208

BULLETIN

MADRAS DEVELOPMENT SEMINAR SERIES

Vol. XXIV No. 9 September 1994

Planning for Hunger Free Districts
Agenda for Action

The Profitability of Bonded Labour
The Gem - Cutting Industry in Rural South India

CONTENTS

EDITORIAL HIGHLIGHTS

Introduction

THIS September editorial covers the main trends at the state, national and international levels in the month of July. At the state level the major development was the surplusing of the Mettur reservoir which has occurred after 30 years, caused by very heavy rains in the catchment areas. Also the copious inflows into the state reservoirs and the Madras drinking water supply reservoirs is noted along with the new policy for water management and the problems of our Madras water ways. In the field of power the cancelling of World Bank loans because the state persists in the supply of free power to the farmers, the development of Jayamkondan and the over drawal issue with Andhra Pradesh are reviewed. In agriculture the surplusing of Mettur has led to a very early start of the main samba season along with the plentiful kuruvai rice crop. A comment on water shed infrastructures, the rain fed project and problems created by acqua culture are passed in review. In regard to industry the World Bank's satisfaction with the implementation of its projects in the state, the outstanding nature of handicrafts and the Tamil Nadu Textiles mills are noted. Under individual industries are Arooran entering textiles, Lakshmi Machines, foods, fats and fertiliers, Madras developing as a shopping centre, the collaboration between SPIC and Mitsui, the state's contribution to textile exports, the functioning of Madras EPZ, the problems faced by SMPL and TIDCO's collaboration with Kothari Sugars are noted. In the national areas the problems faced by the plan which tend to be glossed over by the government, issue of inflation, in the case of power foreign investment and the counter guarantees issue, their role in power plant innovation, and prospects of non conventional energy development are discussed. In the stock exchange section, the membership issue of FFIs, the trend of over Rs.1200 crores issues raised just in the month of June 1994 and the important development of National Stock Exchange are passed in review. In the economy, the many important issues concerning growth prospects, expectations and forecasts and the neutralising of liberalisation policies along with the CSOs quick estimates of national incomes are noted. This is followed by the review of the measures to contain the deficit and make fiscal corrections, including the effects of counter guarantee. A third issue is RBI credit and the economy, GDPs stability, and privatisation and rural development. Fourth, the work of the environment tribunal, the problems of the social sector of the economy and the data servicing are reviewed. This is followed by a series of a brief discussion of specific issues concerning the PDS, SSI, RRBs, bank credit and industry, the speeding up resource mobilisation, World Bank and IMF on poverty, the problem of regional imbalances, dealing with 60,000 villages without drinking water, sugar imports, the Moscow Declaration and the fact finding mission on women. In the area of agriculture, agricultural policy, globalisation of agriculture, monsoons and the attainment of the food target, agricultural production forecasts, the World Bank Aid to the farm sector, ICAR starting new research stations and the problems of flori culture, the grain target, shrimp packing and milk production are passed in review. The 56 research reports during the month and the position of the plantation crops starting with the crisis caused by the shooting up of coffee prices leading to the distribution of coffee seeds through PDS, the surfeit of tea production in the South, India joining Sri Lanka in an international tea association, rubber production in non traditional areas and cashew are noted. In regard to industry the data on industrial growth and the persistence of recession despite the optimistic outlook of the government and the private sector, ongoing controversy in the private vrs the public sector, the large foreign investment approvals, the problems being created by the foreign oil companies off shore exploration, the automatic components industry going global, the SSIs using the high tech, the situation with regard to coal and the sugar scandal and the permission given to state PSUs to negotiate directly on foreign loans are passed in review. The foreign trade area next starts with the review of the reported growth rates, the effects of the further import liberalisation, the export problems, holding back by the US of applying Super 301 to India, the serious fall in export growth in April and May of the current year, the problems faced by BOP and foreign exchange reserves at $17 billion are noted. On individual items, the garment exports, textiles exports, and engineering exports, are noted. With regard to aid and loans the final results of the India Development forum in regard to the 6 billion loan offered along with the conditions suggested, the IBRD and IDA allotment, the ADB loans, the rupee auction by Russia and the aid by Japan, Sweden and Germany are reviewed. In regard to Human Resource Development the education sector starts with A.Sen's Lakdawala Memorial lecture and goes on to the 6th All India Education survey, the pursuit of improved operation blackboard, the total literacy programme and the open university.

In the Science area, the collaboration between India's research institutions and foreign research institutes is noted. In the health field the launching of the school health programme, is referred to. In the employment area the problems in the increasing trend of unemployment against the government's optimistic employment forecasts are discussed. The government's raising of minimum wages is noted. The international area starts with a review of the world economy as set forth by UN and OCED which seems to suggest that world recession is now lifted. In world agriculture the importance of increasing foodgrain production and distribution is emphasised. The other areas reviewed are ODS for the third world, the bio-diversity convention being short of funds, the redefining of the role of the World Bank and IMF on their 50th anniversary, the new criteria proposed for IDA, FAO on GATT and the poor countries, SAARC and its programme to eliminate poverty and the prospects of the third world in energy efficiency technology are noted. Under the other items are noted the institute's involvement with State Planning Commission's employment seminar, the bi-monthly meeting of State Resource Centre and Tamil Nadu Board of Continuing Education, the annual meeting of the general body of BGVS, IICs developments related events, the annual conference of the Indian Society for industrial and fiscal economics, the condolence meeting for Father Kuriakose and the meeting of the Madras University Senate Conservation Committee.

State

Power

In the power field the Jayamkondan project is moving forward with its land acquisition. The project will add 1500 MW to the state grid. But a problem which is dogging the state is that of the free power supply to

farmers which the World Bank holds is an obstacle to the bank loans to the state such as the Rs.1400 crores for water resources consolidation project as against the government's firm commitment to the farmers. This question has become a serious one. In connection with the controversy of AP's over drawing from the southern grid, the Tamil Nadu Electricity Board once more points out that each of the southern states has been allotted power from the central generating stations at Ramagundam, Neyveli and Kalpakkam and each state has to restrict its power drawal to this clearly laid down allotment. Thus any state can over draw up to 10 per cent provided it is adjusted in the following month. The AP state electricity board does not adhere to this clear provision and that is the source of the debate.

The Tamil Nadu power finances and infrastructure development corporation is diversifying its lending pattern which has so far been limited to the State Electricity Board. It is increasing its loan portfolios many times over the next couple of years. Besides lending to the State Electricity Board it has plans to finance power projects using non conventional sources of energy and cogeneration of power using gas. The potential of power generation through wind energy and biogas is estimated between 20,000 to 25,000 MW for the country. Of this, Tamil Nadu will account for 8 to 9 per cent. It is also exploring the possibilities of developing the Tuticorin port as a storing, holding and conveying centre as Tuticorin is at the centre of both eastern and western markets of the world.

Water

The Mettur dam began surplusing from July 25, its water level reaching its full capacity 120 ft, it is pointed out that it is the first time in 33 years that the dam has surplused in the month of JUly. Further, the good south west monsoon has resulted in very good inflows into the states reservoirs such as the Parambikulam, Aliyar, Bhavanisagar, Pechipural and Pernuchani and Manimuthar. In particular the states hydel reservoirs have benefited to the maximum, having by the end of July already received 900 million units which will increase further in August. The Board has kept generation at its hydel stations at high level of over 1393 MW. The combined capacity of three reservoirs, Red Hills, Poondi and Sholavaram was 3007 Mcft against the capacity of 6252 mcft by the middle of July. This compares with the 432 mcft on the same day last year. The state government has formulated a water policy to "develop, conserve, utilise and manage water resources on an integrated and environmentally sound basis to meet the state's growing needs". The policy takes into account that with a high percentage of the states surface water resources already being utilised, the scope for constructing new surface water storage reservoirs is limited. Hence the emphasis in the policy is on more efficient water management to ensure additional productivity from water. Hence several opportunities exists for conservation and reuse in irrigation, industry and municipal water system along with the further conjunctive use of surface and ground water.

One serious problem that faces the state is that the 80 public commercial water institutions in Madras city are not connected to the sewage system and do not have outlets to discharge their sewage into one of the city's four polluted water ways - Adyar, the Cooum, the Buckingham canal and the Otteri Nullah. A detailed study by the Tamil Nadu Pollution Control Board has also identified a number of outlets into the Madras Water Ways comprising 65 points of discharge of the industries, 66 belonging to slums located near water ways, 17 belonging to sewage pumping stations and three to sewage treatment plant. There are also 535 storm water drain outlets, many illegally connected to the sewage system and discharging enormous quantities of untreated sewage directly into the water ways. The final collated report of the survey is looked forward to as the means of throwing up important data on the causes and extent of pollution in Madras city.

Housing

Madras city will be the first in South Asia to come under the sustainable city's programme launched under the UNs Centre for Human Settlements, Nairobi. The programme will draw attention to environment management in planning and development to improve the quality of life in cities.

Agriculture

With the generous south west monsoon, rice production during the kuruval season is expected to reach 7 lakh tonnes as against last year's 5.5 lakh tonnes. Even as the latest planning of the short term kuruval has gathered momentum in the Cauvery delta those in charge of civil supplies are puzzling over the right strategy for using this bounteous crop in a situation of plenty. There have to be careful handling of the procurement to avoid distress sale by small and marginal farmers, avoiding accumulation of low quality paddy and stemming any political back clush. But on long term basis, given the predominantly small and marginal land holdings in the state, redefining agricultural strategy for rain fed and dry farming should rely on tanks that catalyse the growth of agri business in a water shed approach. The inbuilt flexibility in an ongoing programme like the National Water Development project for Rain Fed Areas (NWDRFA) must be used to increase the income of farmers and landless labourers to participate in this programme. The programme also depends on institutional factors and social infrastructure such as the changing concept of extension services, the substitute for subsidies, the use of bio fertilisers and bio-pesticides and the motivational parameters that can enhance the self reliance of small and marginal farmers including women. In this connection the project of Tamil Nadu Women in Agriculture which has been started in Salem district as part of the second phase of the programme with Danish collaboration is a means of upgrading the technological skills of farm women and to improve their social economic status. Phase I has already done this in the six districts where it has been implemented and in the second phase lasting seven years from 1993 a total outlay of Rs.28.70 crores is to be spent to cover the rest of the state. Another important development is reported by the cooperative department which will be providing Rs.450 crores as short term agricultural loans this year and all women's cooperative central bank branches which is functioning in 17 places is being extended to other districts and is successfully functioning. The reference in the last issue to the negative effects of the fast developing acqua culture farms has led the companies engaged in this to request the state government to evolve pollution control norms in order to both deal with pollution problems and remove popular misconceptions about the environmental impact of acqua culture projects. The companies have assured the government that they will adhere strictly to the detailed guidelines to be set forth by it. The new farm acqua culture foundation based in Madras is following up this lead with the state fisheries department.

