---	j) Payment of deferred dividend	---	---
+441.05	+2195.00	k) Excess/shortfall (h)-(i)-(j)	(+)2195.00	(+)1970.00
370.18	235.00	l) Appropriation to Railway Development Fund	220.00	290.00
253.16	---	a) Repayment of loan & interest	---	---
177.02	235.00	b) Development works	220.00	290.00
70.87	1960.00	m) Appropriation to capital Fund - Railways	1975.00	1680.00
87.4%	83.1%	n) Operating ratio	83.0%	85.4%
		o) Percentage of net revenue to capital at charge and investment from Capital Fund-Railways	15.3%	13.1%
9.7%	15.3%			

Finance Corporation and the JPCs indictment makes this source some what problematic. This is a case for the railway plan being more fully met by the regular budget. Further, to counter the inflationary effect of the additional revenue of Rs.997 crores in 1994-95 there should be a deliberate strenuous effort at cost absorption. In this connection the exemption given to certain of the essential commodities needs a new look. There is also the suspicion of fiscal manipulation in presenting the railway budget for 1993-94. The surplus is maintained at the budget level despite decline in gross traffic receipts. This

has been done by showing a decline in total working expenses leading to a marginally higher traffic receipts than estimated. Also the net revenue and demand to general revenue are increased. This seems to be a manipulation to keep the surplus unchanged. This makes the case for transparency in the railway budget a repeatedly strong one.

Economic Survey

The economic survey 1993-94 starts as usual with a summary of the main economic indicators as summarised in Table 3.

TABLE 3 : The Economic Survey 1993-94

	1990-91P	1991-92P	1992-93P	1993-94P
	per cent change over previous year			
Gross national product (Rs.thousand crores)				
At current prices	---	---	---	---
At 1980-81	4.7	0.6	4.30	3.8 E
Gross domestic product (Rs.thousand crores)				
At current prices				
At 1980-81 prices	4.9	1.1	4.00	3.8 E
Agriculture production (1)	3.0	1.9	3.9	0.9 A
Foodgrain production (million tonnes)	3.3	4.5	6.9	0.5 A
Industrial production (2)	8.3	0.00	1.8	1.6 (3)
Electricity generated (TWH)	7.8	8.5	5.0	7.4 (8)
Wholesale price index (4)	12.1	13.6	7.0	8.2 (5)
Consumer price index for industrial workers (6)	13.6	13.9	6.1	8.6 (7)
Money Supply (M3)	15.1	19.4	14.2	14.1 (11)
(Rs.thousand crores)				
Imports at current prices (Rs.crore)	22.3	10.8	32.4	8.4 (8)
(U.S. \$ million)	9.2	1.5	3.8	19.9 (8)
Foreign currency assets (Rs.crore)	24.2	232.2	38.2	69.9 (9)
(U.S.\$ million)	33.6	151.8	14.3	69.5 (9)
Exchange rate (Rs./U.S.\$)#+	7.2	27.2	14.9	9.0 (8)

Note : GDP and GNP figures are at factor cost.

A. Anticipated; P. Provisional; E.Advance estimates

+ Per.cent change indicates the rate of depreciation of the Rupee

Composite rate from March 1992 to February 1993.

(1) Index of agricultural production/Principal alongwith base minimum ending 1969-70 + 100, (2) Index of industrial production 1980-81 = 100. (3) Average index for April-October, 1993. (4) Index with base 1981-82 = 100. (5) As on January 29, 1994. (6) Index with base 1982=100. (7) As in December 1993. (8) April-December 1993. (9) As on February 4, 1994 for 1993-94 and at the end of March for previous year.

The survey emphasises the stable macro economic environment continuing in the year and the effort to maintain the reform momentum. The impressive performance of the economy is in the external sector with the exports showing remarkable buoyancy. There is a phenomenal growth in foreign currency reserves to near \$11 billion by early February. There is a recorded quantum job during the year in foreign investment. While the organised sector still continues, the recessionary phase, the unregistered manufacturing sector records a good recovery particularly in consumer basic and intermediary goods. The survey reports evidence of improvement in business confidence and good performance of infrastructure sectors. The GDP growth for 1993-94 is estimated at 3.8 per cent, below the target of 4 per to 4.5 per cent and certainly far away from the VIII Plan target of 5.6 per cent. The production of wheat and rice is expected to grow leading to a high level of foodgrains stocks. The new programmes launched for poverty alleviation are referred to with a strong case made for legislative changes that are needed to facilitate industrial restructuring. There is reference to the need for shift in composition of public expenditure in agriculture from inputs subsidies to infrastructure creation and maintenance. Thus the Survey calls attention to the fact that much has been accompanied during the last 2 1/2 years when an unprecedented economic crisis has been over come, and a large number of long over due reforms launched. It is also acknowledged that much remains to be done particularly to attain the fundamental objective to raise the living standards of the people, particularly those living in the poverty sector, in a sustained manner. It states that to ensure the quickest alleviation of poverty, economic growth has to be labour intensive since labour is the principal, mostly the sole resource, that the poor have. The Balance of Payment position improved markedly during the year with the current account deficit expected to be less than 0.5 per cent

of GDP in 1993-94, and inflow of over \$2.5 billion on account of foreign direct and equity portfolio. Exports growth soared to 19.9 per cent in the first nine months of 1993-94 and despite the earlier wide ranging liberalising of import policy, imports declined by 1.3 per cent, making the deficit in BOP on current account less than 0.5 per cent of GDP as stated earlier. Inflation was running below 8.5 per cent in January 1994 and foodgrain stocks at record levels due to the good agricultural performance in two successive years. The most serious set back during the year was the slipping in the realisation of target for fiscal deficit correction and the associated rekindling of inflationary pressures. The Survey states that a conscious policy is been followed to reduce the quantum of short term external debt from 10.2 per cent in March 1991 to 7 per cent by the end of March 1993. The increase in external debt in 1991-92 and 1992-93 averaged about \$3 billion per annum compared to double that figure in the later half of the 1980s and over \$8 billion in 1990-91. In the first half of 1993-94 the increase in external debt was less than \$300 million. The survey emphasises the desirability of macro economic stability to sustain high rates of savings and investment and that containment of fiscal deficit entails serious changes in both the expenditure and revenue policies. Control of major subsidies, effective prioritisation of discretionary expenditure is a key issue. This is further admitted when later in the year's economy which shows that pressures of fiscal laxity and business as usual are becoming dominant. The Survey admits that this will bring higher inflation and low growth and the accentuation of poverty which has already become evident during the second half of the year. Thus the Survey under lines the need for macro economic stability and the containing of the fiscal deficit, control of major subsidies, affective prioritisation of discretionary expenditure, broadening of the tax base and a shift towards national value added tax and ad valorem import duty. It suggest that changes in legislative and

administrative frame work to facilitate restructuring of industry, elimination of rigidities and labour laws, phasing out of import licensing and high tariffs, shifting the composition of external finances from borrowing to direct equity investments and from long term debt with minimum reliance on government guarantees and prudent management of external debt and foreign exchange reserves. To this is added the needed reforms in pricing, cost recovery and shifting of public expenditure in agriculture from import subsidies to creation and maintenance of infrastructure. The Economic Survey is once more valuable for the detailed data and the painstaking analysis of that data that is provided so that it is a welcomed reference material for both the present and the future. This year's evaluation in the survey is more valuable for the facts presented than for their analysis and interpretation. On the other hand its general optimism has to be set against the back drop of the worrying signals being received in different areas. The euphoria about the major accomplishment of the build up of foreign currency reserves must be set against the year's growing fiscal deficit which has created a fresh expansionary impulse which is accentuated by the rising series of increases in administered prices. Inflation which at the start at the 1994-95 at the two digit level will not only hit the poor but also further slow down our over seas sales so that the maintenance of exports at this year's level of 19 per cent is not only in doubt, even the reserve accumulation is about to slow down sharply. This means that the external sector remains vulnerable. The Survey admits that the annual debt servicing liability will peak in 1996-97 "because of the large interest and principle repayments, a substantial financial gap may be expected to remain in the coming three years". The government's failure to control expenditure and increased market borrowings involve maintenance of high interest rates and pre-emption of investable funds by government. It is admitted that these were a constraint on the recovery in

the industrial investment and that fiscal reform has again gone awry, stoking inflation on the one hand and depressing investment both public and private on the other. The Survey's optimism needs to be tempered by the facts presented of GDP growing below 4 per cent, agriculture production declining by 0.9 per cent and industrial growth stagnating at 1.6 per cent. It seems from this data that the reforms has mired the economy in stagflation. What is urgently needed is a strategy for a breakthrough from this vicious circle, which as relying on PDS alone to act as a catalyst will not ensure the BOP gain which are repeatedly referred, to camouflage the recessionary conditions in the economy which have caused both import compression and have been aggravated by the deceleration in the growth of imports. The surge in foreign currency assets apart from raising the question of controlling money supplies also calls for vigilance on hot money flows. One wishes that the Survey address itself to the means of countering the deceleration in export growth in July/November. The transparency of the Survey needs to be reinforced by further review and discussions leading to an agreement on the concept of primary deficit. It is not enough to define it to so that it encompasses the fiscal deficit adjusted to gross interest payments. Infact dampening the inflation built up in the economy depends on an all round agreement on primary deficit which might start by acceptance of RBI's definition of the primary deficit.

Inflation

The raising of the prices in the hydro carbon centre - petrol, diesel, LPG is an attempt to reduce the subsidy in the oil consumption and make the oil pool account less dependent on government. There is a difference of opinion as to whether the inflationary effect of these prices rise are small and desirable (around 0.7 per cent) as a means of cutting oil consumption and avoiding subsidies on imported energy. It is expected that as a

result, at the end of 1994-95, the oil pool account will show a surplus but still not be able to pay its old debts to the oil refineries. Those who hold that these rises are desirable point to the finance minister's statement that the subsidy of Rs.3000 crores for petroleum products has adversely affected the performance in the oil sector without benefitting the people for whom it was intended. This view is contested by citing contrary data. The oil pool account deficit which was Rs.5145 crores on March 1993 is expected to go up by Rs.1000 crores during the current financial year. The price rise of these products particularly diesel will have a major effect on prices. The increase on price of diesel accounts for 37 per cent of the country's total consumption of petroleum products, while petrol forms only 7 per cent. The present price increase will push up the costs of transport of foodgrains, vegetables and other essential commodities, the successive increase in costs of commuting in urban and rural centres have been increasing on all classes of the people. This means the government needs to look at this question not from an accountant's point of view but from the point of the view of the people for whom the new policy was supposed to provide more employment and increase their purchasing power to make it possible for them to bear the rigours of a rational pricing policy. There has been a softening of international oil prices because of higher output by the producing countries. This should have led to some decline in the prices to the consumer of these products and certainly, not to continue an increase. The cumulative effect of these increases including those in prices of wheat referred to earlier will certainly push up the rate of inflation and make the position of consumers particularly at the poverty level more and more miserable. The annual rate of inflation stood at 8.2 per cent for the latest week ending January 29, the WPI for all commodities moved up to 251.1 and will further increase in view of the various administered price increases during January.

Power

In the power field it is reported that a leading US power company is setting up 3 power plants in the country involving an investment of \$920 million over the next few years. The scheme cover a captive power plant of 500 MW capacity for Bhilai steel, a 500 MW extension plant of the Ramagundan super thermal plant and a power project in Sagardighi of West Bengal. There is reference to its subsidiary CMS generation contract with Tamil Nadu Electricity Board and the Neyveli Lignite Corporation to set up a 250 MW plant. This plant it is reported is to be completed in 36-38 months and become operational in mid 1997. In the context of foreign companies entering the power field, the power ministry vigorously denies charges on its providing sops to foreign investors. The country faces a serious power shortage by the end of the VIII Plan unless sufficient resources are made available to create additional generating capacity. Atleast Rs.1,000 crores are required over the next three years to achieve the additional capacity of 19,500 MW and commence work on new projects before the IX Plan. Otherwise the country will face a big shortfall of around 30 per cent by 1996-97. Regarding concessions being provided to foreign investors, the ministry denies that it has given guarantees of 16 per cent return (dividend in dollar terms) to such companies. It points out that any company can recover its fixed cost at a plant load factor of 68.5 per cent. The counter guarantee were given on the insistence of the state chief ministers and for this the government of India cannot be blamed. Instead of making this kind of elaborate defence, an immediate solution is to offer the same guarantee to domestic producers which has not been done. One positive development which is being over looked is the potential provided by non conventional energy sources in the power scenario. The success achieved by the wind energy programme should be noted. The ministry of non conventional energy sources

(MNES) has been flooded with applications from private entrepreneurs for setting up of wind farms which add up to a total capacity of 650 MW. It exceeds the VIII Plan target of 500MW through this source. What is more encouraging is that private entrepreneurs are raising their funds for their projects through public issues, as in the case of the Gujarat based company which is putting up a 100 MW wind farm in the state. Similarly the Madras based NEPC, MICON specialises in the production of wind farm plants. Both companies are raising their needed resources from the capital market which is an evidence of their commercial viability apart from there being an environmental sound technology. IDA has granted \$75 million credit from the global environmental facility for setting up this 85 MW capacity project. It is interesting to note that while other potential investors both domestic and foreign are demanding government subsidies to set up power projects (the row about counter guarantees is evidence on this), the entrepreneurs in wind development are going ahead without any subsidy. One problem faced by them is that the state electricity boards are both slow in paying for the wind power and almost never pay the price which meets their cost. The ministry (MNES) has recommended that SEBs pay wind development remunerative prices of Rs.2.25 per KWH which is lower than the prices paid by them on power from conventional fuels. Thus it is important for the development of wind and other forms of non conventional energy that the criteria of marginal cost pricing be adopted and made mandatory for all SEBs.

Economy

In early February an ordinance was issued to amend the banking regulation act which raises the ceiling on voting rights of a share holder from 1 per cent to 10 per cent. The ordinance is a means of expediting the attainment of the objective of easing functioning of the entire private sector banks. The parliamentary process of amending the

act would have taken a much longer time. Now with the ordinance, both houses will move on the amendment much more expeditiously. Private sector bank promoters who had obtained licenses from RBI were held up because of the voting restrictions. Further, the ordinance also provides for splitting the post of chairman and managing director and using if needed a part time chairman. Thus the chairman of ICICI can now also be chairman of the ICICI bank, as the chairman of UTI can also chair UTI sponsored banks. In this ongoing effort to denationalise/privatise public sector banks the government has sanctioned in principle public sector banks raising funds in the capital market. The government is thus prepared to divest its stake in these banks to the extent of 49 per cent of total equity. On this basis two nationalised banks the Canara and the Bank of Baroda have finalised the size of the issue and due details such as the lead managers and premiums. Both banks are aiming to raise Rs.500 crores each on the capital market. There is one obstacle still to overcome. These public sector banks fall under the nationalisation act of 1970 and 1980 and unless these acts are amended the banks cannot go public. RBI is favourable to the proposal provided the two acts of nationalisation are amended and the government retains 51 per cent of the equity. The government's thinking is that as the banks have to adhere to the basic agreement of 8 per cent capital adequacy norm, most nationalised banks fail to meet this norm and this is one reason why the banks should be allowed to raise funds from the public to attain their capital adequacy levels. Five other banks are reportedly intending to go to the public and raise funds. They are the Punjab National Bank, the Oriental Bank, the Indian Bank, and the Union Bank of India and the Corporation Bank. There are also subsidiaries of the State Bank like the State Bank of Mysore, State Bank of Hyderabad and State Bank of Saurashtra which wish to follow this line. This is an encouraging development. The

status of the union government finances is seen in the level of the budget deficit which at December end amounted to Rs.10340 crores as against Rs.4314 crores budgeted for the whole of 1993-94, and the level of market borrowing which through long term dated securities amounted to Rs.6465 crores (Rs.1617 crores higher than the budget) and the 364 days treasury bills amounting to Rs.15011 crores. The main reason why the deficits and market borrowings are higher than that provided in the budget is due to both increased government expenditure on which little information is available except in regard to staff referred to at the end of the section and the decline in revenue which stood at Rs.41,108 crores for April/November 1993 which was 5 per cent over that for the same period in 1992. Customs duty fell through this period by over 20 per cent was compensated by the marginal increase in direct tax revenue by 0.5 per cent and excise duty by 5.4 per cent. Direct tax collections by the end of December was short of the target by Rs.4600 crores. Food subsidies for 1993-94 is likely to exceed the budget provision of Rs.3000 crores to almost double that figure. This is accounted for by the record procurement of cereals far beyond the estimates (12.8 million tonnes in the case of wheat and 11 million tonnes in rice) along with sharply reduced off take of wheat and rice from PDS. This expanding of food subsidy budget is also the main reason for the very hard decision to increase the issue prices of foodgrains sold through PDS. That increase of over 20 per cent is certainly harsh and will hurt the poor, while the cause of the equally sharp hikes in support prices which in a way makes up for the control of food subsidies in the early years. The hike also benefits the medium and large farmers. Similarly fertiliser subsidy exceed the original budget provision of Rs.32,500 crores by 26 per cent, the subsidy is likely to double for the year at Rs.4400 crores. There is an additional Rs.2200 crores that may have to be met due to the price escalation, carry overs and the adhoc subsidy allocated for

decontrol of fertilisers. Of their revised figure of Rs.4400 crores subsidy, the indigenous subsidy bill will contribute Rs.3800 crores compared to the budgetted Rs.3200 crores and imported fertiliser will contribute the rest. An important development in the month is the government decision to disinvest upto 20 per cent of its shares in Indian Airlines and Air India. This proposal has been put up to the cabinet for quick approval, it would mean that equity worth Rs.100 crores in each of the two airlines will be available to the government. The speculation is that there is likely to be a large premium on the shares resulting in a massive Rs.1000 crores from the disinvestment in each airline. The airlines will also be establishing a presence in the market by the disinvestment. Further, the promulgation of the ordinance to end state monopoly in the aviation sector gives the government rule making powers to set up the Board of Air transport to regulate the functioning of the airlines industry. The Director General of Civil Aviation will continue to oversee the competence of pilots and the air worthiness of aircraft. All private taxi operators will have to submit applications for being registered as scheduled airlines. The ordinance ensures that the government will retain a controlling share holding in both Indian Airlines and Air India. Another important development to note during the month is the World Bank's proposed \$6 billion lending programme to help finance the medium term economic reforms. It includes \$400 million structural adjustment loan for agriculture (for the first time) in addition to loans to sustain reforms in financial, trade, export and the coal sector. The loan emphasises on people oriented projects. Both bank and IMF want India to quicken the pace of reform as against the caution expressed in the President's address to the two houses of parliament. This means that the Bank and IDA lending will continue to remain around \$2 1/2 billion to 3 billion a year with important shifts in the content of the lending programme, the main elements of which will be increased emphasis on quick disbursing sectoral loans

to back reforms in agriculture, trade, and finance, increased focus of people oriented projects to promote public health, education and human resource development, disbursement of lending to various states to back the central government's effort to spread the macro economic reforms to the states. For agriculture the IDA loan of \$400 million is aimed at reforming the country's dominant rural sector, plus the two projects of \$100 million and \$140 million to spread improved agriculture technology and boost agriculture performance in AP, Haryana, Karnataka and Tamil Nadu. A \$500 million IDA credit for a second social safety net is being discussed with the government. A proposal for these wide ranging loans from the World Bank raises issues of national policy and future viability of their reform process. The budget provision to prepone the IMF loan of \$1.4 billion in early 1994-95 seems to rule out many of these possibilities. A question also arises whether the sharp increase in the price of consumer goods - LPG, sugar, rice and wheat and the prices of petrol and diesel are likely to act as an obstacle to reform which the World Bank/IMF wants speeded up. 30 months after the government opted for reform through the three annual budget, a squeeze on fiscal profligacy is yet to be achieved. Infact while there is continuing talk and emphasis on reform and liberalisation to reduce the role of government in the economy, the size of government's establishment seems to be expanding continuously. CII has found that the central government has created during the year 40,000 new posts as against the government's assurance that the governmental employees will be reduced by 10,000 which is a modest estimate, considering the elimination of controls on trade and industry and the redundancy of departments like DGTD and CCIE. Why has there been no redeployment of personnel from these departments to those where the new recruits are being installed, apart from the question of retrenchment which has not been faced or answered. This increased

staffing makes impossible any reduction in the revenue deficit for which the staff reduction are the first line; not only does it mean more salaries for the 40,000 additional staff, it also means more office facilities, infrastructure, consumables, telephone, travel, etc. The high fiscal deficit along with the high inflation rate has made impossible not only the countering of recession in several industrial sectors and the contra action needed against the down swing in export growth during the second half of the year (from 29 per cent to 19 per cent). The further steps in the full convertibility of the rupee are now held up. A further development of the economy is the announcement of the chairman by the Company Law Board that the new Company Bill 1994 will have the major provision for our introducing the concept of unlimited companies for the benefit of multinationals which are now entering the country rather rapidly. The new policy has a clause for deleting the concept of dominant undertaking for the benefit of large industrial houses. This long awaited bill it is stated will be introduced with its amendments in parliament, in the budget session which will be an occasion to review its clauses and various approaches. Even under the existing law, large size MNCs like the French Cosmetics giant, L'oreal, Wilbur, Gimbh of Germany, Pepsi Cola of US are among these large foreign companies has entered the country and whose proposals for direct investment (50 per cent) involving a total direct foreign investment of over Rs.700 crores. The inducement offered for this is that the export earnings will be over Rs.1700 crores over a five year period. All this should be fully debated in parliament.

Agriculture

The latest official estimate is that foodgrains output for 1993 is likely to be 179.1 million tonnes (74.3 million tonnes for rice and 56.90 million tonnes for wheat), about 9 million tonnes short of the target along with coarse cereals of 33.70 million tonnes, pulses at

14.50 million tonnes, cotton 106 million bales against the target of 125 million bales, - as provided to the Lok Sabha. The agriculture minister also referred to the oil seeds output being 20.5 million tonnes against the target of 21 million tonnes and sugarcane 231 million tonnes against the target of 250 million tonnes. Thus the agricultural production scenario presents a mixed picture. Government also announced that the central agencies have secured a total of 10.66 million tonnes of rice, during the current kharif marketing season till February 1, compared to last year's 8.77 million tonnes procurement. Main contributors to this were Punjab, Haryana, AP and UP. But this massive procurement of levy rice has contributed substantially to the huge food subsidy bill of the year. In some states, levy prices are higher than open market prices. NABARD reports that it has taken a lead in the formation of the small and medium farmers agri business consortium to promote specific target groups of these farmers in high tech areas. The consortium is being implemented in 14 districts of the country initially involving scientists, corporate houses and bankers. In Dharmapuri, the small farmers agri business consortium in which NABARD and the identified farmers association will each have an equity stake is taking up the cultivation of vegetables and fruits including mango, papaya, floriculture, seri culture and waste land development. NABARD has also begun organising voluntary farmers groups that provide a forum to raise their awareness on all credit aspects. This is a welcome development as it helps the consortium project which will benefit small and medium farmers with both finances and technology in atleast getting started. NABARD has also floated a venture capital fund of Rs.5 crores to help innovative schemes of these farmers such as oil palm cultivation and processing, sericulture, tissue culture and aquaculture. The centre also announced in early February the suspension of exports of cotton in view of the continuing rise in its prices. This would make it difficult

for the exporters who have contracted out two lakh bales which is not being allowed. RBI is to freeze advances to traders against cotton stocks and is planning to recall those made earlier this year. This confusion is causing the cotton trade several problems. In February, 21 research reports have been recorded, their distribution is heavily weighed in favour of other food crops 8, followed by animal husbandry 7, fruits and vegetables 4, rice and other cereals 2. This again is a reflection of the summer cropping pattern which will be corrected when the sowing season begins.

Plantation Crops

Tea production touched a new high 758 million kgs in 1993 which was a 7.68 per cent increase over that of the previous year. Exports improved to 175 million kgs in 1993 from 170.29 million kgs in 1992. For the first five months, the value exports was Rs.865.97 crores. Both South Indian Tea gardens and West Bengal contributed to this sizable increase. South Indian production totalled 178 million kgs against 158 million kg in 1992, while West Bengal tea gardens recorded a rise of 11.83 per cent. The overall production in the North showed a rise of 12 per cent. The proposal to allow export oriented units to import tea for our export in bulk form has raised a controversy. UPASI leads those objections because the import of cheap tea for blending and re-export will hurt South Indian tea producers who have a lower price profile. Here the question is whether UPASI is right in maintaining that India produces enough tea not only to meet the domestic demand but also meet export needs. On an average the country is exporting two lakh kgs of tea annually. This controversy should be examined further so that it could be resolved. Coffee growers have been urged to cooperate in the implementation of the FSQ scheme. This would involve their pooling 50 per cent of the produce with the board. The FSQ scheme will succeed only if the growers fully honour this commitment. The

market has welcomed the FSQ scheme, with growers receiving high prices for their produce. To make the FSQ scheme more attractive to growers, the Board has also proposed the initial payment of Rs.16.50 per point to growers. This has been their long standing request. Pepper in 1992-93 recovered after a slide for four years continuously. The exports in 1992-93 were 25480 tonnes valued at Rs.83.17 crores compared to the exports of 20565 tonnes valued at Rs.74.21 crores in 1992-92. For 1993-94 the export target is 32,000 tonnes valued at Rs.112 crores. This target if attained would place the commodity at the top of the world export market. Similarly records are being set by other spices like chillies, turmeric, coriander, garlic, spice, oils and oleoresins.