One effect of the plentiful rain and surplusing of Mettur is that farmers in the Cauvery delta districts have been asked by government to take up sowing for the main samba paddy crop in advance; the delta farmers are taking up early sowing with a high demand for paddy seeds specially ADT 38 and ADT 39.

Industry

The industrial record of the state has received a high rating in regard to the various projects supported by the World Bank. On this basis the state is urging the bank to ensure early clearances of the Rs.1230 crores water resources consolidation project referred to

earlier. But this depends on the government being willing to levy user charges on the farmers using power and water. The other project awaiting World Bank's help is the new Veeranam water supply project on which the city's water supply depends. Another important area is handicrafts in which the State Handicraft Development Corporation in the four southern states have joined together in a marketing consortium. The export marketing efforts of these Corporations will boost handicraft which are to be coordinated under the South Indian Handicraft Export Association, Madras. Thirdly, the spinning mills in the South particularly Tamil nadu have begun showing satisfactory positive returns from 1993-94. Despite the poor yield of the cotton crop and the speculative rise in its prices, in a two project strategy, the large mills in Tamil Nadu have sourced from some of the largest cotton traders in Europe to make yarn on advantageous terms. Another advantage is that they are also spinning and exporting blended variety of cotton yarn. The spinning units particularly in the Salem, Periyar, Madurai belt have siezed this opportunity in spinning flakes/cotton yarn sourcing the flakes fibre. It is therefore not surprising that textile exports in 1993-94 were $7.97 billion (Rs.25014 crores) exceeding the target of $7.94billion. On individual industrial initiatives Arooran Sugars which has made its market in the sugar field is now investing in a totally new area, textiles. It is going for an investment of Rs.140 crores for expansion and diversion in this field; Lakshmi Machines is setting up a Rs.440 crores pig iron and steel billets plant under the name of Southern Iron and Steel Company Ltd, it will have an installed capacity of l.83 lakh tonnes of pig iron and 1.60 lakh tonnes of steel billets and 54000 tonnes of alloy and special steel. This project which is jointly established with TIDCO which will have 11 per cent of its equity while Lakshmi Machines will have 40 per cent' Foods, fats and fertiliser Ltd. also reports a major expansion and diversification plan totalling Rs.193 crores. It will produce oil from 6 AP cultivation based on the tanera hybrid of costa rice; Madras seems to be emerging as the next shipping owned centre in the country after Bombay, with companies making heavy investments in acquisition of ships. These companies include Chemplast, West Asia Maritime, Trymex, and Balaji distilleries, in addition to India Cements and Pearl Shipping which are expanding; SPIC Petro Chemicals reports signing a memorandum of understanding with Mitsui Petro Chemicals for setting up a PTA plant; Tamil Nadu Handloom and Weavers Cooperatives reports a sales turn over target of Rs.24,250 crores for 1994-95, its hope is that the present poor showing of its 18 cooperative spinning mills of which only four or five are earning their returns will improve with the modernisation under way; Madras Export Processing Zone reports a profit of Rs.200 crores which has been paid to the government. This is a 21 per cent growth over the previous year's performance of the export target which for the current year is set at Rs.270 crores. In the first three months its exports recorded Rs.51.42 crores so that the target seems attainable; the Standard Motors products Ltd. (SMPL) is once more in the news with the discussion at its general body meeting of the Rs.6.03 crores investment made in it by Tamil Nadu Petro Products. The Vice Chairman asserts that the company can be revived as it has chartered a growth path to become a global force by 2000 AD. This is somewhat bombastic. If it can earn its way and keep its workers in employment, that would be satisfactory; MRL reports signing a memorandum of understanding with the union ministry of Petroleum and natural gas for the current year in order to achieve a higher crude oil production of 6.6 million tonnes without costly over run; TIDCO in a note has justified its decision to disinvest in its subsidiary, Tamil Nadu Steels, as being in line with the national Policy of privatisation. The issue has gone up to the High Court where TIDCO maintains that it has the right to invest and disinvest in its companies. Kothari Sugars and Chemicals has signed an agreement with TIDCO for setting up a 10,000 tonnes per annum plant for manufacturing hydrogen per oxide, TIDCO is contributing II per cent of the equity. Hydrogen per oxide is an environmentally friendly chemical and its market is growing rapidly.

TVS Suzuki Scooter announced a Rs.100 crore investment plan over a three year period for entering the scooter market, its target is 20 per cent of the two wheeler market, using, to start with, a new scooter model with an electronic starter as well as two scooter models which means that the company is entering for the first time the scooter production area.

ITCOT reports identifying some project areas in the Madurai district along with its investment required, the source of technology and market potential. The project list include vacuum dry frozen vegetables, tissue culture, papaya processing, tomato paste, and dehydrated tomato, spice oil, textiles, knitting and knit wear garments, open ending spinning etc.

The Ambattur Industrial estate which comprises 1800 small medium and large units dealing with various industries including automobiles, electronics, leather, export garment, and chemical industries, has an annual turn over of Rs.2000 crores; it faces an increasing number of problems, starting with the very heavy bureaucracy which forces the entrepreneur to waste time, writing letters and interviewing officials instead of dealing with production, and finances. Second, there is complaint of the lack of security and increasing thefts during the night in the estate. There is also the problem of increasing encroachment by people in the surrounding villages. Given the fact that this is the country's largest industrial estate these problems should be quickly dealt with.

IOC and Madras Refineries have signed a memorandum of understanding for the implementation of a wide ranging projects. These include the study of the economic feasibility of setting up the port facilities for a surge in not only of petroleum products and petro chemicals in South India but also the setting up of project pipe lines, product plants, training in chemicals and the fire and safety education.

National

Planning

In view of the slow growth of the economy, the Planning Commission is studying the possibility of revising downward the growth target for the 8th plan from 5.6 per cent to 4 per cent. This is a poor reflection on the structural adjustment programme which is affecting growth, investment and employment generation. The average growth rate in the first three years of the 8th plan is around 4 per cent per annum, with a sharp shortfall in industry where the plan target of 8.2 per cent growth per annum has slowed down to 3.5 per cent. This has a one dubious advantage as otherwise there would have been a strong pressure on the infrastructure sectors. Another imbalance is the serious slow growth of capital good industries because of the cut in investment. On the other hand there has been a fast increase in the consumer durables output. Similarly unlike the emphasis in the 8th plan, the social sectors of education, health, employment have reached low levels of performance with employment growth targeted to 8 to 9 million jobs a year. Will the private sector make up the shortfalls in public sector investment in employment? This is what the Planning Commission hopes and those hopes seems to be unreal and unrealisable.

Inflation

The Annual rate of inflation as at June 25 is recorded at 10.22 per cent. The perennial problem is that this estimate is computed on

the basis of the provisional over the final estimates of the whole sale price index. What is disturbing in the report is that the actual rate of inflation is nearly 12 per cent and not around 10 per cent as made out on the basis of provisional figures. The rate crossed the double digit range soon after the budget was presented in February end at 10.3 per cent and has since been climbing. For the latest last week of June the WPI provisional is 265.4, due to higher indices for all major groups except for fuel, power, light and lubricants. The index for primary articles registered the highest rise of 0.4 per cent to 271.0, as it has a deleterious affect on the poor majority of the country.

Power

By the end of July government reports that 35 proposals for setting up power projects from foreign companies, US, UK, Germany, Australia, Japan, Malta, Israel have been received. The Power Ministry is also looking for foreign investment for renovation and modernisation of existing plants. The fresh investment referred to earlier for green field projects will require a gestation period of four to five years where as the renovation of existing plants can produce results within a few months. The government reports that the US based ICMC power consortia has earmarked $6 billion for investment in infrastructure projects in India, the major part being in power projects but also include investing in oil and gas recovery, gas transmission, ports and roads. In regard to the wide publicity given to the State Electricity Boards losing Rs.5500 crores by the end of the year, it should be noted that these heavy losses are due to the Boards not being given resources to renovate their machinery and train their personnel and above all providing power free or below cost. The worst effected by these forces is the TNEB which incurs an annual loss of Rs.900 crores, followed by the Boards in Assam, Bihar, Haryana, Rajasthan and West Bengal. The lacks imposed on them make it impossible for them to pay their arrears to the National Thermal Power Corporation and as a consequence the World Bank has not made disbursements of $731 million to NTPC after February 1994. What is involved is not only getting foreign groups to renovate the plants but also making the political decision to levy user charges and enabling the plants to cover their cost plus. The government despite objections from the finance ministry and the Planning Commission has decided to provide counter guarantees for the first seven power projects being set up by foreign multinational corporations. This has been objected not only domestically but also criticised by the World Bank. What is curious is that the strong opposition by the ministry of finance to these counter guarantees was whittled down to the guarantees expiring after the debt has been paid and even on this the cabinet committee on foreign investment has over ruled the finance ministry. Hence on this, we will be building up a foreign liability of near $ 7 - 8 billion. The only concession made is the government has said that it will not give such guarantees any more to other foreign investments. An important area to which we should give further attention is the non conventional energy area. The government's plan to add 2000 MW capacity through this source is only a beginning which will require Rs.8000 crores of investment. But against the counter guarantee being given to foreign multi national power companies, this is peanuts. We should work to a time when non conventional energy will become conventional.

The National Thermal Power Corporation has been given power to shut or restrict power supply to state electricity boards which are in default of payments or do not open letters of credit for the required amount. This is expected to slow down the mounting arrears of payment by the SEBs which has caused difficulties to NTPC and also to the World Bank.

The World Bank announced at the end of the month cancellation of $70 million power loans to the country due to the poor performance of the state electricity boards.

Stock Exchange

Foreign financial institutions are bidding to become parties on Indian Stock Exchanges, starting with Morgan Stanley. If their bids are accepted they will be able to trade on the floor along with the Indian counter parts. They will need government clearance as foreign institutions to participate in financial investments. During June 1994-93 issues worth Rs.1247 crores were floated in the primary capital market - 80 being public issues worth Rs.1077 crores and 13 being right issues amounting to Rs.170 crores. The government has notified rules and regulations for bankers to issue under SEBI to ensure greater investor protection. The bankers to an issue are intermediaries in the securities market and are engaged in acceptance of applications, money from investors, refund and payments of dividends. The rules stipulate that nobody can act as a banker to an issue without a SEBI legislation certificate. The establishment in July of the National Stock Exchange (NSE) , its liquidity trend in the first II days is poor, but as the Bombay Stock Exchange realised, it will quickly emerge as a strong competitor. NSE should develop a strategy that will boost liquidity, bring in a measure of uniformity in scrip movement, introduce a substantial measure of orderliness and generally foster transparency in stock market operations which is still elusive, if NSE is to fulfill its obligations to investors and develop in them a high level of credibility in India's stock market. It must have a plan to attract trading in corporate scrips and develop as an alternative to established stock exchanges. This means that it must go well beyond trading in treasury bills which the government has agreed to be phased out over a period.

The most important effect of the national stock exchange inaugurated in July is the effect that it will have on other capital markets and the movement towards stock exchange reform. SEBI will no longer be alone in facing the brokers as the National Stock Exchange will be investing in a state of the art technology resulting a training system which will be both transparent and efficient and eventually accessible all over the country. Investors have so far contributed to a total market capitalisation of over Rs.400,000 crores which gives NSE the developmental role and will make its data instrument more attractive. The NSE presents an opportunity to brokers because it gives them access to the very latest stock market technology along with a chance to deal with a vast territory. It also represents a threat because the success of NSE will be diminishing the importance of stock exchanges and reduce the status of the broker members. In the last analysis, the NSE would be a success if through its positive impact it brings about the necessary changes in the stock exchange world.

Economy

In the country's economy July marked several developments. On growth prospects, the role of expectations in promoting or retarding growth is placed on all fours with the monsoons. A good monsoon leads to plentiful agricultural products including the inputs to industry and so promotes growth. On the other hand poor monsoon lowers the growth. The development research group of RBI looked into the quantitative impact of the various policy measures undertaken in the last three years. It found that deficient monsoon could raise the inflation rate to 16.3 per cent in 1995-96 and cause a fall in the average growth rate of real output to 4.7 per cent, so it concludes that a favourable monsoon for the next three years is essential for increased productivity and capital invested in the economy. Expectations have a similar role, if an entrepreneur expects a good growth he tends to increase his investment and this spreads. There is here also the problem of false expectations and spurious forecasts. From that point of view,

while monsoons can be either good or bad in their impact on growth, expectations even though high can be deleterious. The All India Association of Industries points out that lower growth also neutralises the gains of liberalisation. It points out that the gains of low inflation have been neutralised by lower growth, when the purchasing power was less than that of three years ago, thus the domestic market could not expand. A good monsoon for the current year referred to earlier may result in a growth rate of around 5 per cent. In connection with the forecasting growth, the quick estimates of national income for 1992 and advanced estimate for 1993 by CSO are revealing. The quick estimate was that the real GDP at factor cost recovered partially from a low growth of 1.1 per cent in 1991-92 to an estimated 4 per cent in 1992-93 due to the good performance of agriculture. The rate of net factor income from abroad improved from -1.9 per cent of GDP in 1991-92 to -1.6 per cent in 1992-93. private financial consumption expenditure registered a lower growth of 11.4 per cent during 1992-93 against 15.6 per cent in 1991-92. Gross domestic Savings (GDS) increased by 7.3 per cent in 1992-93 as a result of higher contributions from all three institutional sectors - household, private corporate and public. However, the rate of Gross Domestic Savings (GDS) declined from 23.1 per cent of GDP in 1991-92 to 22.3 per cent in 1992-93 due to a decrease in household financial savings. The share of agriculture and allied activities rose from 30 per cent in 1991-92 to 30.3 per cent in 1992-93, industry declined from 24.8 per cent to 24.5 per cent and services stagnated at 45.2 per cent as between the two years. Real as well as gross capital formation increased during 1992-93 from Rs.49,723 crores during 1991-92 to Rs.58,033 crores in 1992-93. CSO's advanced estimates for GDP growth declined to 3.8 per cent in 1993-94 from 4 per cent of 1992-93. National income decreased by a larger percentage by 0.6 per cent to 3.6 per cent in 1993-94. Agriculture is expected to improve further but its rate of growth is lower at 2.3 per cent compared to 5 per cent in 1992-93. Industry is expected to rise to 3.2 per cent from 2.6 per cent of the previous year. The services sector is expected to grow at 5.1 per cent as a result of renewed buoyancy in financing, insurance, real estate, business services and in construction.

A second general issue concerns events where the country's budgetary deficit would be brought to 6.5 per cent of GDP within this financial year. For the finance ministry the ongoing liberalisation programme has brought inflation under check. The rise in prices of cotton and sugar are special, while essential commodities do not face such shortage. In fact the finance ministry seems to be confident of keeping the current year's financial deficit well below the target of 6 per cent of GDP, its latest calculations is that it might be lower at 5.7 per cent. If this occurs, it will be an important turn around from 7.3 per cent fiscal deficit recorded for 1993-94 as the budget statement shows. All this is related to the question of the effect of the reform programme on the economy. The government seems to have some questions about the effects of this programme on the economy as seen in the telecom policy where the foreign equity limit is recommended at 20 per cent. Similarly the 51 per cent foreign equity limit in other investments stands along with two conditions - the automatic clearance being special to its expansion and induction of high technology and the acquisition of the equity being subject to the stipulation of the market expansion scrips. Similarly as noted earlier the World Development Report has declared itself against indiscriminate guarantees to foreign investments in power and the burden these will impose on State Electricity Boards. It is essential that the government should review its programme in this context.

A third issue is the effect of the net RBI credit to government on the economy. One view is that it is not the magnitude of the net credit but the incremental capital output ratio which is important. The economy must be able to draw more output from a given level of investment and this is what fiscal policy should strive to achieve and not simply the book adjustment which RBI credit to government involves. The data on extension of RBI credit to government in the first quarter of 1994-95 shows as a certain caution on the part of the government to make sure that this is not a matter of book adjustment. There must be a significant improvement shown in the economy's overall, performance of which there is little evidence present today. The efficiency aspect under liberalisation faces a serious problem given the stress on market related salaries and perks which will take its toll of cost efficiency of private entrepreneurs. Under the regime of control there was an element of cost discipline which has become the first casuality under liberalisation. This is seen particularly in the cascading effect involved in raising procurement and support prices of various agricultural crops and the raising of administered prices. The danger in concentrating on figures is that any reduction of figures will mean that both economic development and poverty reduction will be neglected. Despite three years of liberalisation and economic reforms, international business and government's see India as a difficult market being held down by bureaucratic delays, restrictions on profit repatriation, high cost of joint ventures and wide spread collaboration, and difficulties in retrenchment under the labour laws. To this they also add the problem of inadequate protection for intellectual property rights. But there is also a guarded optimism in US, UK, Germany, France, Belgium, Canada, Australia etc. about the Indian economy because of its low cost and plentiful skilled labour, an increasing middle class, strong legal and accounting systems strong ethnic links with NRIs, etc. Only time will tell what the results of these positive/negative relations included in these analysis will be. In regard to the effect of privatisation of rural development, the priorities look well defined in this fourth year of reforms and the government's priority of handing over industry to the private sector is based on its belief that it then could alleviate poverty faster and focus on rural development. But the effects of privatisation could also be a slow down in development in the social sectors and in infrastructure. One positive feature is that despite the government having in effect rejected the JPC report on the scam and its protection of the three ministers accused in the report, RBI has taken a first step to restrict further mal functioning of banks in economy. The action initiated against banks whose collusive role in the illegal activities, in securities and PMS transactions involves: (a) levy of penal rate of interest, and (b) withdrawal of exemption from maintenance of an incremental of CRR of 10 per cent. As of now 20 banks are to pay the penal rate of 35 per cent and are facing withdrawal of exemption from the 10 per cent incremental CRR. The one gap here is that no action has been taken against those involved in portfolio management and rate forward delays. Action is proposed to be taken against four foreign banks - Chartered bank, ANZ Grindlays, Bank of America and City Bank, here the government says it is awaiting a response from the Federal Reserve of US with regard to the two American Banks.

The National Environment Tribunal Bill of 1992 which has been proposed by the Standing Parliamentary Committee has some of its key recommendations not accepted by the government, such as of factors causing pollution to be examined by the Environment Tribunal and not only those caused by hazardous substances. The commitment by the World Bank on IDA aid of $3.5 billion over a three year period emphasises the importance of environmental and social concerns that are likely to be neglected because of fiscal adjustment and liberalisation. This is good but does not excuse the country's neglect of these important areas.

India's debt service ratio has fallen from 31 per cent in 1992-93 to 25 per cent in 1993-94 during the current year. There will be some bunching of repayments which may send up the ratio to 27 per cent but after that it could fall. The question still is whether the momentum in last year's exports which rose by 21 per cent and NRI remittances by $1.6 million will be maintained. So far manufacturing exports do not show this feature. Is it because the rupee has not depreciated in line with inflation? The big inflow of portfolio investment and bond issues has swelled our foreign exchange reserves to $17 billion.