Industry

Industrial output in 1993-94 shows a slow rise compared to that of the previous year. The manufacturing sector is slowly picking up particularly in regard to consumer durable and intermediaries. The automobile sector is improving its record except in the important case of medium and heavy commercial vehicles. The index of industrial production shows that recessionary conditions in the sector continue unabated. The index showing only 1.6 per cent growth in the first seven months of 1993-94 compared to the 4 per cent in April/October 1992-93, in October 1993 the general index advanced to 2.4 per cent according to the quick estimates of CSO. ICICI's report on financial performance of 620 companies which it assisted, show a growth in value of sales at a lower 14.7 per cent in 1992-93 compared to 19.6 per cent in 1991-92, value added increased at the lowest rate of 11.8 per cent in 1992-93 in the five year period, gross profits increased by a mere 7.1 per cent, operating profits (before tax) by 7.5 per cent, retain profits declined from 16.2 per cent in 1991-92 to 13.6 per cent, the shares of salaries and wages depreciation and interest in value added increased at the expense of

operating profits, gross fixed assets from 22.9 per cent, capital formation slowed down to 11.9 per cent in 1992-93 from 46.5 per cent in the previous year, the highest growth of incremental inventories at 33.9 per cent was recorded in 1992-93, the corporate sector relied more on external funds as against internal funds and there was a marginal increase in debt equity ratio from 0.97 per cent in 1991-92 to 0.90 per cent in 1992-93. These highlights show that the reform process has not really helped the private corporate sector yet. This is part of the recessionary conditions in the country's industrial sector. In February ONGC changed its three decade old status to become a public limited company vested with corporate financial powers to improve its competitive position. The startling increase in the case of cost and time over runs of public sector units should be noted. The total project cost of PSUs has increased by 59 per cent but in the case of 189 projects it has exceeded 100 per cent. The projects concerned include the vital infrastructure industries - railways, coal, power, petroleum, fertilisers and heavy industries. The major reason for this escalation is a long delay involving up to a decade to complete the project. In turn the main cause of the delay is gross under funding of the projects which the ministries put forward in order to get quick approval. There is also serious lacunae in implementation which adds to the problems faced as a result of the financial crisis and the consequent cut in budgetary allocations of the central and state governments. In regard to the reform process and the public sector units, in order that there should be immediate transition towards profitability of the sector, there should be some move to overcome the hurdles which the reform programme faces here. The postponing by one year of the requirement of the capital adequacy norms of commercial banks is a case in point. Profitability of the units in the sector is an indicator of their efficiency and their stress or lack of it in the Human

Resources Development. Is there a correlation between profitability in a public sector undertaking and the way it satisfies its consumers. This brings up the question of time frame for reform programme at both the macro and micro levels. Among the macro factors are the needed judicial enactments for facilitating a smooth transition. The access of the banks to the capital market is essential if they are to meet the capital adequacy norms and in that context the government has to come out with more budgetary support to help the completion of the reform process in time. The public enterprises survey for 1992-93 shows that petroleum companies have improved their performance to a point where the public sector enterprises record Rs. 44 crores increase in net profits during the year 1992-93. This record would have been higher but for the losses suffered by sick public enterprises which amounted to Rs.4000 crores. IOC heads the list of profitable undertakings, while Rastra Ispat Nigam was the highest loss making concern. The net profit for the year rose by Rs.1040 crores to reach Rs.3395 crores, with petroleum sector making the major contribution of Rs.551 crores, while hearteningly, also the non oil sector companies achieved a net profit increase of Rs.489 crores. The impact of the loss making companies is shown in the data that while net profits of 131 units is Rs.7346 crores, the loss suffered by 104 units amounted to Rs.3950.50 crores. The survey noted that the other item in terms of ratio of net profit to capital employed has risen to 2.43 per cent compared to 2 per cent in the previous year. These findings on the profits record of the enterprises do not bring in any new information but if the concept of opportunity cost is applied, it would answer some questions. As given the level of funds, would the return be not better if they were invested in any other area or in different forms of ownership. One important development is the data analysis and units monitoring individual in terms of the strengths

and weaknesses. This would help continue the reform as applied to these enterprises. The gross profit as percentage of capital employed however, records a marginal decline from 18.83 per cent to 18.02 per cent which is attributed by the Survey rightly to the various obligations of public enterprises which go beyond the concepts of production and profits, namely employment of the backward classes, provision of housing etc. These contributions in discharging social and economic obligations including development of backward regions, provision of public utility services and sale of basic inputs of products at administered prices below cost should be taken into account in evaluating the performance of the public sector.

Foreign Trade

Export growth recorded a 20 per cent rise in the first nine months in 1993-94. This also helped in compressing the trade deficit to \$731.55 million during that period as against \$3565 million in that period of the previous year. The good showing of exports in April/December this year is mainly due to the sharp export growth at 22.2 per cent in December. The changes in exports and imports in November and December 1993 are somewhat puzzling as even with a slower rise in exports in November 1993 by 13.84 per cent, there was a surplus of \$36.52 million against the deficit of 373.76 million in the previous year, as imports declined by 10.8 per cent. It is likely that the disparate trends in November and December were due to special factors which may not be repeated. The aggregate export earnings may hit the target of \$19.2 billion while imports being around 20.99 billion leaving a small gap of \$1 billion. India's BOP is in a rather comfortable position in January this year because of the above buoyancy in export growth, the up trend in foreign exchange reserves, negative growth in imports and a stable rupee against US dollars and Japanese Yen. The

latest monthly economic reports that foreign exchange reserves soared to \$10.49 billion in January end (sufficient for four months import requirements) compared to foreign exchange reserves including gold and SDRs which increased to \$6434 million at the end of March 1993. In fact the foreign exchange reserves crossed \$12 billion of February 18, and is expected to cross \$13 billion by March 31. Foreign exchange reserves comprise export earnings, borrowing from IMF, World Bank and other multi lateral agencies, port folio investment from foreign institutional investors, direct financial investment, invisibles in the form of remittances and corporate funds raised abroad through flotation officials. The question may be asked what is the comfortable level of reserves? To answer this question, only an inventory can be made of the future needs for reserves. Beginning with 1995, the annual debt repayment will be \$8 billion until 1998. The reduction in customs duty in the budget would push up imports. There is also the bunching up of that repayment and liberalised imports. All this would add to exports having to increase by more than 25 per cent to maintain a comfortable reserve. In the context of the rising export performance agricultural exports have increased sharply to Rs.7308 crores in 1992-93 from Rs.4696 crores in the previous year. The share of the sector in total exports which is around 12.6 per cent in 1989-90 moved upto 14 per cent in 1992-93 and in the period between April/November 1993 these exports totalled Rs.6211 crores against the previous year's Rs.4332 crores. The top four items of the farm products basket are oil meals, rice, cashew and tobacco. Union government has decided to allow duty free imports of 5 lakh bales cotton in order to help the textile mills supply hank yarn for handlooms at lower prices. Thus there is a trade between helping the raw cotton growers and the handloom weavers. The decision to allow duty free imports of five lakh bales will not

only help ease the intense upward pressure on cotton prices but also reduce the need for extreme administrative measures such as the ban on exports that had been announced earlier. Reference was made earlier in this review to the dilemma of exporters who already contracted but not shifted their cotton. To ease the procedural constraints, in exports, its clearance and procedures have been simplified. The Member (customs) will also function as Member (export promotion) and ensure export facilities particularly in regard to the clearance and procedures. On individual items, marine exports have recorded a high growth rate in the first nine months of this year reaching \$511 million till December against \$650 million last year. There is need for food exporters to translate the focus that has been given to aqua culture in the export structure so that marine fish production which is now on a plateau could once more begin rising. The other good export performance is automobiles which has increased during the first month of 1994 to 3341 cars in January, 8656 two wheelers and 8481 three wheelers.

Loans and Aid

The \$6 billion IBRD loan scheme was referred to earlier. It includes the IDA loan of \$3 billion during the next three years. Germany has made a loan of Rs.760 crores. This loan is given at a concessional interest rate of 0.75 per cent and is repayable over forty years. IBRD announced the sanction of \$800 billion for the upgradation of vocational training skills. The distribution and use of the aid will be coordinated by the national technical education and training centre on behalf of the union ministry of human resources. The project will aim at upgrading technical training skills in the country. In regard to fast disbursing aid, a some what curious situation has arisen. The government reports at the end of February that it will use only \$800 million of \$2.2 billion of fast disbursing

assistance pledged by the Aid India Consortium referred to in the last issue. The decline has taken place because the need for exceptional external financing has come down sharply in 1993-94 due to the notable increase in its non debt foreign inflows through higher direct and portfolio investment. This means that the government has to make a more realistic assessment of fast disbursing aid for next year so that there will not be a gap between the pledge and their use.

Human Resource Development

Education

Distance education is becoming an important means of attaining the objective of Education For All. It is also an important contributor to quality as against the growing phenomenon of campus unrest, dilution of academic standards, sharp fall in quality, corruption and malpractices. Distance education of the open university system is not only devoid of these problems, it can also act both quantitatively and qualitatively as supplementary and complementary to the conventional system. The Indira Gandhi National Open University is the largest centre of Distance Education in the commonwealth and is the third or fourth largest open university in the world. The commonwealth of learning after an independent and objective appraisal declared the Indira Gandhi University as the centre of excellence in distance education. Distance education thus is a means not only of attaining the declared goal of Education For All, it is also an important contributor to equity in educational opportunities and provides the scope for continuing life long education. The Open university and its correspondence courses is bringing about a sea change in higher education in the adoption of the credit system which departs from the rigidity imposed by the formal course structure. Similarly the freedom for a candidate to choose course totalling a specified number of credits

(16 each year) is a much needed innovation as suggested by CABE. Village education committees are being formed in the state. They could also be the panchayat standing committee for education which will enhance the role of all three tiers of local bodies in primary education and also in order to make a reality of the decade old decision to allocate 6 per cent of GDP to education. The prime minister at the meeting of chief ministers in mid February announced that the centre has decided to redeem its national pledge made years ago (allocating 6 per cent of GDP to education). This rise from the present 2.3 per cent is to take place from the 9th plan which gives a four year period for the mobilisation of additional resources for education including particularly the levy of an education cess. This is opposed by a few chief ministers but there is no alternative to this resort to resources mobilisation. Madras University has decided to start a B.Sc. course in Hotel and Catering Management. It will also open its Master of Law degree to private candidates. It will allow B.Com graduates to appear for M.A. in other subjects. The Mahalingam committee has submitted its report on the feasibility of a technological university in the state to the State Council for Higher Education. It proposes a technological affiliating type university and states that it is feasible and necessary. Under the proposal, all engineering colleges will be affiliated to the university. Its main aim as put forward by the committee is that of bringing about a certain amount of uniformity in the curricula of all engineering courses and so facilitating student migration. The university will be open to the current problems faced by all the affiliating type universities and therefore needs further discussion and thought.

Science

The gap in science and technology between industrialised and developing countries is widening and increasing reports Unesco. Only a few countries carry out more than 80 per cent of the world's scientific research

and development. While industrialised nations spend about 3 per cent of GDP on science or R&D, developing countries hardly manage 1 per cent. Hence the report concludes that today the gap between poor and rich is a knowledge gap unless this is closed, there can be no sustainable development. It states that most Latin American countries spend about \$10 or less per head on R&D compared to \$300 in the European community, \$400 in Scandinavia, \$600 in USA and \$700 in Japan. Nigeria spends just 22 cents per head on R&D. The heartening point is that the newly industrialised countries of Asia spend more of their GDP on R&D. In this connection an important development is memorandum of understanding signed between India (Ministry of Industry and CII) and European Commission for the establishment of a technology information centre in India. The centre will be initially set up by CII and will provide a single reference window for information on available technologies in India and abroad to users from industry, government, entrepreneurs and for various consultations. In connection with the Science City in Madras referred to in the last and earlier issues a working group of scientists and academicians set up by the state government has submitted an action plan calling for Rs. 60 crores investment over a five year period. It has also recommended the delineation of Madras Science City zone as a unique area for further development. There will be a statutory body established the Madras Science City Commission (MASCOM) to regulate the development in the city. The city has planned an outdoor class room where S&T discoveries are self taught with several institute setting forth their activities through these architecture, solar energy for lighting and signalling, emphasising non conventional energy, high tech sculptural forms, land scaping and pollution control. These features are planned in order to foster scientific temper and culture in society. While the location of the science city will be South Madras

with Taramani as its core where there are twenty institutions of higher learning with 5000 scientists and research scholars and 15,000 students covering all major sciences in the institutions, physical, chemical and health sciences, mathematics and engineering. This will also involve amendment of the MMDA act to enable the growth of the new zone which will supplement the residential commercial and industrial zones now characterising the city of Madras. There are three organisational types proposed in order to ensure flexibility and adequate powers for the development of the city. These types include a cooperative organisation with all institutions representatives in a science city society and Madras Science city commission created by the state government. The most favoured type is the commission with scientists, technologists, industrialists and administrators and public personalities on the Board of Management. All Institutes in the zone will form a cooperative organisation to promote free access to libraries, laboratories and computers. This may to some extent meet the problems of the lack of institutional framework for coordinating the different research areas, poor resources sharing, limited transport, catering and public utilities, lack of international standard communication facilities and the persons in the vicinity of two polluted water courses - Adyar river and the Buckingham canal. Thus the future improvements will involve new and better rates and a separate fibre optic communication network and a common library membership for all scientists and research scholars. On funding, besides MASCOM creating a corpus fund with income tax exempted contributions from institutions and individuals, the plan states all the department of the science and technology, environment and forests, ocean development and other central agencies will provide support for R&D and recognise the Madras Science city zone and all its activities as an essential S&T activity and provide the needed liberal funds.