A number of domestic issues were also dealt with in July, covering PDS, SSI , RRBs, Bank credit and industry and resource mobilisation. The picture presented is mixed. On PDS the government has again postponed action by appointing another committee. Currently the PDS is integrated with the system of official price support for farmers and prices stabilisation for consumers under the revamped PDS. These functions will have to be separated and the subsidy used only to shore up the consumption of the poor. The government must take the courage to do this. On the small scale industrial sector, the latest government initiative of forming consortia comprising the National Small Industries Corporation, CSIR and the Asian Pacific Centre for transfer of technology will provide important information, technology, equipment and funds for SSIs modernisation. This should help SSIs to survive without government crutches. On RRBs and their restructuring. there is on the one hand their closeness to rural society partially because their location and partially because of their sound work, on the other hand their major constraint is resources with accumulated losses of over Rs.900 crores, RRBs are in need of restructuring, under this year's budget 50 RRBs are to be rehabilitated as a counter to their accumulated loss of Rs.1300 crores by March 1994. Restructuring of RRBs will cover the choice of viable RRBs, the contour of funds they require to ensure their long term viability and extension of this experience to other RRBs. The restructuring plan will help some RRBs but the larger question remains as to how to deal with heavy loss making RRBs. On bank credit outstanding from industry the picture is not encouraging. As according to the CII the credit due has gone up from 51.4 per cent in March 1980 to 53.5 per cent in March 1993, that is about 54 per cent of the gross bank credit deployed is outstanding. Here again the problem is differential treatment of industry whose share is declining and those showing an increasing trend. On resources mobilisation the Planning Commission has set up an expert group to meet the 6 per cent shortfall in aggregate resource mobilisation recorded in the first two years of the 8th Plan. The latest estimate show that against a total mobilisation of 40 per cent by the centre, in the states only 34.3 per cent has been mobilised. Hence a massive drive is called for and this is what the committee is expected to recommend.

In the area of various imbalances covering poverty, regional variations, villages without drinking water, and women, starting with poverty the World Bank and IMF as well as the major bilateral donors are not interested in funding poverty alleviation programmes, though SAARC has made a strong case for this. Hence there should be greater cooperation among SAARC countries to fight their poverty. On the regional imbalances, Parliament was informed that during 1990-93 the average annual rate of growth of Gujarat was only 3.84 per cent whereas Kerala had achieved 7.18 per cent, Punjab and Maharashtra 3.59 per cent and 3.56 per cent respectively. These figures should be looked at, bearing in mind that Punjab and Maharashtra rates are based on high growth rate bases while that of Kerala is on a low growth base. Hence growth rates of NSDP are not guides to regional imbalances. On the basis of per capita state income in 1988-89, Punjab recorded the highest and Bihar the lowest, Kerala had a medium place. Also state wise estimates of unemployed persons by NSS shows that states with high levels of unemployment are Tamil Nadu, Kerala, Andhra Pradesh, West Bengal, Uttar Pradesh, Maharashtra and Bihar. The population among them below the poverty line is highest for Orissa followed by Bihar, Madhya Pradesh and Uttar Pradesh. The incidence of urban poverty is an indication of the inadequacy of industrial development to provide adequate employment. Will regional imbalances be corrected under liberalisation? As long as we rely solely on industrialisation to correct these imbalances and neglect agricultural development, in diversification, waste land development, flori culture, horticulture and seri culture, there will be no improvement. On the role of drinking water problem, it is reported that after eight years of focused work on providing atleast one source of potable water to every village, There are today more habitations without drinking water than in 1985. The largest number are to be found in UP, Bihar, West Bengal. This is a great problem which needs once more careful attention. On the question of women, the National Commission for Women has started a fact finding mission through extensive tours covering all the states. There is still a very serious problem in the country of using women as a scapegoat for both national and family ills, downgrading their dignity specially through films and advertising in print media. This means that the work for the improvement of women needs further attention. A brief reference to the Moscow declaration made by India and Russia in July "on the protection of the interest of the pluralist states" needs to be made. The declaration is a long term one based on our wide and sweeping vision and expression concern for progress and peace. It is a kind of declaration that other states should join in.

IMF in its annual report while commending India for the recent further reductions in import tariffs and quantitative restriction on consumer goods imports, expresses concern over several aspects of India's economic performance and calls for accelerated reforms, particularly the trade and exchange system which its strong BOP position makes possible. It warns against the effects of the widening budget deficit for 1993-94 and the persistence of high domestic interest rates and the sluggishness of the industrial recovery. It warns that India should use its BOP situation and for structural adjustments to overcome domestic problems. This is a typical IMF/WB view.

Agriculture

Parliament is taking up the question of agricultural policy resolution. The Draft Policy Resolution as modified placed before Parliament affirms that agricultural development is central to all strategies for planned development in India, and agriculture being a state subject will continue to receive the fullest attention of state governments with the centre helping them. The policy lists some 17 challenges facing agriculture, from the need of increasing agricultural production and productivity, meeting the challenges of degradation of land and water resources, the diminishing size of land holdings and fragmentation, the problems of under employment, unemployment and mal nutrition, the need for increasing processing, marketing, and storage facilities, revitalising and democratising cooperatives, focussing agricultural research system on economically viable and location specific technologies in rain fed, drought prone and irrigated areas, addressing technology training and input needs of farm women, developing rain fed and irrigated horticulture, flori culture, aromatic and medicinal plants, and plantation crops, efficient use of marginal lands, and augmentation of bio mas through agro and farm forestry, reviving and strengthening local institutions of the farming community as legitimate instruments of decentralised planning, increasing involvement of NGOs, and correcting the terms of trade to make them favourable to agriculture. Realisation of a prosperous and sustainable agricultural economy requires a new policy orientation

and arresting the decelerating trends in capital formation in agriculture. The resources allocation in agriculture, will be re-channeled towards current support measures, capital formation and infrastructure. The basic support for agricultural development has been provided by the credit structure which needs to be enhanced. Cooperative societies will be engaged in economically viable ventures and will be professionally managed and democratically run with full support by government and the necessary modifications of cooperative legislation. Improvement in the marketing of agricultural production in different regions of the country and abroad will go along with developed suitable post harvest technologies. Failure of crops specially in rain fed areas calls for comprehensive crop and live stock insurance schemes. Government will continue to discharge its responsibilities for ensuring remunerative agricultural prices to the farming community and for this purpose will continuously review the price structure and the trade mechanism. India has a natural comparive advantage in agricultural exports because of our lower import need of inputs, our reasonable labour costs and our diverse agro climatic conditions which can be maximised by giving a special thrust to the exports of fruits, flowers, vegetables, poultry and live stock products. Government will endeavour to create the positive trend and investment climate for agriculture at par with that of industry. Indian agriculture is basically dependent on the endeavour of small and marginal farmers, land reform will be so pursued as to chanellise their energies for achieving greater production. The improvement on the quality of the country's land and reclaiming of degraded land will be given the highest priority. This draft policy resolution should be examined in parliament in some detail, particularly with classification on the issues of the price structure and land reform as referred to in the resolution. There seems to be a over emphasis of commercialisation of farming without a corresponding recognition of cost discipline as a major plan of competitive agriculture. It is to be hoped that the parliamentary debate will not get lost on the old time issues of subsidy reduction and the industry status of agriculture. Liberalisation has had no effect so far on agriculture and that is why the policy should concentrate on it. The VIII Plan document does give a new thrust to agriculture atleast in terms of outlay of Rs.11,105 crores. For the current year it is Rs.2205 crores. Here the finding of an NCAER study that farm exports could be increased five times by the turn of the century which is only six years away is important. The study points out that there are atleast 17 farm products ranging from foodgrains to vegetables and fruits whose prices here are lower than the prevailing prices in the world. This assessment is important because it is given before the new GATT accord, which seeks to reduce farm subsidies in developed countries which will further raise agriculture prices in those countries. This means that the farm sector exports for the future can be even beyond the present levels.

Agricultural growth in 1994-95 is expected to rise to 3 per cent from 1.8 per cent in the previous year because of the plentiful south west monsoon. The total foodgrain production in 1994-95 is forecast at 185 million tonnes against the previous year's 181 million tonnes. The kharif crop mainly depending on this monsoon is expected to produce 101 million tonnes against the previous season's 98.9 million tonnes. ICAR reports that it is starting 8 research centres during the 8th Plan including a National Centre for Rape Seed and mustard in Rajasthan, National Centre for Oil Seed farms in Kerala, National Centre for grapes, and a Centre for Removing drudgery for farm women. The government has announced the scheme to promote commercial flori culture through which improved varieties of flowers of commercial importance along with modern techniques of post harvest handling are being developed.

The model shrimp culture centres are being set up at Uttar Pradesh, Maharashtra, Karnataka, Kerala, Sikkim, West Bengal, Punjab, J&K, and Tamil Nadu. The Tamil Nadu Veterinary Animal Science University in collaboration with fisheries university in Tokyo is launching a programme for the processing and packaging of prawns, shrimps and other varieties of fish now being exported from Tamil Nadu to Japan. The Centre will be in full operation in 1995-96.

On the milk front FAO predicts milk production in India will rise by 4 per cent this year as part of the growth of milk production in Asia at 120 million tonnes in 1993 which is a rise of 2 per cent. On the research front, CRRI plans to expand and diversify its rice research programme this year. Research reports received in July number 56. Their break up is cereals 17, vegetables 10, fruits 6, animal husbandry 14 and oil seeds 9.

In regard to plantation crops the major event is the crisis in coffee prices which has shot up so high that the Brazilian frost explanation seems rather thin. There was a frost in Brazil but world supply and growth do not fall to such an extent as to justify the 25-30 per cent rise in coffee prices in India. There seems to be some truth in the news that this crisis was due to the government dragging its feet, not acting swiftly to bring down the spiralling coffee prices along with the dealers driven escalation. This coffee price rise while acting as blow to coffee consumers, has brought alive the imprudence of total reliance on market forces and the need for timely and effective market intervention by government. UPASI and other growers association have suggested that coffee should be sold through the PDS and so after mid July in an unusual move the coffee board at its marketing committee decided to offer 5000 tonnes of coffee through PDS to the southern states at a discount of Rs.30 per kilo on the last auctioned prices. Coffee is to be released from the common pool and so there will be no loss to the growers. For Tamil Nadu the Board is releasing 1000 tonnes of coffee. On the tea front, the South Indian Tea gardens have produced tea bountifully. In 1993 the tea industry produced 750 million kgs in the South. The result has been rather sharp fall in tea prices. India has agreed to a Sri Lankan proposal for the formation of the Association of Tea Producers and the establishment of a market mechanism for meaningful introduction of production, productivity and research. This agreement will be elaborated at a meeting in Sri Lanka in September which will be attended also by India Tea Producers. In the case of rubber there is need for the rubber board and the rubber goods industry to join together to ensure increase in production of natural rubber. The Board is striving to promote the cultivation of rubber in non traditional areas as seen in earlier issues of the Bulletin. Kerala today accounts for 90 per cent of the annual production. The waste land development board plans to use the waste land for cultivating rubber. This the tyre industry should be encouraged to develop and given fiscal rebates for the programme. This will also help to contain the cost of production of rubber. With regard to cashew the Karnataka State Cashew Development Corporation states that it will embark on a phased programme to bring over 40,000 hectares in the state under cashew during the next 10 years. This includes the 20,000 hectares of old cashew plantation owned by the state forest department.

Industry

On industrial growth, industrial production in 1993-94 grew by 3 per cent as compared to 2.3 per cent in 1992-93 according to the CSO. The capital goods sector recorded a negative growth of -5.3 per cent higher than the previous year's -0.1 per cent, the consumer non durables also recorded a negative growth of -0.9 per cent against the previous year's 2.5 per cent. The consumer goods production was stagnant at 1.8 per cent. Consumer durables and industry recorded a growth rate of 14.6 per cent

compared to a negative growth rate of -0.9 per cent in the previous year. The basic goods industry improved from 2.6 per to 4.1 per cent in 1993-94. However, the growth rate of the manufacturing sector was negligible growing from 2.1 per cent in 1992-93 to 2.2 per cent in 1993-94. This means the persistence of recession in the manufacturing industry. Electricity grew by 7.3 per cent compared to the previous year's 5 per cent and mining by 2.5 per cent compared to the previous year's 0.5 per cent. Basic infrastructure industries registered improved performance during April/May of the current year with production in fertiliser and crude going up 5 per cent and 16.3 per cent respectively compared to the previous year. Coal production increased by 0.7 per cent at 334.60 million tonnes, electricity generation recorded a 66 per cent increase. However the industrial production of the country declined by 0.9 per cent during March which means that the April/May figures would when they become available will rest on a low base. The corporate sector seems to be moving forward judging by the results of 1993-94 during the second half of the year. There was a boost to turn over an indepth profit, sales growth during the year according to CMIE's sample of 1208 companies exceeded 20 per cent while net profit rose by 84 per cent. There must be some podding in these reports from the sector, but even so there has been an industrial surge. This means that the return of net worth works out to 13 per cent in the private sector compared to 5 per cent in central PSUs. Further, gross profit of capital was 20 per cent in the private sector and 14 per cent in the public sector. This data from FICCI on the performance differential between the public and private sector needs to be reviewed from the point of view of the assumptions made in the data from the two sectors. The foreign investment panel reports that it has cleared 48 proposals which involves an additional foreign investment of Rs.200 crores. Among these are seven proposals for 100 per cent export oriented united, food processing and textiles. Altogether these 48 proposals have projected export earnings of Rs.1000 crores, but the joint future proposals from some of the major countries particularly the US is showing a declining trend which may affect the government's forecast of Rs.3 billion worth of foreign direct investment by the end of the current financial year. In addition to the US investment pace of investment flow showing a declining trend during 1994, those from Japan and the smaller investments from Russia, Austria, Australia and South Korea have almost dried up, with NRIs contribution also falling. There is a similar problem with regard to foreign oil companies and their Indian partners, as despite the attractive terms offered on the off shore oil and gas fields, they are now going back on almost all the basic parameters. The ministry selected the parties for the award of contracts on the basis of the estimated government share in the project's Net Present Value (NPV), (the major components of NPV are production profile and project cost,) the companies are now altering the production profile content in their bids and revising project cost. This applies to Videocon, Commend, Marubeni combined for the development of the Ravva field in Godavari and Rellenace Enron for Pannan, Mukhta and Tapti. The automobile industry field in the country reports changing trends - liberalisation, export threats and the compelling need for skilled economies and technological sophistication. The components industry with its wide spectrum of products and competitive strengths has already shown this resilience in the recent report as earlier noted, by emerging rapidly from the web of recession. The two million strong SSI sector is going in for a fresh intrusion of high technology through the newly created technology transfer consortium referred to earlier comprising Asia Pacific Centre for Technology Transfer, CSIR, and the National Small Industries Corporation. The consortium will help SSI units to select and evaluate technologies to upgrade productivity levels, design standards which will make the sector competitive. It must be recalled that SSI accounts for 50 per cent of total manufacturing in value addition and 42 per cent of exports. The government reports coal reserves of 62,548 million tonnes which is 6 per cent of the world's total estimated coal reserves. US has the highest with about 240,560 million tonnes (23.10 per cent) replacing the Ex Soviet Union.

The sugar scandal since the third quarter of last year provides an important lesson for the country. The seven acts in the scandal comprise: (1) the setting up of a 10 member inter ministerial committee, which was to deal with the sugar shortage, (2) the cabinet committee on prices had before it a note from the food ministry predicting severe shortages of sugar in the period October 1993 to September 1994; with the decontrol of molasses, cane was diverted to gur and the lowering of the early estimate of 107 lakh tonnes. The food ministry had placed the gap in supplies for the year at a 11.13 lakh tonnes, (3) the cabinet then placed sugar imports on OGL on March 15 and immediately an Indian Sugar General Industry Export/Import Corporation was formed by sugar dealers. STC was expected to undertake sugar imports, (4) much before the OGL decision a few Indian private dealers getting wind of the coming decision for India to enter the sugar market for import, quickly bought up sugar at a then prevailing low price of $270 to $280 per tonne, (5) despite the decision to import sugar, the STC and MMTC delayed action because they were caught up in discussion of the question of the payment of subsidy on the sale of imported sugar till May. The London quotation rose to $333 per tonne because it was known that India was to import sugar, (6) on May 14 just as he was leaving for the US, the Prime Minister is reported to have instructed the cabinet secretary to float tenders for sugar imports. The FCI had floated tenders at relatively low prices of $250 to $280 per tonne, (7) the food minister cancelled the tenders floated by FCI on the ground that PAC in 1989 commented on this adversely. Meanwhile the prices of sugar in the country shot up from Rs.12.50 per kg to Rs.15.50 per kg. This was mainly due to the free sale release of sugar being drastically reduced by government in April, May and June. The day India entered the international market, sugar prices shot up from $347 per tonne to $353 per tonne and infact part of STCs buying was at the very high $438 per tonne. This was from an international trading house, EDF MANN which had Indian connections, (9) the Prime Minister closed the drama by committing the government to funding the subsidy which is around Rs.500 crores. On the rough estimate of 8.50 lakh tonnes of import the country has lost about $100 million in foreign exchange which has gone into the coffers of international traders, many of whom are Indian and the budget as to increase its subsidy then by Rs.500 crores. The Prime Minister's ordering of an inquiry by an Ex CAG is like closing the stable door after the horse has bolted, unless the mischief done by the concerned persons is brought to light. In light of this the recommendation of the Indian Sugar Mills Association to the union food ministry in early July that fresh sugar imports are not needed because of the plentiful sugar stocks amounting to 46 lakh tonnes is curious. According to the official figures, the country contracted sugar imports for 17 lakh tonnes, 9.5 lakh tonnes through STC and MMTC and 7 lakh tonnes through private parties. It is to be hoped that the truth in this will come to light during the session of Parliament.

The PSUs in the states are from mid July authorised to negotiate directly external loans with donor countries and multi lateral agencies. This implies extension of the number of government disintermediation for lending by them. In the case of states and PSUs, last year government disintermediation was introduced for lending to the central PSUs. The expansion of this to the states is based on an extension of last year's action.

Foreign Trade

Based on the 20 per cent increase in dollar exports in 1993-94 (22.17 per cent) where the leading performers were agriculture, agricultural products, (up by 23 per cent), marine products (up by 14 per cent), ores and minerals (up by 20 per cent), gems and jewellery (up by 30 per cent), sports goods (up by 26 per cent), chemicals and related products (up by 22 per cent), engineering goods (up by 19 per cent), electronics (up by 46 per cent), textiles (up by 9.5 per cent), all of which show that India is still not a major exporter of manufactured goods and that some of its traditional exports are on the declining trend, the export target for the current year is fixed at an optimistic level of 25 per cent. The Marrakesh Agreement has promised that the third world countries exports would rise from 22 per cent to 45 per cent. The record of exports during the first two months of the current year shows a significant deceleration at 9.66 per cent compared to 41 per cent registered in the two months of the previous year. The deceleration is explained by: (a) the spill over effect of the Bombay bomb in March 1993, (b) that the two month performance this year is judged against a high base, (c) there was a slump in engineering exports due to the withdrawal of the international priced reimbursement scheme, (4) the reemergence of inflationary pressures in the economy. Against this backdrop. India's foreign exchange reserves having crossed $17 billion, the proposal for the further liberalisation of imports is a cause for some reflection. The liberalisation of imports resulted in a decline of $1 billion in the reserves in June 1991. The high volume of reserves, the finance minister points out, does not represent inflow of volatile foreign capital or an increase in external debt. The current account deficit has declined from 9.6 billion in 1990-91 to about $230 million in 1993-94 and has resulted also in the lowering of the external debt servicing referred to earlier from 31 per cent to 25 per cent. India's future export performance it is felt will depend on the competitiveness of the exchange rate on which India is relying compared to Indonesia, Italy, Thailand, Korea, etc. In addition despite the changes brought about by RBI, exporters state they are still faced with the annoying situation of delayed payments and clearances by individual banks. With these obstacles, export growth will not be positive. The US administration states that it has postponed punitive action against India until January 1995 under the Special 301 for India's alleged inadequate protection to individual property rights. India's external trade is summarised in the following table which shows a fast rise in exports and a decline in imports upto last year.