Employment

The number of job seekers in the employment exchanges have increased from 1.59 lakhs in the case of educated unemployed in the last six months in Tamil nadu. The number of educated applications in the live registers on December 31, 1992 was 22,65,089 rising to 23,24,207 as on June 30, 1993. The figure for the year end is yet to be computed. Among the educated unemployed the highest number of entries is matriculates, PUCs and HSCs. The number of matriculates is 11.92 lakhs with PUCs and HSCs at 6.33 lakhs, the increase in a 6 month period upto to June last is 1.24 lakhs. This should be compared with the number of educated unemployed in the live register in 1961 which was only 41,000 crossing 1 lakh in 1968 and 10 lakhs in 1985. The educated unemployed as of June 1993, classified into post graduates - arts, 24,129, science 12,199 and commerce 10,017, Graduates - arts 90,734, science 90,072, commerce 49,279, medicine 4396, and education 96,015. A number of engineering degree holders including PG in live register is 26,287 including over 6000 mechanical engineers, 7500 civil engineers, 5100 electronic engineers, and 3900 electrical engineers. The number of diploma holders is 72855. The largest number of unemployed are registered in the districts of South Arcot, Madras, Tiruchi, North Arcot - Ambedkar, Chingleput - MGR, Coimbatore, Kanyakumari, Salem and Madurai. This is a disturbing picture.

International

World Economy

FAO in its 1993 annual report states that fresh water has become "an increasing scarce good of valuable research" with its growing scarcity posing serious threats to

development. It emphasises that the growing water scarcity and mis use of fresh water are serious threats to sustainable development. Competition among agriculture, industry and urban areas for limited water supply is already constraining development efforts in many countries. The report further calls attention to the world wide "failure to recognise and accept that there is a finite supply of water" and warned that if pollution continues to grow the competition for limited supply will intensify as will conflicts among water users. It points out that more than two thirds of the water drawn from the earth's rivers, lakes and aquifers is used for irrigation, agriculture being the world's largest user of water. 2.4 billion people depend on irrigated agriculture for jobs, food and income. The report predicts that over the next thirty years 80 per cent of the additional food needed to feed the world will have to come from the irrigated agriculture while simultaneously cities and industries will be increasing their demands for water. In this connection it points out that while agriculture "is also a relatively low value, low efficient and highly subsidised water user" domestic water users, who can generally afford to pay more for water than agriculture users are being subsidised. Further, industrial water users provide more jobs, produce more income and earn a higher rate of return per unit of water than agriculture users. The moral is clear. 60 per cent of water being pumped for irrigation and wasted needs to be economised in order to share its availability and quality for the future.

Asian Development Bank

Bank's report for 1993 refers to China, India, Malaysia, Thailand and Vietnam as economies with high growth performance. It estimates that the strength will continue in 1994 and 1995 with the growth rate for these countries remaining above 7 per cent. It states that the policy reforms and structural adjustment programmes undertaken by the

South Asian countries will result in a even higher growth rate for the next two years. One outcome of this has been a rapid increase in trade and investment within Asia than between Asia and the rest of the world, reducing Asia's vulnerability to adverse trends outside the region. In the past four years while the per capita income in the 24 richest industrial countries declined, that of the per capita income in Asian economies increased by over 4 per cent. This high growth is sustained by strong export growth as well as strong domestic demand. The problems the South Asian economies face are the huge population pressure and environmental degradation caused by rapid industrialisation. As Asia is the home to more than two thirds of the world's poorest people the reduction of poverty in that area is still an arduous task. It reports that China's economic growth would remain as high as 10 per cent in 1994 which is lower than the average 13 per cent growth in the past two years resulting from the stricter macro economic discipline.

UNDP

According to a report by top level economists in UNDP the level of unemployment and incidence of poverty have increased in India since 1991. The reforms programme of the country was planned in two phases. The first phase which is now over, concern stabilisation and steering the growth of aggregate demand, the second phase that of structural adjustment is now under way and pertains to reforms in the basic structure of the economy. These measures have induced industrial recession and have led to cuts in public expenditure on anti-poverty programmes. Hence employment generation and poverty alleviation process which were operative in the 1980s have now been reversed. It estimates that both the level of unemployment and the incidence of poverty have probably increased since 1991, though this cannot be empirically confirmed now. In regard to the medium term

affects of structural adjustment on employment and poverty, the main problem is that of reviving growth which means boosting aggregate demand in the economy. Since fiscal policies are non expansionary, the revival of growth depends on boosting exports and attracting foreign direct investment. Both these depend not so much on domestic policies but on developments in the international economy. The report presents a somewhat gloomy picture for the future. Even if growth is reviving in the immediate future, employment in the organised sector will be stagnant and with no policy changes in the rural sector, the employment elasticity in agriculture will continue to be low and may mean accelerated rural urban migration. If industrial recession persists employment conditions will worsen in all sectors and the incidence of poverty will rise. Given the uncertainties about the expansion of exports and attraction of FDI, it advises that the focus should be on policies which will help minimise the beneficial effects of growth when it is reviving and minimised the slow process of adjustment if the growth remains sluggish. This involve restructuring public expenditure which is well within the government's realm of control but even so, as noted earlier, the developments are not encouraging.

Other Items

Tamil Nadu State Council for Science and Technology

A meeting of the Executive Committee of the Tamil Nadu State Council for Science and Technology was held in early February and, despite the counter attraction of the international sports organised by the state government in the Jawaharlal Nehru Stadium, was well attended by scientists, technologists and representatives from the union government and state government. In particular the existing operating projects were carefully

reviewed and some suggestions for their improvement and modifications suggested. In regard to the 27 student project scheme sanctioned in different institutions in the state for implementation, during 1993-94 each under various stages of implementation a review meeting of the guides of these projects and the state council officials developed the modalities for ensuring completion of the projects by the end of the academic year. The incentives to young scientists in the form of travel grants and the newly instituted fellowship programme were reviewed and approved. The popularisation of science scheme it noted, is expanding fast and is doing well. The meeting also reviewed various administrative and financial items and gave its approval of the audited reports for 1991-92 and 1992-93 and appointed auditor for 1993-94.

Dr. M. S. Swaminathan Research Foundation

Dr. Swaminathan Research foundation organised a very interesting meeting in early February where Dr. Ismail Serageldin, Vice President of the World Bank delivered a clear and lucid talk on Sustainable Development and the loans of the World Bank. The discussion which followed pointed to the need for its decisions being applied to the industrial problems in India and other related areas.

SRC and TNBCE

The bi-monthly meeting of the Governing Body of the State Resource Centre was held in mid February. The report of the Standing Finance Committee was reviewed in some detail and additional information on some of the items of expenditure were requested and obtained. The Committee to continue the evaluation of the TLC projects headed by Mr. Guhan has now been formed and will be undertaking its work in early March. The Governing Body was followed by a meeting of the TNBCE at which there was full

representation. The regional representatives agreed that their problems should be set forth in writing to the Secretary of the Council who after the discussion with the chairman or the council will transmit the results to the directorate of Non Formal Education in Delhi. A sensible improvement in the rate of approval of NGO projects and transmission of estimates to them were noted as a result of the work of the secretary.

Indian Institute of Foreign Trade

Representatives of the Institute had a detailed discussion with the staff of this centre probing into the aspects of India's foreign trade vis a vis the new economic policy. Of particular interest where two issues the reasons for the initial spurt in exports and later slow down and the reason for the continuing sluggishness of imports. These were discussed from the point of view of the state and the means for reviving these programmes in the future were suggested.

IIC

There were two major events in the India International Centre in India organised by the Economic Affairs Group of the Centre. The first was the monthly panel discussion on the changing ideas on the role of the state. The problems of interventionism - regulation, control, direct state participation in industry and commerce along side of market philosophy with some reference to market failures were highlighted. The continued relevance of planning in strategic areas and the importance of further developed decentralised planning were emphasised. On the next day a seminar was held on the related subject of the turn about in economic policies. There was a good review and discussion of the achievements and failures, the strengths and weaknesses of past policies of licensing, regulation and other controls. In light of this the new economic policies were referred to,

it was noted that there was consensus on some points such as debureaucratization, relaxing of rigidities and greater play for market forces. There were also divergences particularly with regard to the extension and scope of deregulation and external liberalisation. In light of this there were some discussions, rather limited because of the constraint of time of the reform policies which have been put in place, which also need continuous review in regard to the management of the economy and the objective of raising the standard of living of the people.

First Article

The paper for the March Seminar "Some Notes on Tamil Nadu - An Economic Appraisal 1992-93" appears as the first article.

Second Article

A note entitled "Why NO to Population Policy" appears as the second article.

Research Abstracts

A note on the research abstracts by faculty members appears in this section.

MIDS News

Dr. Ashok Mitra, Former Finance Minister of West Bengal gave a lecture on "Political Economy in a Uni-Polar World" on February 19, 1994.

Mr.S.Guham chaired a session and made a presentation in a Conference on "Widows in India" at IIM, Bangalore on March, 24, 1994. He also gave a talk on "History of Local Body Legislation in India" at Tamil Nadu Science Forum, Madras on April 2, 1994.

Dr.John Humphrey, Research Fellow, Institute of Development Studies, Sussex, spoke on "The Transfer of Japanese Methods to Third World Industries: Implications for India" on March 30, 1994.

Dr.C.T.Kurien gave an informal talk on "How to Analyse a Budget?" on March 15, 1994. He also gave a talk on "Decentralised Planning: The Indian Experience" at Tamil Nadu Science Forum, Madras on April 2, 1994.

Dr. Nasir Tyabji participated in: a Symposium on "Strengthening the R and D - Economy Interface" organised by the National Research Development Corporation at the CLRI, Madras from February 25-26, 1994, and spoke on "Policies for Supporting Competitive Industrialisation and technology innovation"; the "Interaction Meet on Technology Transfer from Abroad" organised by the Department of Scientific and Industrial Research at the CLRI, on March 4, 1994 and spoke on "Technology Absorption - Some Lessons"; a Seminar on "Ethnicity and Nation Building in South Asia" organised by the USEFI and the Centre for South and South Eastern Asian Studies, Madras University, from March 21 to 23, 1994 and presented a paper on "Rediscovery of India - The Political Economy of Secularism"; a

Workshop on "Flexible Specialization in India" at the French Institute, Pondicherry from March 25-26, 1994, and chaired the Session on "Labour, Employment and Incomes", and led the discussions on "Policy Issues"

Dr.Nirmal Sengupta attended a meeting of Organisational Aspects of MANAR Programme held at the National Geophysical Laboratory, Hyderabad on April 3-4, 1994.

Dr. Padmini Swaminathan gave a talk on "Gender and Development" at Madras, YWCA, Egmore on March 15, 1994 organised by World Vision of India, Madras office; participated as a resource person in the "Special Focus Workshop on Prioritizing Action for Gender Justice" organised by the Department of Geography, University of Madras, from March 16-18, 1994; participated in a Workshop on "Flexible Specialisation in India" organised by the Department of Social Sciences, French Institute, Pondicherry from March 25-26, 1994; presented a paper "Where are the Entrepreneurs? What the Data Reveal for Tamil Nadu", at a Workshop on "Current Scholarship on Entrepreneurship Development Institute" at Ahmedabad from March 29-31, 1994; and gave a seminar on "The Global Economy of the 90s: S.Korean Industrial Experience" on April 6, 1994 in the Institute.