	Year			
	1990-91	1991-92	1992-93	1993-94
Exports (US $mn)	18143 (9.2)	17866 (-1.5)	18421 (3.1)	22173 (20.4)
Imports (US $mn)	24073 (13.5)	19411 (-19.4)	21726 (11.9)	23212 (6.8)
Exports (Rs.crores)	32553 ( )	44042 ( )	53351 ( )	69547 ( )
Imports (Rs.crores)	43193 ( )	47851 ( )	62923 ( )	72806 ( )

Note : Figures in brackets are % growth over corresponding previous year.

But if the export trend is examined from the first quarter of last year it will be seen that there is a declining trend. The build up in foreign exchange reserves has come largely through the surge in foreign portfolios investment and funds raised abroad by Indian companies through Euro issues. There is an element of a unpredictability in these flows. The importance of exports is that the inflows of direct foreign investment will push up imports through bringing in capital goods for setting up of new plants and any exports from them will only follow with timelag. Meanwhile we should do everything we can to promote exports from areas like auto components which are ready but face capacity constraints quickly. There is need to promote investment and efficiency in production across the board. The finance ministry confirms the three possible steps short listed to manage the steadily rising foreign exchange reserves. The three steps are: a) further opening up of imports, b) appreciating the value of the rupee against the dollar and (c) cutting interest rates of bank loans. RBI reports that the private foreign exchange transfers have recorded a sharp rise involving a change in the composition of NRI deposits. Its report shows that private transfers increased by over $1.6 billion in 1993-94 resulting in the net invisibles receipts of $370 million on the current account which helped bring down the year's trade deficit of $1.2 billion to a marginal current account deficit of $237 million. This continuing accretion of foreign reserves now amounting to $17 billion seems to involve "the embarrassment of rites". The government is going in for greater trade liberalisation as noted earlier but this should not be the means of bringing down the foreign exchange reserves. The government feels that an increase of $2-3 billion in the reserves will not cause serious problems but with reserves increasing at $500 million every month this limit will soon be exceeded. This will also restrain the RBI intervention of the purchase of foreign exchange to prevent the rupee from appreciating against the dollar. The government should now concentrate on using its large foreign reserves which creates increasing domestic supplies of money for narrowing the fiscal deficit and for increased investment. Further, the government needs to take into account that only 15 per cent represents direct foreign investment of the capital inflows. This element of volatility in the exchange reserves and inflows, despite what the Finance Minister says, is somewhat like the problems faced in hot money.

On individual items garment exports particularly from Madras during the first five months of 1994 recorded a 12 per cent increase in value terms at Rs.616 crores over the same period in 1993. The Ministry of Textiles has set an export target of $9 billion for 1994-95 taking into account the 1993-94 accretion of $7.97 billion. The target further for this financial year has achieved in the first two months the exports increased 15 per cent. Engineering exports on the other hand during April and May registered only a marginal growth of 4 per cent (at Rs.975 crores) against the targeted 12 per cent. The reasons for the gap is attributed to the lock up of large funds of exporters money under IPRS, besides non announcement of the alternative scheme to replace it. The port strike in Calcutta in April, a series of structural changes in excise duties particularly relating to SSIs, and changed market conditions and establishments in some of the importing countries have also led to this decline.

Aid and Loans

As noted in the last issue in the India Development Forum the multilateral lending agencies donor countries pledge $6 billion in loan for 1994-95. This includes a concessional aid component of $2.4 billion, increasing this component from 28 to 43 per cent as a means of speeding up the reform process. The IDA has also underwritten four specific key social sector projects - primary education, family planning, nutrition, endemic disease control and rural employment generation, involving a total aid commitment of $4 billion over a three year period. With this loan assistance the need to get the fiscal deficit back under control, the need to deepen the reforms by continuing to remove barriers to foreign investment and the need to widen the reforms by getting the states involves was highlighted. In any case much of the $17 billion reserve consist of high cost funds with trade deployment for meeting stiff annual external debt servicing will be a heavy drain and so the soft part of the loan is justified. In particular the need to help the states managing the consequences of external liberalisation including the welcome to foreign investment and the ballooning of foreign financial inflows into the share markets should be noted with concern. As earlier suggested these resources should be used to correct the investment deficiency of the

Literacy Programme. Before the end of the plan 345 districts out of the 500 would have been covered as part of the total literacy programme. The Operation Black Board scheme referred to in earlier issues is being modified in light of the last two years experience to make it an effective instrument for eradicating illiteracy by the turn of the century. In addition to adequate attention for the construction of school building complex, the purchase of their equipment will be provided and decentralised to the district level. The training of teachers has become mandatory with atleast 50 per cent of them being women. The open universities in the country have opened their doors to millions who miss college education. They are now meeting the increasing demand to shift to specialised courses so that they teach the skill rather than just give a degree. They are providing more innovative, skill and job oriented courses compared to the conventional correspondence courses. The Ambedkar Open University is focusing on vocational courses, the Maharashtra Open University on agricultural courses under the overall guidance of the Indira Gandhi National Open University, where 5370 students have successfully completed their programmes of study for which a total of 2.3 lakhs are enrolled. Tamil Nadu announced the launching of an open university, using the Institute for Correspondence Education of Madras University as its nucleus. The Syndicate is siezed with this project and is considering it in relation to the Institute contributing Rs.12 crores to the University's revenue. An important innovation is the UGC decision to fund vocational courses in arts and science colleges and universities. The courses are in the area of computer maintenance attached to Computer science, advertising in salesmanship attached to Commerce department, acqua culture attached to Zoology, communicative English attached to the English department, and travel and tourism attached to Geography department. The financing for these courses is for a three year period during which students can be charged higher fees, and after which they must become self financing. On commercialising research, the Indian agricultural research institute has decided to become commercial with a signing of an agreement with the Bihar company for exploiting its crop varieties. Under the agreement the zone community area development agency will multiply the seeds in new varieties development by IARI and sell them to farmers in eastern India. The hazards of bio technology transfers needs to be noted and studied increasingly due to the bans and regulations on their tests, they are being transferred and marketed in the third world. Bio technology products are being now tested in the third world where the hazards of testing are not clearly known and safety regulation absent. This involves the selling of knowledge to the commercial sector where it is possible. In 1986 the Philadelphia unit, the Wistar Institute, tested bio technology rabies vaccines on cattle in Argentina without Argentina's permission, and so Wistar was driven out by Argentina government on this account. It has been welcomed by the Indian government for participation in the controversial Vaccine Application Programme (VAP) which aims at extended trials of bio engineering vaccine in animals and humans. Ignorance about the ecological and health impacts of new technologies has far outweighed the knowledge needed for their production. In bio-technology area more than anything. lack of knowledge of hazards cannot be treated lightly. The TNAU has signed a memorandum of understanding with the Asian Vegetables and Research Development Centre, Taiwan, to supplement its research and developments offers on vegetables. The knowledge and expertise available in the two institutions will enable them to extend the research benefits to frontier areas. A national physical laboratory study has brought to light that our paddy fields belch out annually 4 million tonnes of methane into the atmosphere which is a gas which turns the earth hotter . This figure is ten times lower than the previous estimates by American scientists. The NPL study show that methane emissions range from 2.4 million tonnes to 6.4 million tonnes with an annual average of 4.3 million toones. This is a second most important gas after carbon dioxide that makes the earth crust heat from the sun and make it warmer. On the health side the Indian Council of Medical Research has suggested a close scrutiny of the primary health care system in rural India, in view of its failure to bring down infant and mortality rates. Maternity mortality rates range from 47 per 1000 live births and infant mortality rates 81 per 1000 live births; this query indicates its poor impact on maternal and child health services in the country. In Tamil Nadu 120 lakh children of 5-15 age group belonging to all private and government schools are to be covered by the school health programme launched in the school year. The programme would screen in six months, children for nutritional deficient diseases, visual defects, dental problems, tuberculosis, skin disease and cardiac ailments and mental health disturbances. In regard to employment the low wage developing countries like India are attracting many MNCs for the location of their production facilities but technology is changing dramatically so that low cost of labour is not always an advantage; high wage skilled input adds to the cost effectiveness of many technology intensive industry which relies on a highly trained and motivated labour force, continued innovation, delivery of components on time and a flawless net work of transport and communication. Hence in many industries the share of low skilled labour in production cost has been rapidly falling from around 25 per cent in the 1970s to 5 to 10 per cent today. This is a conclusion of an OECD development centre study which highlights a critical factor namely the threat to take low wage or even semi skilled jobs away from the developing countries. Increasingly there is a growing tendency to be as close to the customers as possible and this brings about movements within regions or across regions. The remedy privatisation of public enterprises as the means of solving the problem of efficiency and productivity is a complex one. This problem also cuts across industrialised countries. A joint study by the European Institution forecast that in the period between 1992-98 800,000 jobs will be lost in 120 companies in the European union and European free trade union. In India Small Industries Development Bank of India (SIDBI) in cooperation with the Developing Countries Trade Agency (DCTA) is to engage in consultancy for making units specific plans for individual small scale entrepreneurs, assess their export capabilities and suggest strategic alliance, induction of new technology and thereby enhance market out reach and employment. The Directorate of Employment and Training in Tamil Nadu reports that unemployed prefer salaried jobs rather than self employment. This is so even among trained craftsmen which has led it to close down its subsidies schemes or training craftsman for self employment. The Union government in July announced revision of the minimum wages for 395 scheduled employment benefiting 25 lakh workers engaged in mines, construction industry, and loading and unloading sections of the railways.