Dr.P.V.Shenoi, Director of the Institute for Social and Economic Change, Bangalore, visited the institute on April 4, 1994.

Dr.M.Thangaraj presented a paper on "The Political Scenario of the Post U.P.Assembly Election in Tamilnadu" at New College, Madras organised by Institute of Objective Studies, New Delhi, Madras Chapter on April 1, 1994.

Some Notes on Tamil Nadu - An Economic Appraisal 1992-93

Malcolm S. Adiseshiah
Hon. Chairman
MIDS

Prolegomena

THE timing of the Appraisal document this year begins with a brief review of the state economy for 1992-93 and that is important over the past reviews as it reduces the time period between the publication and the year of the review or the following year. The value of this timing can be judged only if the audience to whom the review is addressed is identified.

The first group in this regard are the members of the Legislative Assembly who are meeting next month to review the budget for 1993-94 and examine the estimates set forth for 1994-95 and decide on its various parameters and allocations. From this point of view, there is still a gap of over two years between what the legislative members need and the current review. Here it could only be said that the gap between the data made available in this review and the task before the Legislative Assembly members is only reduced, not bridged, and for that the review has to consciously deal with the estimates for the current year 1993-94 and attempt a forecast, however, lumpy for 1994-95, which is what the Economic Survey of the Government of India does. However, with the data on 1992-93 summarised in this volume and in more the detailed data for the previous year, 1991-92, as well as the long term trends introduced in every section for a five year or 10 year period, and the decades since planning started in 1950. All this provide enough material for drawing some lessons which could be used in both reviewing the performance of the economy

in 1992-93 as well as the results of the more detailed data and the conclusions set forth for 1991-92. A second audience would be the policy makers in the government - the ministers, and the staff and the department under them, including the State Planning Commission. For them this review is of greater use because there are specific lessons to be drawn in each sector and sub-sector as the result of the past performance which can be applied in planning for the next year 1994-95. A third group would be the researchers who will be greatly benefited from this year's Appraisal because of the detailed data on every section and sub-section that is set forth in the review as well as their positive and negative features. A further group which will be using this document are the industrialists and trade union leaders. For them there is much rich material not only in the industrial and employment sections but also in almost every section and sub-section, because the data deals with facts which are their current and future operational responsibilities.

The other sources of information for this review, namely, basic statistics relating to the Indian Economy Volume II compiled by the Centre for Monitoring Indian Economy which covers the period upto March 1993 in every section. The Statistical Handbook for Tamil Nadu 1991 is somewhat more exhaustive as far as Tamil Nadu is concerned than the CMIE publication and the Planning Commission. Particularly the report of the expert group on the estimation of proportion and number of the poor are also useful in cross checking the data set forth in the

Appraisal document, as well as to develop a new section on poverty. Thus it will be noted that the latter two publications are to be used mainly for cross checking because they do not bring any new data on the sector or sub-sectors into the Appraisal scene. Further the Appraisal document uses quite extensively the NSS surveys and their results, which economises on the effort needed to consult and work on NSS data.

The main problem that is faced in reviewing this Appraisal document is the very short time, about four days, available between the receipt of the document and its tentative review by the reviewers. If more time were available, it would have been possible not only to analyse further some of the detailed data provided but also to reflect on them for useful pointers for the future. This timing of the review is also dictated by the budget session of the Tamil Nadu Legislative Assembly for which some of the suggestions made in these notes might be of some help. The emphasis in the Appraisal document has shifted from the almost exclusive stress on growth rates to the performance of the various sectors of the economy in relation to their effect on the standard of living of the people. The heavy reliance on overall growth rates was the major criticism of the past reviews of the Economic Appraisal document. Infact there does not appear in the first place the growth rate data for the economy - its sector and sub-sectors. This is the first time that the Appraisal does not open with a detailed discussion of the growth rate overall, and in terms of primary, secondary and tertiary sectors but with its substantive areas starting with agriculture. The authors of the Appraisal document therefore should be congratulated on making the shift and down-playing the past emphasis on growth which would be valuable for all consultants - the legislature, the government, policy planners, researchers, industrialists and trade unionists. The one group in the above inventory which is missing is the agriculturists - cultivators and landless labourers who are still at the

receiving end not actually participating, as industrialists and trade unionists do in the planning of programmes, making proposals for their change and development as well as examination of the results as set forth in the Appraisal document.

A new note introduced in this year's Appraisal is that in several sections and sub-sections following the detailed data set forth, there is a critical Appraisal in contrast to the past usual eulogistic or apologetic explanations. This is one of the plus points of the Appraisal document to which reference will be made later. This year's Appraisal document has many positive and equally many negative features. On the positive side there is in every section, a long term view taken of the developments both sectoral and overall so that it is not only 1992-93 and 1991-92 on which attention is concentrated. This does eliminate the effect of the annual fluctuations on the economic record of the state. There are a series of Tables with regard to the five year period 1985-1990, the ten year period 1980-90, as well as setting forth the trends since planning began in the 1950s by decades, that is, the 1950s, 1960s, 1970s, and 1980s. This is very helpful in our appraisal of developments without the disturbances which annual changes and fluctuations cause. A second positive feature is the self-critical nature of every section of the Appraisal. This again is a new element, involving a critical analysis of the events and results and not simply throwing the blame for failure or insufficient attainment on exogenous or national, but concentrated also on Tamil Nadu causes. Third and particularly impressive is the examination of the causes for shortfalls and failures operating within the state in contrast to past practices of blaming the centre or other states for such shortfalls. On the other hand the negative features include a certain degree of confusion involved in the long term appraisals following from the varying time periods used. In some cases it is a 10 year period ending in 1985, in others it is a period covering the last decade, and

what makes this varying time periods a source of confusion is the data involved become non-comparable. A second drawback is each section has too many technical details which are not necessary for the assessment of the economy or even for that section. It may be of use to the research scholar working on that section but otherwise it distracts from the study of the overall trends, which is the main purpose of the Appraisal. Finally in the time periods used there is a mixing of provisional estimates and the final data or actuals, which is misleading and which the examination of the government of India's Economic Survey data on prices highlights. On the whole the two sides are balanced and the positive signals brought in for the first time in this review are important and enlightening.

What follows is a brief summary of a 533 page document with 245 statistical Tables in Part II.

Agriculture

Agriculture benefited from the normal and in some cases plentiful rainfall of the two monsoons for 1992-93 as well as 1991 - 1992, resulting in increase in

agricultural production in all crops particularly in foodgrains, - In rice at the record level 66 lakh tonnes for both 1991 and 1992, in millets which have been declining since the 1980s when its production was 14.96 lakh tonnes, 15.55 lakh tonnes in 1980s, 16.05 lakh tonnes in the 70s falling to 14.12 lakh tonnes in the 80s, to 13.18 lakh tonnes in 1991-92 and 14.54 lakh tonnes in 1992-93. In the millets area, cholam occupied the predominant place ranging from 4.78 lakh tonnes in the 50s to 5.58 lakh tonnes in the 60s, with similar increase in the other two main millets, cumbu and ragi. There were similar records for non-foodgrains, namely, oil seeds which recorded 15.97 lakh tonnes in 1991-92 and 16.83 lakh tonnes in 1992-93, cotton which increased from 4.10 lakh bales to 4.72 lakh bales between the two years. Only in sugarcane production was there a slight reduction from 247 lakh tonnes to 232 lakh tonnes. This record is satisfactory from the point of view of annual growth in the 1990s, but the objective of the production of foodgrains and non-food grains is constantly referred to as self-sufficiency. In the case of rice for example Table 1 shows the estimated requirement and consumption estimate against the actual production.

TABLE 1 : Estimated Requirement, Consumption and Actual Production of Rice

(lakh tonnes)						
Year	Estimated Requirement	Estimated Consumption	Annual production	Gap between Requirement & Consumption & Production		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1987-88	72.72	61.84	56.14	(-) 10.88	(-) 16.58	(-) 5.70
1988-89	73.76	62.72	57.04	(-) 11.04	(-) 16.72	(-) 5.68
1989-90	74.77	63.56	60.63	(-) 11.19	(-) 14.14	(-) 2.98
1990-91	75.76	64.43	57.82	(-) 11.33	(-) 17.94	(-) 6.61
1991-92	76.78	65.29	(-) 11.49	(-) 10.82	(+) 0.67	---

Source : Table 53, Tamil Nadu Economic Appraisal.

The yardstick of insufficiency presents many problems. First its calculation is almost impossible, because unless a straight per capita availability and per capita consumption is used as is done in this document, it is possible to do a calculation, but that is without value. What is needed is that the estimate of per capita requirements must be derived from two factors. First the ICMR's estimate of per capita requirement based on nutritional norms and second, taking into account the varying demands of the various deciles of the population from the lowest to the highest. This can be arrived at by using NSS data. Even without the second condition, namely the varying demands of the population deciles using the estimates of per capita actual consumption made available by NSS in its 43rd round, it is found that the per capita consumption of rice Table 1 is 370 grams per day which is the ICMR recommended norm. It involves a total requirement of 72.72 lakh tonnes in 1987-88 rising to 76.78 lakh tonnes in 1991-92. As against this, the per capita actual consumption of rice is estimated at 9.57 kgs per day for a period of 30 days according to the NSS 43rd round (1987-88). This means that the total actual consumption of rice for the state works out to 61.84 lakh tonnes in 1987-88 and 65.29 lakh tonnes in 1991-92. Thus a comparison of the actual production of rice with the estimated requirement points to a gap ranging from 14.09 per cent in 1991-92 to 23.69 per cent in 1990-91. Similarly the actual consumption level when compared with the requirement, points to a shortfall of about 15 per cent for these two years. This gap is also found in all food and non-food crops in terms of availability and the per capita requirement based on nutritional norms. Second, as Tamil Nadu is one part of the country, the objective should not and cannot be self-sufficiency. Whether it be in rice, or millets, or cotton, the state meets its requirements by drawing on the All India availabilities. In the quantitative sense, self-reliance rather their self-sufficiency should be the objective, which means that the state

should be able to use its surpluses in other crops to pay for its drawals from outside in some crops.

Turning to the record of inputs needed for the above agricultural production of food and non-food crops, the first need is an increase in area registered for growing quality seeds as well as increased production which Table 2 shows.

Table 2 shows that there was increased supply of improved seeds to the farmers in both 1990-91 and 1991-92. Further with the limited possibility for expanding the area under cultivation, intensive cultivation is being employed using HYV seeds resulting in increased productivity of crops, mainly paddy, cholam, cumbu, ragi and maize. In the total HYV coverage, paddy continues to be in the first place occupying 70 per cent of the total area under HYV. On the fertiliser side consumption of chemical fertilisers has increased progressively from 1986-87, but in 1991-92 the estimated fertiliser consumption fell short by 1.32 lakh tonnes and the estimated consumption level by 0.77 lakh tonnes. This may be an occasion for saving the soil qualities and conforming to ecological sustainability. Further there could be a switch over by farmers from chemical fertilisers to organic manures. There is no recognition of this in the Appraisal document. Similarly pesticides being used against pests and diseases have increased rapidly, with both the preventive and curative aspects for the pesticides receiving equal attention. The total cropped areas covered under pest and disease control in 1991-92 was over 71 lakh tonnes which was a decrease from the previous year's 84 lakh tonnes. This again might be an occasion to improve farming techniques in order to avoid disease and pests, rather than increased consumption of pesticides as a reduction in the consumption of pesticides is even more urgent than of chemical fertilisers in order to save the soil qualities. On agricultural credit, the adequacy and timelessness of credit availability to the farmers is important. The total flow of credit

TABLE 2 : Seed Certification: Area Registered

TABLE 2 : Seed Certification Area Registered						(Hectares)
Year	Area registered			Agency wise distribution		
	Target	Foodgrains	Non foodgrains	Total	Government	Non Government
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1990-91	27500	20456	13299	33755	23330	10425
1991-92	30200	21311	15028	36339	24658	11681

Production of Improved seeds : By crops

Production of crops						(Tonnes)
Year	Foodgrains		Non-foodgrains		Total	
	Target	Actual	Target	Actual	Target	Actual
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1990-91	28110	24996	11484	9361	39594	34357
1991-92	28893	27294	11591	10259	40484	37553

Source : Department of Statistics, Government of Tamil Nadu.

from cooperatives, commercial banks and regional rural banks increased from over Rs.1322 crores in 1990-91 to Rs.1460 crores in 1991-92. This credit includes short term loans constituting a majority of over Rs.1000

crores. In the disbursement of crop loans, paddy, sugarcane and oilseeds have attracted over half the total disbursements in the two years 1990-91 and 1991-92 as Table 3 shows.