International

World Economy

The latest UN report gives the good news as after the low world growth rate of 1.8 per cent in 1992 and a similar rate in 1993, the world economy is set to grow by 2.5 per cent this year (1994) and by 3 per cent next year. It is expected that this means that world output is recovering from its recession. The economies in transition are experiencing changes with social political dynamics of their own and are recommended continuation and increase of external support where commitment reforms is firm and clear. The forecast is supported by OECD which foresees 2.6 per cent growth in 1994 and 2.7 to 2.9 per cent in 1995, but warns however that the rise in bonds yields could dampen the recovery. IFO Institute for Economic Research in Germany also reports economic recovery in Western Europe as gaining speed with the growth of about 1.5 per cent for 1994 against 0.5 per cent in the previous year. This world economic recovery is good news for the developing countries including India as they would be able to increase their exports to these growth recovering countries. The South East Asian countries will grow at 6 per cent as part of the developing countries output increasing by 5 per cent over all. Yet the large number of countries failed to grow or continue to suffer decline in per capita output. Growth was concentrated in South and East Asia and in China which achieved growth rates of 5.4 per cent and 13 per cent respectively. Latin America will grow at 3.3 per cent during the year and Africa at 1.6 per cent. World trade registered a lower growth rate of 4.2 per cent in 1993 against 8.3, 7.8, 5.3, 3.6 and 4.5 per cent during 1988 through 1992. For 1994 trade is projected to grow at 5.8 per cent and at 6.5 per cent in 1995. The developed nations have to live with higher levels of unemployment which in Europe has passed 10 per cent. The global investment scene presents a mixed picture between 1992 and 1997, the G7 countries will have recorded 4.4 per cent annual average rise in investment, while the developing countries increased aggregate net transfer of capital resources effective since 1989 with negative growth between 1986 and 1988. On global inflation consumer prices rose by 3.3 per cent in 1992 and 3.9 per cent in 1993. In 1994 they are projected at 2.5 per cent and 1996 at 2.6 per cent. These low rates are due to this high fand growing unemployment ratio.

World Agriculture

Despite the success of the developing world in agricultural production, they faced a continuing pressure from their population increase which also makes land for agriculture scarce. Hence most future gains still have to come from increased productivity. With global population projected to reach 10 per cent by the year 2050, global agricultural production must expand 2.5 to 3 times to provide an adequate diet. During the past two decades the production growth rate has constantly declined from 3 per cent during the 1960s to 2.4 per cent in the 1970s and finally to 2.2 per cent in the 1980s. The World Bank committed to the cause of global development holds that the uplift of the farm and rural sector during July 1992 to June 1993, involves its gross commitment which stood at over $16 billion, up by $1.7 billion over the previous year. Of this the share of agricultural sector stood at $1.9 billion (11.3 per cent) World Bank is adopting a system of semi annual variable lending rate for the first six months of the year, the rate stood at 7.6 per cent and for the second half of the year at 7.03 per cent. The level of assistance to the agricultural sector varies from year to year, it was highest in 1992 and dropped in 1993. Its major assistance goes to irrigation and drainage.

ODA

The Official Development assistance (ODA) from the rich countries to the developing countries fell sharply last year at $54.8 billion, the lowest since 1973 according to OECD. The aid from 25 rich industrialised countries to developing countries which was $60.8 billion in the previous year fell to $54.8 billion in 1993. While exceptionally large decrease are recorded by Finland, Switzerland, and the US, substantial decrease were reported by Canada, Italy, Germany, Japan, Norway and Sweden. Of the 21 DAC countries, higher ODA flows were in real terms reported only by Australia, Austria, Denmark, Ireland, Luxemburg, Spain and UK.

Bio-Diversity Convention

The new $200 million a year fund created by the developed countries to pay for its past use of the plant and animal diversity is under attack. At Nairobi the convention has been inadequate and in competition, with encouraging and sustaining global bio diversity conservation efforts. South Environmental groups at the international committee of the convention point out that the biggest problem of the present fund is the weighted voting for the rich countries which gets mixed up with political and economic constraints as the experience of IMF and World Bank show. India at the convention suggested an international taxation system as the only way out.

Role of World Bank and IMF

The World Bank's 50th anniversary report calls attention to five major challenges which dominate the Bank's future development agenda aimed at reducing poverty. These challenges are pursuing economic reforms, investing in people, protecting the environment, reorienting government so that public sector can complement private enterprises and undertake only essential tasks such as human resources development and environmental protection. Though the report states that new emphasis and fresh approaches are needed to confront these challenges the Bank's continued emphasis for the future on the market and private sector to replace the public sector will nullify its hopes for poverty alleviation and Human Resources Development. A study by the UN states that the UN, World Bank and International Monetary Fund should work more closely to redress the world's economic inequality. The report is called renewing the UN system and is by two UN officials. This report financed by Ford Foundation says that past cooperation between the three was adhoc and based on chance. Among the recommendations are: the Secretary General should organise world experts to make proposals on the World Bank/IMF when heads of states gather for the UNs 50 anniversary next year; UN should consider setting up its own non commercial bank to complement the commercial lending to developing countries by the World Bank; GATT which denies to many states their fair share of world trade should be replaced by a genuine International Trade Organisation including all countries of the world. It states quiet frankly "while the UN has been denied its role as a forum for agreeing on equitable macro economic strategies such strategies have not been formulated at IMF either. For most developing countries the experience has been disastrous. IMF structural adjustment policy has actually undone the painstaking work by the UN system in public health and education. On the World Bank, it states that apart from applying the solution of the industrialised world to the developing countries it concludes that "despite many years of urging by competent authorities for far more small scale lending, the World Bank has been wedded to giganticism". It is to be regretted that the authors do not evaluate the effects of the two Bretten Woods Institutions' empahsises on the market as a means of development. IMF in its annual report states that its loans last year declined by 31 per cent while debt increased by 9 per cent and as a result it reports a profit of $126.2 million. It also has expressed concern over several aspects of India's economic performance, calling for accelerated reforms particularly liberalisation of trade and exchange system in view of the strong BOP position of the country. The 50th anniversary of the Bretton Woods Institutions is marked by the report of a commission of International economists which calls for new rules in managing the world economy by the two Institutions. IMF should become an international manager of exchange rates to prevent excessive volatility in financial markets. The World Bank should turn from financing government run development projects to supporting private sector institutions. Lending to government agencies should focus on areas where markets have failed and Official Development Assistance should be directed only at what the private sector cannot or will not do. It concludes that

the Bank group should grow more to speed up the transformation from the state to market and adopt to a world. That has turned from the public sector dominance towards private enterprises of free markets. This set of recommendations from the commission is not surprising because its membership comprised a Chairman of US Federal reserve, of Morgan Stanley International investment firm, the Deutsche Ag, and former chairman of the Bank of Tokyo. Nothing else can be expected from this group. The Commission also recommends a change in the criteria for allocating IDA aid, its most important recommendation is that the per capita income thresholds for eligibility of IDA should be measured in terms of purchasing power parity instead of the current market exchange rates. Under this criteria IDA would be focusing on the truly poor but not among the least developed ones with the weak institutional capacity but not the weakest. The Commission's recommendation aims at countries being graduated out of IDA at aid lower income levels. Under this regime India would lose its place in IDA.

FAO

On special aid to poor countries, FAO points out that while the new GATT treaty would benefit developing countries as a whole, the poorest countries will need special assistance to offset GATT's negative impact on the food supplies. Global welfare, it points out, cannot be improved if the losers specially the poorest countries are not compensated for their losses. It recommends generous support in the form of special assistance for the least developed and net food importing developing countries to offset the negative effects of the reform process which they have undertaken calling for technical and financial assistance to improve their agricultural productivity and infrastructure. Under the final act of the Uruguay round on agriculture, developed countries are expected to expand market access to products of the developing countries while reducing domestic support and export subsidies by the year 2000. A similar programme should be completed by the developing countries by the year 2004. The agreement exempts the least developed countries for making any such commitments.

SAARC and Poverty removal

The SAARC financing and planning fministers meeting in early July decided on various programmes for poverty alleviation in the region. The most fundamental agreement had been that in dealing with poverty alleviation, emphasis will be placed on providing access to credit and investment in social development sectors, infrastructures relevant to poverty eradication and employment generation particularly in rural areas through self employment, wage employment and agro based labour intensive, enterprises. There is to be special emphasis on the role of women in poverty alleviation strategies. All these measures are well known and constantly repeated in India and it remains to be seen whether the SAARC countries will cooperate together in implementing these important decisions.

Energy Efficient Technology and the Third World

Developing countries can achieve sustainable energy development by use of more energy efficient technologies and by developing their own alternatives to costly oil and polluting coal. This new strategy would make use of the third world's extensive reserves and potential and save its vast sums for more vital uses. A study on this issue concludes that over the next 35 years $350 billion invested in efficient improvement could eliminate the need for $.75 trillion worth of power plants, oil refineries and other energy infrastructure by reducing growth in energy demand. The saving can be used for larger investments in food production, health, education and other neglected areas.

Other Items

Seminar on Employment

The Planning Commission's seminar on employment in early July concentrated on the nexus between education and employment, the means of transforming the unemployables into employables, and reducing the growing unemployment problems. The recommendations were good and appropriate, the one gap in the seminar was the absence of educators and vice chancellors who could have learnt the importance of changing the content of learning in order to promote both vocationalisation and self employment.

SRC & TNBCE

The bimonthly meeting of the State Resource Centre and the Tamil Nadu Board of Continuing Education which ought to have been held at the end of June was postponed to early July. The Governing Board of SRC reviewed the progress of Arivoli Iyakkam in 9 districts and indicated areas where improvement should be affected. The Executive Council of Tamil Nadu Board of Continuing Education concentrated on preparation of the Annual Conference which is to be held this year at Madurai, the conference will be on the theme of continuing education and the training and reading materials needed.