TABLE 3 : Annual Credit plan : Lead Bank Scheme - Crop Loans Disbursed (Rs. crores)

Sl. No.	Crop	1990-91		1991-92		Number of Beneficiaries	
		Target	Actual	Target	Actual	1990-91	1991-92
1	Paddy	230.46	276.79	313.86	318.60	649978	940861
2	Oilseeds	75.38	82.74	117.86	102.17	181963	455642
3	Sugarcane	120.58	168.76	190.67	203.95	311218	355144
4	Vegetables	1.38	0.18	15.11	4.68	306	6103
5	Pulses	1.10	1.75	4.33	1.74	5795	3976
6	Others	402.08	443.36	331.04	434.05	928496	1313364
Total		830.98	973.58	972.67	1065.19	2077756	3075090

Source : Director, Department of Agriculture.

One of the bottlenecks that farmers face is with regard to inadequate facilities in quick and economical means of transportation and processing and grading facilities. This weakness in marketing has led to the increasing hold of various agents of the unorganised sector such as wholesale merchants, commission agents and other intermediaries. Here the regulated markets are slowly developing through 14 marketing committees which run 270 regulated markets. Another problem faced by farmers in the state is crop losses, due to natural calamities following from varying monsoon intensities, resulting in widespread drought or floods. The estimate of losses to agricultural production due to these calamities varies widely from year to year. In 1989 drought losses has amounted to over Rs.578 crores with no such loss in 1990-91 and 1991-92. In these two years, it is floods which caused the losses.

Allied Activities

The Allied activities of animal husbandry, fisheries and forestry are important sources of supplementary income to the farmers. Live stock not only provide organic manure referred to earlier but also make possible regular ploughing and rural transportation. Its by-product of hides and skins are a major contributor to the export market. The major livestock products are milk, meat and eggs. These three products are nutritionally important for the community. The table below gives the production trends of milk, eggs and fish for a 10 year period. (see table 4).

Table 4 shows a slow increase in milk production by 21.2 per cent, a faster increase in egg by 71.8 per cent and a decline in fish availability by 7.8 per cent. Referring to each of these items briefly, in the case of milk there is a disturbing trend towards stagnation in the second half of the 10 year period

TABLE 4 : Major Livestock Products

Year	Milk (lakh tonnes)	Egg (crore numbers)	Fish (lakh tonnes)
1982-83	17.88	89.8	4.35
1983-84	25.62	99.6	4.06
1984-85	28.46	106.3	4.09
1985-86	31.18	206.7	3.85
1986-87	32.95	207.6	3.81
Annual Average	27.22	142.0	3.99
1987-88	31.10	219.6	3.57
1988-89	32.38	228.7	3.61
1989-90	34.10	246.1	3.64
1990-91	33.75	255.1	3.74
1991-92	33.57	270.3	3.84
Annual Average	32.98	244.0	3.68

Source : Commissioner of Statistics, Madras; Director of Animal Husbandry, Madras and Commissioner of Fisheries, Madras.

particularly between 1990-91 and 1991-92. This is rather serious as the nutritional requirement of the population requires a steady increase. According to the ICMR's accepted nutritional needs, the per capita requirement of milk is 284 grams per day against the actual availability for consumption at 163 grams in 1991-92 which is a little less than 60 per cent of the nutritional base requirement. Here the promotional measures for the upgradation of local non-discrete cattle through scientific and cross-breeding techniques, and the selective breeding of sheep to increase the production of mutton and the popularisation of the frozen semen technology are crucial. The per capita availability of eggs per year has increased annually touching 48 in 1991-92 but this again is far from the nutritional consumption requirement as estimated by the ICMR at 183 per person per year. The programme of poultry improvement and extension centres should address this serious lack. In the case of fish production the increase from 3.74 lakh tonnes in 1990-91 to 3.84 lakh tonnes in 1991-92 record a rather slow pace of increase. Here marine fish landings are the main cause of stagnation so that the mechanisation of fishing crafts is needed on somewhat urgent basis along with quick training of fishermen in their use. This would also cater to the 1000 km along Tamil Nadu coast, supplemented by over 41,000 sq km of estuaries and back-waters. What is particularly disturbing is the stagnation in marine landings and the decline in inland catches. Here again the per capita availability

of fish at 6.76 kgs in 1991-92 is far below the nutritional requirements. Surprisingly it is estimated that the fish consuming population of the state is as high as 80 per cent and so the gap between nutrition based per capita need and the actual availability is serious, but not so serious as the non-availability of fish for the mass of the people. Under forestry the forest cover is a little less than 17.5 per cent against the 33 per cent set by the national forest policy. Here there is need for action on stopping the degradation of forest lands, on turning waste land into productive and sustainable use, and increasing the availability of fuel, fodder and pulp wood while at the same time restoring and maintaining the ecological balance. A particularly important area of development as social forestry which is now in the second phase, covering an area of over 12400 hectares in the interface forestry, 47450 hectares on block plantations, and 1687 kilo meters in strip plantations.

Irrigation

The irrigation programme in 1991-92 was relatively satisfactory because of the good monsoon which made possible satisfactory inflows into the reservoirs and tanks and enhancement in the recharging of wells as a follow up of the good rainfall. The problem of measuring irrigation potential and use referred in past reviews of the record of irrigation continued and was somewhat intensified in the year under review. The irrigation performance is shown in Table 5.

TABLE 5 : Irrigation Scene : 1991-92

Sl. No.	Area Irrigated	1990-91	1991-92	(lakh hectares)	
				Excess/Shortfall in 1991-92 over 1990-91 Actual	Per cent
1	Net	23.73	26.05	(+) 2.32	(+) 9.78
2	More than once	5.21	6.52	(+) 1.31	(+) 25.14
3	Gross	28.94	32.57	(+) 3.63	(+) 12.54

Source : Department of Statistics, Madras

TABLE 6 : Net Area Irrigated : Peak Attainment Vs Area Actually Irrigated in 1991-92

Sl. No.	Source	Peak Level	Net Area Irrigated	(lakh hectares)	
				Excess/shortfall in 1991-92 over the peak level attainment	
				In absolute terms	Per cent
1	Canals	9.42 (1972-73)	8.43	(-) 0.99	(-) 10.51
2	Tanks	9.90 (1967-68)	5.77	(-) 4.13	(-) 41.71
3	Wells	11.69 (1989-90)	11.68	(-) 0.01	(-) 0.09
4	Others	0.76 (1950-51)	0.17	(-) 0.59	(-) 77.63
5	Net Area Irrigated	29.84 (1979-80)	26.05	(-) 3.79	(-) 12.70

Source : Department of Statistics, Madras.

The relative contribution of the three main sources, canals, tanks and wells, in 1991-92 is set forth in Table 6.

Canal irrigation was mainly in South Arcot, Thanjavur and North Arcot, Ambedkar accounting for more than three fourths of the total area irrigated by canals. Under tank irrigation the main areas of its functioning are Chengai Anna MGR, South Arcot, Tiruchirapalli, Pudukottai, Pasumpon Muthuramalingam Thevar, Dindigul and Kanyakumari districts. The state accounts for about one-fifth of the total net area irrigated by tanks in the country. The problem here is that the holding capacity of tanks is declining due to lack of proper maintenance. On well irrigation, the major part of the total number of wells (55 per cent) is concentrated in six districts, with the net area irrigated depending solely on it in two districts, North Arcot Ambedkar, and Thiruvananthapuram. In this area the continuing increase in the use of well irrigation also poses problems with regard to the level of ground water. Irrigation is the major factor if not the sole one for the use of improved

technologies in farming, namely HYV, chemical fertilisers, and plant protection chemicals. The conservation, management and optimum utilisation of water for irrigation is necessary because of the limited water resources of the state. Here micro irrigation systems such as drip - sprinkler, developing appropriate rain water harvesting tanks, popularising the recycling and reuse of water and above all adopting an integrated approach in the drawal of surface and ground water under conjunctive use are important pointers for irrigation development.

Industry

Industrial production registered negative growth of -4.2 per cent in 1992-93 against the +4.1 per cent in 1991-92. The main reason for this fall was manufacturing which recorded a negative growth rate of 5.6 per cent and which was not compensated by the high growth rates recorded by electricity and mining because of the decisively high weight of more than 90 per cent assigned to manufacturing. 11 sub-groups out of 16 constituting

manufacturing witnessed a decline in their growth rates. It is only cotton textiles and chemicals which record positive rates. In the analysis and expansion of this negative performance, the Appraisal document attributes this record to adverse effects of factors at work at the national level such as demand recession, credit squeeze and high interest rates. But later the state factors which dragged down industrial growth are set forth as subdued flow of new investment, inadequate utilisation of incentive packages and concessions provided by the government and non-emergence of new large mother industries, which are rather nearer the truth. The other negative factors which explain the decline and stagnation in industrial growth in the state drawn from studies by the Confederation of Indian Industries (CII) (Southern branch), the Madras Chamber of Commerce and Industry and some research studies by the Institute should also be taken into account. A survey of 450 industries in the state show that these other factors include the lag in the state following the centre's policy guidelines, the declining infrastructure and the continuation of power intensive industries and the setting up of industrial units in other states, which is a form of flight of capital from Tamil Nadu. The falling and failing infrastructure particularly in the areas of power is repeatedly referred to by the industries as a major cause. There are also reports of delays and cancellation of applications caused by the centralised structure for decision making in the state and leakages and corruption. Further apathy marked the reaction of Tamil Nadu investors to the surge in the primary and secondary capital markets during the year under review and the previous year. The CII therefore proposes that the state's industrial policy should not be confined just to providing incentives and subsidies but should be made a potent instrument for stimulating new industries and the nurturing of existing one which are recording a low rate of growth. In the Small Scale sector the state recorded in 1991-92 positive performance as Table 7 shows.

The industrial sector also shows a high incidence of sickness. The number of sick non-SSI units in the state was 127 in 1991 which represents a small reduction of three in comparison to 1990. The total number of sick SSI units increased from 10,105 in 1989 to 10,757 in 1991 involving the locking up of Rs.260.7 crores of bank credit. The SSI sector has many advantages both for the state and the country. It is not capital intensive, it has a large employment potential, the capital employed is highly productive and wage rates in general are lower than for non-SSI units. Hence it is important that sickness in this sector should be dealt with rather rapidly and seriously.

Power

In power 1991-92 as well as 1992-93, recorded positive generation and distribution features. Due to the good monsoons, storages in the high reservoirs were satisfactory so that hydel stations were able to augment their power generation. In fact 1992-93 marked an all time high level of hydel power generation at 5636 million units. Similarly coal stocks during the two years were adequate, resulting in the thermal plants also reaching record levels of generation at 11265 million units. There were increases in installed capacity, generation and availability of power during each of the two years. The installed capacity at the State Electricity Board increased from 6019 MW to 6090 MW, power generation from 13833 MU to 16958 MU and gross power availability from 21920 MU to 24215 MU. This led to a 8.4 per cent increase in per capita consumption of electricity and no cuts in energy consumption. But there are limitations to both thermal and hydel generation in relation to the growing demands and hence the need to exploit non-conventional renewable sources of energy is emphasised. Here a beginning has been made with wind power as well as solar energy and natural gas. The limitation of the thermal source in relation to demand has also led to the power sector being opened to private, domestic and foreign interested units, along

TABLE 7 : Performance of Small Scale Industries : Select Industries

Industry	No. of units		Productive Capital (Rs.lakhs)		Value of Output (Number)		Employment (lakhs)	
	1990-91	1991-92	1990-91	1991-92	1990-91	1991-92	1990-91	1991-92
1 Food and food products	16376 (11.07)	18653 (13.92)	62900 (8.68)	48871 (13.92)	90057 (11.79)	102592 (13.92)	176839 (11.79)	201432 (13.92)
2 Hosiery and Readymade Garments	10388 (26.57)	11843 (13.90)	27217 (26.58)	31023 (13.98)	57134 (26.57)	65126 (13.99)	112190 (30.19)	127883 (13.09)
3 Paper and Paper products	10094 (9.16)	10542 (4.44)	26446 (9.16)	27620 (4.44)	55517 (9.16)	57981 (4.44)	109015 (12.28)	113854 (4.44)
4 Chemicals and chemical products	12487 (6.31)	13272 (6.46)	32664 (6.29)	34773 (6.46)	68549 (6.29)	72996 (6.46)	134644 (9.33)	143338 (6.46)
5 Metal Products and Parts	13117 (7.22)	13899 (5.48)	34534 (7.22)	36415 (5.48)	72474 (7.22)	76445 (5.48)	142312 (10.28)	150109 (5.48)
6 Machinery and Parts	13647 (8.34)	14774 (8.26)	35755 (8.31)	38708 (8.26)	75059 (8.31)	81257 (8.26)	147388 (11.40)	159558 (8.26)
7 Other Industries	51055 (14.68)	55423 (8.56)	133763 (14.68)	145208 (8.56)	280801 (14.68)	304825 (8.56)	551294 (11.40)	598569 (8.26)
All Industries	127202 (11.92)	138404 (8.81)	333279 (11.92)	362818 (8.81)	689611 (11.92)	761222 (8.81)	1373682 (15.11)	1494743 (8.81)

Figures in brackets indicate percentage increase over the previous year.

Source : RBI Report on Currency and Finances

with captive mines - lignite and coal. Five private companies were initiated in 1992-93 with very large investments involved.

Employment

The employment data continues to be inadequate, being available only very largely to the organised sector. Employment recorded a decline in 1991-92 to 22.74 lakhs as against the previous year's 22.89 lakhs. This fall in employment is found in both the public and private sectors. Public sector employment decline was registered in transport, storage, communication and construction and in the private sector in manufacturing and services.

This scenario is totally incomplete because the majority of workers are in the unorganised sector on which no data is available. Information from the live register indicates an increasing backlog of job seekers from 32.44 lakhs in 1990-91 to 33.98 lakhs in 1991-92, also pointing to the worsening of the employment situation.

Prices

The inflation at the double digit level marked 1992-93 at 11.7 per cent and 13.8 per cent in 1991-92. The inflationary impact on the people was found particularly in the food articles sub groups. The economic reforms at the national

level have not slowed the inflationary spiral, and it is to be hoped that the reforms being affected at the state level will have a somewhat contrary effect. o

Social Infrastructure

This year's Appraisal document has an important addition termed social infrastructure. This covers the areas of education, health, rural, water supply and housing in which the state recorded gains very largely due to the action of the authorities. The literacy level in the state was 55 per cent (1991 census). At the primary education level enrolment of pupils increased from 46.73 lakhs in 1982-83 to 56.72 lakhs in 1992-93 and the drop out rates declined from 23.4 per cent from the enrolment to 18.27 per cent between the two years. On health owing to the sustained efforts of the government and the families, the birth rate fell from 31.4 per cent per 1000 population in 1971 to 22.4 per cent in 1990, the infant mortality rate from 13 to 67 per 1000 live births. In rural water supply the goal of ensuring the "Water Services Level" of 40 litres per capita per day has only been covered in less than half the habitations of over 75,000. On housing, there is a continuous gap between demand and supply the major advances being to the scheduled castes and scheduled tribes through the Jawahar Vela Vaippu Thittam where 1.39 lakh group houses were constructed under the scheme. This beginning of quantification of what is called the social structure is important and should be further expanded and continued as it is one of the major contributions to Human Resource Development and improved levels particularly of the poverty sector, which is still according to the latest Planning Commission estimates disturbingly large.

Poverty

The Union Planning Commission set up in September 1989 an expert group to review the methodological and computational aspects of the proportion and number of poor in India.

The breakthrough provided by this group was: a) an examination and reformulation of the poverty line for the country, and, b) on that basis, the estimate by states specific number of persons and the percentage living in poverty. These estimates for Tamil Nadu, as for other states relate to the rural and urban areas and are derived from the household consumption expenditure collected by the National Sample Survey organisation in 1972-73, 1977-78, 1983-84 and 1987-88. There was a serious discussion within the expert group whether besides the All India calorie norms and the relevant consumption baskets, there could be a state wise estimates and comparison across states for each of the four years for which the estimate have been made. But in view of the state wise differences in the constituent parameters, it was decided not to go into the question of state level normative calorie requirements and state level differences in consumption baskets. On the basis of the All India calorie norms and their relevant consumption basket, the group established poverty in Tamil Nadu as follows: in 1973-74 the number of persons living in poverty in the state was 246.39 lakhs which was 56.51 per cent of the people, in 1977-78 the numbers increased to 262 lakhs and the percentage was 56.25; in 1983 it was 266.41 lakhs and the percentage was 52.38; in 1987-88 the total was 243.20 and the percentage was 43.13. Thus though there was a decline both in the percentage of people living below the poverty line in Tamil Nadu and the absolute numbers, the percentage of the poor in the state for the last year 1987-88 was well above the all India level which was 39.34 per centage. It is this that the economy of the state should address, particularly the commodity producing sectors which are both providers of employment to them and the means of subsistence - foodgrains, and other articles of food, clothing, housing.

The other major factor contributing to poverty is inequalities in income and assets. On both these there are all India data available but only partial ones for the state. If the all India data also reflects that of the state, these

inequalities are also an important contributor to poverty and should be addressed by improved and effective land reforms, raising of the agricultural wage levels and some use of the growing and high profits of the corporate sector to promote savings and investment in wage goods production.

NSDP

The Net State Domestic Product (State Income) for 1991-92 increased by 2.06 per

cent in 1990-91 to 2.99 per cent in 1991-92 which is higher than the all India growth rate. The state's per capita income increased from Rs.2023 in 1990-91 to Rs.2056 in 1991-92 which is lower than the country's per capita income with some reduction in the gap between the two record for the state and the country. The 10 year period of growth of the state economy with regard to NSDP (1982-1991/92) is set forth in Table 8.

TABLE 8 : Sectoral Contribution to Growth in NSDP

Sector	1982-83 to 1986-87			1987-88 to 1991-92		
	Average share	Annual Average Growth Rate	Weighted Contribution	Average share	Annual Average Growth Rate	Weighted Contribution
Primary	26.19 (38.47)	1.82 (1.59)	13.27 (13.34)	24.41 (34.87)	2.55 (4.47)	12.89 (28.80)
Secondary	31.94 (24.37)	2.36 (6.16)	20.99 (32.75)	29.00 (25.65)	3.76 (5.88)	22.58 (27.87)
Tertiary	41.87 (37.16)	5.64 (6.65)	65.74 (53.91)	46.59 (39.48)	6.69 (5.94)	64.53 (43.33)
NSDP	100.00 (100.00)	3.24 (4.52)	100.00 (100.00)	100.00 (100.00)	4.68 (5.37)	100.00 (100.00)

Note : Figures in brackets relate to NDP (All India)

Source : Commissioner of Statistics, Madras.

In the primary sector which includes the important agriculture and allied components, and its sub groups except agriculture and allied activities, registered a higher growth rate during the Five year period set forth in the table. In the secondary sector all the sub groups other than construction have recorded a slow down. However out of the nine sub groups which constituted the tertiary sector only a few registered a negative or slower growth. This indicated the pressure on the people particularly in the poverty sector. That is, this pressure follows from the slow down in the pace of growth in the income generation in the primary and secondary sector along side of the growth in the income level of the tertiary

sector. The over all growth rate of NSDP in 1991-92, was positive which is one more evidence of the unreliability of this aggregate growth rate as a measure of well being of the majority of the people (living in the poverty sector).

Banking and Finance

As earlier noted the annual credit plan for 1991-92 involved a disbursement of Rs.2076.17 crores for financing the primary sector, namely agricultural and allied activities, rural artisans, cottage and small scale industries and trade and services. This was a good record as it works out to 96 per cent of the Rs.2154.84

crores of target set for the year. Infact the disbursement on agriculture was well above the Rs.12,800 crores. It is recorded that the other two priority areas of dairy, poultry and others and rural artisans and cottage and SSI units fell short in their disbursement vis a vis their allocations.

State Finance

The budget for 1992-93 was the background of good agricultural performance referred to earlier. The review of the budget in 1992-93 and the trends in the over all budgetary position during the five year period 1988-89 to 1992-93 has unfortunately mixed actuals (accounts) with budget estimates so that the two quantities are not comparable. The conventional deficit anticipated at Rs.577.41 crores in the budget estimates for 1991-92 was set at a reduced Rs.399.81 crores in the revised estimates for the year. This was due to the increase in revenue receipts by 9.95 per cent and capital receipts by 14 per cent. A heartening feature is that of the four major constraints in revenue receipts namely the share of central tax, grants and aid from the centre, state tax and non-tax revenue, the latter too contributed more in the

revised estimate for 1991-92. That is state tax accounted for 62.10 per cent of total revenue receipts in the revised budget estimate (compared to 61.15 per cent in the budget estimates). Though declining, the net deficit recorded in the budget is still too large for the state which means that there should be very strict discipline in going in for expensive populist schemes. For the current year, the deficit is estimated at Rs.800 crores which was worsened by a sharp decline in excise revenue duty to the central budget, excise reduction for 1992-93 and the rise in the issue prices of rice by the union government. The deficit is also constituted by not enforcing in the budget certain governmental decisions such as sale of fertiliser on concessional prices and the starting of a higher education institution which is questionable. Further in the case of the increased allowance to the staff (Rs.73.06 lakhs) and other items which make up the supplementary budget of Rs.23.36 crores, action could have been foreseen and provided for in the last budget or included in the next budget. The one positive feature is the increase in small savings during 1991-92 and annually during the 10 year period except for two years, as set forth in Table 9.

TABLE 9 : Small Savings Collections

Year	Gross Collections	Net Collections	(Rs.crores)	
			Net to Gross Ratio (Percentage)	Percentage change over previous year (Net collections)
1981-82	211.58	58.60	27.70	49.38
1982-83	202.10	49.44	24.46	(-) 15.63
1983-84	295.24	87.40	29.60	76.73
1984-85	362.40	172.65	47.64	97.64
1985-86	416.22	184.06	44.22	6.61
1986-87	371.63	133.70	35.98	(-) 27.36
1987-88	395.45	141.21	35.77	5.62
1988-89	518.18	183.60	35.43	30.02
1989-90	713.91	345.32	48.37	88.08
1990-91	869.50	408.86	47.02	18.40
1991-92	1381.69	579.71	41.97	41.79

Source : Director of Small Savings, Madras-2.

SINCE the last few years efforts have intensified and become more systematized to establish that 'overpopulation' of the South is the biggest global problem. This is basically to defocus attention from fundamental problems, particularly, overconsumption of the rich nations which require the momentum of production to be maintained at a particular rate aided by the indiscriminate pushing of free markets in third world countries. The question of overconsumption by the rich and elite within our own country is not being questioned. Even social unrest is being blamed on 'excess' population. This myth of overpopulation has acquired the status of a scientific explanation and the scientific solution offered is population control.

The basic philosophy of a population control policy is that the poor are eugenically inferior and therefore should not be allowed to breed. In India the translation and operationalization of this ideology has meant the targetting of certain sections of the population particularly the dalits and tribals, and the poor in general, who bear the brunt of the population control mechanisms. Major funding for population control policies has come from the United States. In fact the conditionality for US aid (after the passing of the Foreign Assistance Act in 1960 in the US Congress) is acceptance of the principle and practice of population control by the recipient country. Further, the US has given a tremendous boost financially and otherwise to the subject of demography. In India, most of the existing and upcoming demographers have had their training in the U.S. India's contribution to demographic

jargon and lexicon is significant. (For example, the term **Net Reproductive Rate** - I developed by Indian demographers is now a standard measurement).

Initially, in the first couple of plans we used the term **Family Planning**, (as against birth control which was in vogue in much of the Western World). The thrust of FP programmes was basically to advise women on a whole range of issues including birth control. Since the Third Plan the main objective and thrust has become the control of birth rate. Birth rate control in the Indian context is highly sexist in that control of birth rate has largely been reduced to control of women's sexuality. Targets are given by demographers. Motivation of couples and/or establishment of rapport by social workers with the community is not being encouraged anymore since governments and donor agencies are in a hurry. The medical profession has to shoulder quite a bit of the blame in that FP programmes have been reduced to the mechanical insertion of IUD's and the like (with or without the knowledge of the recipients) while the entire gamut of gynaecological disorders because of or outside the FP programmes have ceased to gain prime attention. The emphasis now is on the imposition of more complex methods so that control over bodies has passed into the hands of population controllers apart from becoming the sites of questionable and dangerous research. Besides, there are express and explicit directions from donor agencies to play down or even negate contra-indicators in the case of third world countries since controlling birth rate is the major objective.

* This note prepared by Padmini Swaminathan is a report on the session on Population Policy held at the annual meet of the Medico Friends' Circle at Wardha, Maharashtra, January 13-15, 1994.

Population policies have been delinked from socio-economic development. Minimum wages, literacy levels, safe drinking water etc. - these issues are not even being mentioned in conjunction with a population policy. On the contrary all emphasis is on direct invasive methods/techniques to control birth rate. In this context to talk of women's reproductive rights has no meaning when survival rights are not even ensured.

Certain aspects of the quantity and quality of the Indian population growth would explode certain accepted stereotypes.

- a) If we divide the female population into specific age groups we find that not a single age-group (except perhaps 45 years and above) meets ICMR standards as far as health indicators are concerned.
- b) If we take the World Bank's Disability Adjusted Life Years (DALY) criteria, we find that 56 per cent of DALY in India is contributed by children below 15. The concomitant figure for the developed countries is 8 per cent.
- c) Age-specific death rate over time has not changed much. If we take 1981 census, age-specific death rate has not changed despite improvement in sex ratio.
- d) The survival rate for women is better than men only after the women have crossed their reproductive age, that is after 45 years.
- e) At one level, at the younger age level, girls die more in numbers than boys. At another level, the boys who survive are not necessarily healthy.

Hence the entire emphasis of population policy thus far has been on quantity to the utter neglect of quality. The question that has been bothering many is whether in the absence of the family planning programme

that we have had so far, our population would have been greater in volume than what it is now. Very crudely this can be answered by examining the correlation between "successful" birth controlled states and acceptance of FP programmes. If 15-19 years and 20-24 years is taken as the age groups when we have the maximum births, then Kerala presents an interesting picture in that there are hardly any births in the age-group 15-19. This could be directly related to greater attendance at school/college among Kerala children. The example of Sri Lanka is pertinent at this juncture. The abolition of child labour, compulsory attendance at school of children below 15, reservation of certain jobs for women which dramatically increased employment of women have had remarkable impact on the birth rates in Sri Lanka. The message is clear; allowing women space and scope for personal development has a more direct and lasting impact on reduction in birth rate than any technology driven coercive population control programmes.

It is in this context that women's groups at various forums have expressed their unequivocal opposition to a population policy that not only endorses the interests and life styles of overconsumption in the countries of the North as well as of the elites in the Third World, but, is also delinked from socio-economic development. The budget for population policy at the national level has increased substantially at the expense of general health policies. Women's groups are agitating for restoration of control over their bodies and respect for the integrity of their bodies. Women's basic needs for food, education, health and work should be addressed on its own merit. Meeting women's needs, including the need for contraception and the like should be delinked from population policy including those expressed as apparent humanitarian concerns for women.

Research abstracts for July - December 1993

S. Janakarajan

1 "Triadic Exchange Relations: An Illustration from South India," *IDS Bulletin*, Sussex, 24, (3), July 1993

An issue which has attracted considerable attention in the study of agrarian structure is the phenomenon of interlinked markets. Amit Bhaduri has integrated interlinkage into a model which provides an analytical explanation for stagnation in Indian agriculture. While Bhaduri's model of interlinkage provides important insights into the mechanisms for perpetuation of backward agrarian relations, it serves the thesis of technological stagnation rather poorly. This paper shows that interlinkage is not in any sense an exclusive characteristic of a backward or static, agrarian economy. To the contrary interlinkage has been found to be an integral feature of a dynamic regime which embodies emerging forces of capitalist development: one in which traditional methods of irrigation have given place to modern methods; where there has been technological upgrading in all aspects of farm economy; and where there is heavy demand for production loans and heavy transactions in the product market. While the agents involved in exploitation - at both the dispensing and the receiving ends - may be different from those in Bhaduri's semi-feudal setting, it will be observed that the instrument of interlinkage has an important role to play in establishing social relations of oppression and dependence which bear a strong family resemblance to those which obtain in his model. These issues are studied in the concrete context of a village in Tamil Nadu.

2 "Trading in Groundwater: A source of Power and Accumulation", paper presented in the Workshop on Water Management: India's Groundwater Challenges, organised by VIKSAT/Pacific Institute, Ahmedabad, December 14-16, 1993.

The central theme of this paper is to examine the extent of functioning of groundwater market and its changing characteristics in a regime, which has witnessed secular lowering of water table; and the extent to which the commercial transactions in groundwater are competitive. The evidence provided in this paper indicates that trading in groundwater is quite extensive even though water table has been falling steadily and also brings out the fact that characteristics and functioning of water market have been undergoing transformation in such a way to adjust to the increasing scarcity conditions of this precious resource. The evidence provided in this paper also indicates that water market is interlinked with other agrarian markets such as labour and product markets. This is the reflection of unequal access to resources and the poor bargaining capacity and dependent status of water purchasers vis-a-vis water sellers. Therefore, it is undoubtedly clear that the market for water, at least in the context of the villages studied in the Vaigai Basin, is far from being perfect and a few emerge powerful to exercise control over this precious resource and thereby extract surplus.

D. Jayaraj

"Rural Poverty and Caste Discrimination: Some Preliminary Findings", Paper presented at a State Level Seminar on Rural Poverty, organised by the Department of Economics, Arul Anandar College, Karumuthu, Madurai, October 14-15, 1993.

This paper evaluates the extent of disproportionate burden of deprivation experienced by the Scheduled Castes and Scheduled Tribes, the most disadvantaged sections of India's population. This exercise has been based on an analysis of consumption expenditure data in the National Sample Survey of India.

Padmini Swaminathan

"Bridging the Technology Gap: How Dynamic and Far Sighted is the Indian Corporate Sector?" Development Research Group, Study No. 7 (RBI monograph) RBI, Bombay, July 1993.

This study attempts to assess the technological performance of the Indian private corporate sector during the post-independence period. The analysis is done at two levels: (i) at the macro-level which includes a critique of the substance and direction of government policy; (ii) at the micro-level, an analysis of the organisational structure of firms to assess how far it has helped innovation and therefore technological dynamism. The study also explores several interconnected themes, particularly, (a) the quality of state intervention in industrial development affecting directly the functioning of the corporate sector, and (b) the manner in which labour is or is not enmeshed with the production structure as also the increasing disjuncture between the skill level of existing labour and the requirement of production.

M.S.S. Pandian

"Denationalising the Past: 'Nation' in E.V. Ramaswamy's Political Discourse", *Economic and Political Weekly*, XXVIII No.42, October 16, 1993

Departing from the conception which claims the 'nationalisation' of the past as a universal given of nations, this paper argues that it has been possible at least in certain cases to imagine nations as disengaged from the past. To illustrate such a possibility the concept of 'nation' as propagated by E.V. Ramasamy, who denied its origin in classical Indian/Tamil past and envisaged it fully in the future, is analysed.

Paul P. Appasamy

1. "Role of Non-Timber Forest Products in a Subsistence Economy: The Case of a Joint Forestry Project in India", *Economic Botany*, 47(3), 1993.

Non-timber forest products (NTFP) such as fuelwood, fodder, fruit, medicinal plants, and small timber are important to the rural poor in India. The traditional usufruct rights that the poor enjoyed have been gradually eroded by state control. This process has accelerated with increases in the prices of timber and industrial wood products. Non-timber forest products collected by the poor do not enter the system of national accounts, which results in the undervaluation of the forest wealth of the country. According to some estimates, the total demand for these products outstrips the sustainable yield of the forests in India. To ensure the best use of the forests, it is necessary for rural communities to share the responsibility of forest management with the forest departments. A proposed joint forestry project in South India is discussed as a case study of this innovative approach to forest management. Data on the existing patterns of NTFP extraction

are presented to gain a better understanding of the role that these products play in the life of the rural poor. Policies from the case study are discussed in the concluding section.

2 "Water Supply and Waste Disposal Strategies for Madras" (With Jan Lundqvist), *Ambio*, (A Journal of the Human Environment) 22(7), 1993.

Based on a schematical model, an attempt is made to relate the magnitude of material flow into and out of Madras, a coastal city in South India. The focus is on the role of the household sector. Water scarcity and seasonal variation in precipitation together with a flat topography are significant problems for proper material-flow management. The comparatively large number of people living in slums, with virtually no sanitary or other facilities, means that the activities and livelihood of about 1.5 million people are outside the control of most planning efforts. In addition, the large cattle population within the city contributes to a wide range of environmental and health hazards. The prevailing socio-economic conditions mean that most material is reused or recycled. The average amount of garbage is less than one kilo per person and day. However, due to the size of the city and the overall amount of waste it produces, more efforts must be devoted to making proper use of renewable resources to reduce waste production. Special concern must be given to slum areas and to vulnerable communities.

P. Radhakrishnan

"Caste Disabilities in Perspective", *MIDS Bulletin*, XXIII(8), August 1993.

The disabilities arising out of the caste system, reducing the bulk of the Indian population to a hapless majority of

disadvantaged groups may be understood in terms of the use of caste as traditional India's principal category of social ordering and control, and organised protests against such disabilities. That is the concern of this paper. Based in various published works it looks at the scourge of caste and the persistence of the caste system despite challenges. Its main conclusion is that while resilience is one of the factors responsible for the persistence of caste, other factors include (a) the British legal perceptions of caste which sharpened the self-awareness of the different castes and strengthened the nexus between caste and politics; and (b) the inadequate treatment of caste in the Indian Constitution.

2 "Communal Representation in Tamil Nadu, 1850-1916: The Pre-non-Brahmin movement Phase", *EPW*, XXVIII(31), July 31, 1993.

Though communal representation and reservation are often identified with the non-Brahmin movement and the Indian Constitution respectively, the evolution of the non-Brahmin movement itself was preceded by certain intricate and elaborate processes of over half a century. These processes had a direct bearing on communal representation and reservation at the ideational and pragmatic levels as functional imperatives of the colonial administration. Central to the discourse on communal representation and reservation of the period under reference, the related administrative process and the non-Brahmin response to these were the statistics collected from time to time. These made the non-Brahmins and the British officials increasingly aware of the structural cleavages in south Indian society of Brahmins vs non-Brahmins, Hindus vs Muslims, and so on. Such awareness in turn sharpened these cleavages, pitted the non-Brahmins against the Brahmins and gradually paved the way for the non-

most worrying aspects of the budget, is that it is built on the some what shaky assumption of the positive receipts to the tax reforms with the finance minister specifically ruling at the usual remedies of rise in taxes. Similarly the announcement of the full convertibility of the rupee is based on estimation which are not dependable, taking into account the very heavy commitment on foreign exchange out go during the coming years. The budget is thus a mixed bag of pluses and minuses with the negative feature being stronger needing to be curbed.

Railway Budget

The railway budget for 1994-95 was presented to Parliament at the end of February. It is summarised in Table 2.

The major issues to be noted are the rise in freight rates of a wide range of commodities along with a multiple increase in upper class and second class fares to gather an additional Rs.997 crores reflected in the gross traffic receipts in the budget estimates. Rs.800 crores of this is to be raised through upward restructuring of freight rates particularly of high speed diesel and cement. These will have a cascading affect on the price level. The fares for the upper class AC I class, AC Sleeper, AC Chair Car are raised by 6 per cent. In view of the heavy subsidised suburban fares there is an increased levy on them ranging from Rs.1 - Rs.9 for second class monthly fares and Rs.11 - Rs.40 at the higher classes. The tariff proposals relating to freight which accounts for 67 per cent of the revenue have been made telescopic - the freight rate per km decreasing as the distance increases. It is from this telescoping that it is hoped to cover the bulk of the additional revenues. In a gesture to a recession hit cement and chemical manures sector, the rebate of 6 per cent on freight is proposed to be increased to 10 per cent. The exemption list for the essential commodities remains. For short distances passenger on main lines and branch routes it is proposed to introduce

rail buses and diesel multiple units for 1994-95. The railways target for revenue earning tariff is to be increased by 16 million tonnes above this year's 362 million tonnes. Passenger traffic is likely to grow at 2 per cent which helps a 2 per cent increase in gross traffic receipts estimated at Rs.19,937 crores which is an increase of Rs.812 crores over that of the current year. Ordinary working expenditure are estimated at Rs.13,307 crores which is an increase of Rs.1552 crores over the current year, to cover inputs for incremental traffic, anticipated increase in prices, additional DAs, full year's impact of interim relief and increase lease charges to Indian Railways Finance Corporation. The appropriation to the depreciation reserve fund is raised by Rs.200 crores to Rs.2300 crores and that for the pension fund raises similarly by Rs.200 to Rs.1700 crores. Dividend to general revenues is placed at Rs.1372 crores. The operating ratio rises from 83 per cent to 85.4 per cent which is a retrograde development. There is a call therefore for further economies in the railways functioning. The budgets proposed distribution of funds between renewal of track and transport facilities and opening of new lines is on the right lines because the urgency is to renew the outdated tracks and wagons and not open new lines for which there are no funds. Also the economies mentioned in the budget may be dissipated by an increase in the number of its working hours for which the workers get paid in terms of bonus. Despite the commitment made that the railways have taken up the challenge of change with commitment and dedication with a far degree of success, the factors given are worrying - the freight earning for 1993-94 have been revised down reflecting less the export gains and more the recessionary conditions in the manufacturing sector. The cut in plan size in 1993-94 by Rs.300 crores will in view of the rising inflation be much larger in real terms. For the next year the railway plan outlay includes market borrowings of Rs.1050 crores but the problem of the activities of Indian Railways

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