Bharat Gyan Vigyan Samithi

A meeting of the general body and the Executive Committee of Bharat Gyan Vigyan Samithi, was held in mid July at Sathiya Nilayam. The meeting reviewed the good report from the secretary on the execution of the programme during the year. Besides highlighting the achievements which also called attention to the problems of bureaucratisation of the programme, the dropping out of volunteers and the scarcity of materials. The two day meeting was also attended by the Secretary of Human Resource Development and the Director of the National Literacy Mission.

IIC

There were two events in July related to the Institute organised by the centre. First there was a monthly panel discussion on power where the problems of insufficiency, wastage and lack of exploitation of the so called non conventional energy were focused and discussed. The following day there was a seminar on infrastructure where besides the question of power, the state of transportation, roads and railways were reviewed. A special reference to their improvement in relation to the programme for increased productivity and efficiency was emphasised.

ISIFE

The annual conference of the Indian Society for Industrial and Fiscal Economics was held in Madras in mid July. The Finance Minister who opened the conference emphasised the importance of keeping the fiscal deficit under control and bringing down inflation as a means of improving production. There was also a session on employment and the social safety net in connection with which the emphasis was on closing down perennially loss making public sector units, redeploying their workforce in other enterprises, providing reorientation training to workers of units about to be closed as well as giving them a golden handshake so that they can set up their own small enterprises.

Condolence meeting at Loyola College

There was a condolence meeting organised at Loyola college in memory of Father Kuriakose who passed away rather suddenly at the age of 69. Tributes were paid to him by variety of speakers who had worked

with him or come in contact with him. This was followed by wreath laying ceremony in which over 50 persons participated laying wreaths.

First Article

The paper for the August Seminar "Planning for Hunger Free Districts : Agenda for Action" by Dr. S.Rajagopalan appears as the first article.

Second Article

A paper on "The Profitability of Bondec Labour: The Gem Cutting Industry in Rura South India" by Karin Kapadia appears a: the second article.

Book Review

The review of the book "Private Initiative and Public Policy in Education" by Dr. C.B Padmanabhan appears in this section.

MIDS News

A seminar to discuss the Draft National Population Policy was held at the Institute on August 29, 1994. Dr. M.S. Swaminathan, Chairperson of the Expert Committee initiated the discussion and Mr. S. Guhan chaired the session.

Dr. Padmini swaminathan served as a resource person for a two-day workshop on "The Public Sector in the Context of New Economic Policy" at Bangalore on August 20-21, 1994 organised by the All India People's Science Network. She also presented a paper on "The Knitwear Cluster in Tiruppur: An Indian Industrial District in the Making" at a workshop on Business Organisations in India organised jointly by the Centre for Studies in Social Sciences, Calcutta and the UNDP, at Mysore on August 26-27, 1994.

Dr. Paul P. Appasamy participated in the Third Royal Colloquium on Coastal Zone Management organised by the Royal Swedish Academy of Sciences at Stockholm, Sweden on August 22-23, 1994.

Dr. James Walch with fifty students from Stockholm Institute of Education visited the Institute on August 17, 1994.

August Seminar

Planning for Hunger Free Districts : Agenda for Action

Dr. S. Rajagopalan
Distinguished Fellow
M. S. Swaminathan Research Foundation

1 Introduction

"My heart aches to think of the conditions of the poor and the low in India. So long millions live in hunger and ignorance, I hold everyone a traitor who has been educated at their expense and pays not the least head to them. No amount of politics can be of any avail until the masses of India are well-fed, well-educated and well-cared for".

- Swami Vivekananda

The World Food Congress echoes the same thought viz: "No one fears for the daily bread, no child goes to bed hungry, no man's physical, mental potential stunted by under and malnutrition". Poverty and ignorance are twin enemies of the society and elimination of them must be the goal of any development planning. Elimination of hunger and poverty has been eluding inspite of good growth during 35 years of planning. It is but fitting that the UN General Assembly had adopted a resolution to observe `October 17, 1993 as the "International Day for the Eradication of Poverty", so that developing countries will rededicate themselves to take concrete action for eradication of poverty.

2 Hunger problem

The problem of hunger can be broadly divided into two types viz: famines and endemic deprivation. Famines are violent events, causing extreme misery and widespread death. On the other hand, the endemic deprivation is more persistent phenomenon forcing people to live rgularly in a state of under nutrition, disease and weakness. While our country is successful in preventing famines, with efficiency and effectiveness, we are not so successful with regard to undernutrition and endemic deprivation. Undernutrtion is partly a matter of insufficient intake, but the problem cannot be dissociated from deprivation of health and basic education. Parasitic diseases often generate undernutrition. Epidemics often lead to widespread undernutrition. Deprivation of food cannot be tackled independent of health care deprivation. Hunger could be defined as "endemic deprivation of all nutrients particularly calorie". Indian Council of Medical Research has prescribed nutrition norms i.e. Recommended Daily Allowance (RDA) for active and health life. Besides calorie and protein deprivation, deprivation of micro nutrients like Vitamin A, Iron and Iodine are equally important. Consumption less than the RDA is assumed to result in under nourishment as per the definition. Percentage of calorie need met is a measure of under nutrition or hunger. Proportion of population subsisting on calories less than RDA in a community indicate the magnitude of hunger. Nutrition related poverty line is the expendi-ture level below which it will not be possible for the households to meet the calorie require-ment. Proportion of population below this poverty line gives an idea of the dimensions of poor in an area. 30 per cent of the population that is, more than 250 million people comprising 40 million families remain below the poverty line. A large proportion of them belong to landless, wage dependent households in rural and urban areas.

3 Planning process

Before deciding on the Agenda for Hunger Free Districts it may be necessary to know whether the present set of schemes at the district level can help in making the district, hunger free or they require change? Programmes for removing poverty and undernutrition are generated at the national level and implemented at the district level by the government functionaries. In this context, it is worthwhile to recall the planning process and the basic assumptions in generating these programmes for reduction in the incidence of poverty and hunger.

Raising the level of "nutrition", "standard of living", and "improvement of public health" are the primary duties of the State according to Constitutional Mandate. All these are inter-related and require simultaneous attention. These objectives were sought to be achieved through economic growth in the first two Five Year Plans and with some modest distribution objectives along with economic growth in the Third Five Year Plan. Development benefits did not percolate to the lower deciles of the poor as expected. So, in the Fourth Five Year Plan specific direct intervention programmes for improving nutritional status of the vulnerable group and for poverty eradication were considered necessary and developed. The Fifth Plan thought of a cohesive "minimum needs programme" which included education, water supply, health, sanitation and nutrition to be targeted to the vulnerable section of the population. These programmes along with poverty eradication programmes were the instruments used to achieve the goal in the Fifth Plan. This is in addition to the benefits of growth and development in different sectors reaching in a limited way the poorer segments of population. Evaluation reports on these programmes by different agencies were not encouraging. The creamy layer that is better off among the poor were able to corner the benefits that had trickled through the machinery implementing these programmes. "Poverty programmes had all ended up as doles". The Sixth Five Year Plan after critically reviewing various programmes revamped them as a part of Integrated Rural Development Programmes. Similarly all the employment oriented schemes have been brought under Integrated Rural Employment Programme. All these efforts had some impact, but still the hard core poor were left untouched and the hunger among them persists.

The Hon'ble Prime Minister has recently announced a new scheme for strengthening employment opportunities to the rural poor on ***"assured basis"*** in the 1752 blocks where the revamped Public Distribution System is operating. This scheme is expected to be launched on October 2, 1993 jointly by Central and State governments. The Centre's share is 80 per cent while that of State is 20 per cent. Government of India has announced setting aside Rs. 1000 crores as its share towards implementation of the scheme during 1993-94. The blocks singled out for this scheme are located in drought prone areas, deserts, tribal areas, and hilly areas, which were considered ***"reach remotest and poorest area"*** of the country. The objective of the scheme is to provide wage employment to the agricultural labourers and other workers during the lean season. Under this scheme, it is proposed to provide assured employment of about 100 days to the needy above 18 years and below 60 years who ***seek employment*** during the lean agricultural season. Panchayats are expected to implement this project. In this regard a shelf of projects would be prepared for each block covered under the scheme.

4 People's participation

It will be of interest to recapitulate the attempts made to involve the village institutions and the people in planning and implementation of the programmes for eradication of poverty and hunger. In the First Five Year Plan (1951-56) the primary agent of change was the "village level

worker" under Community Development Programme. In this context village panchayats and cooperatives were viewed as two key institutions for fostering local level decision making, cooperation, and self help. During the Second Five Year Plan, Cooperative Farming was advocated, so that the small and marginal farmers can get the benefit of improving the productivity of their lands through improved agricultural technology. The Third Five Year Plan recommended a three-tier model of democratic decen-tralisation at the levels of village, block and districts. It was envisaged that this three tier system will be self reliant and locally rooted. After 10 years, this assumption proved incorrect in experience. By and large, programmes continued to depend on government initiative even more so on government funds. Finally the only instrument available are government funded, officially administered programmes. Participation of the village institutions and people's cooperation have become a causality during the decades, of planning. Thus all these years, people have lost their initiative and look to the governemnt as the only means of getting things done. They seem to have surrendered all their rights to government and blame the government for any failure and lapses. A distinguished ***thinker Fukuzawe Yukichi who while studying a similar condition in Japan said "In short, it would not be far wrong to say that Japan has a government but no people".*** I wonder whether we can say that in the present Indian context. Perhaps neither ***government nor people but only political parties.*** It is rather unfortunate that the Planning process has led the community to this unhappy, undesirable threshold. It is high time we reverse the process and energise the community institutions and make the people participate effectively in the community organisations and plan their own welfare. The government should serve only as a catalyst in this process.

5 Programmes for eradication of hunger and poverty

The programmes that were planned and implemented for removal of poverty and hunger can be broadly divided into four categories :

a) Reaching additional food either free or subsidised to the poorer segment of the population to cover the nutrient gap - a kind of food security system. These are the direct feeding programmes along with health and education inputs.

b) Rural Development Programmes.

c) Employment Oriented Programmes for rural poor.

d) Food Security and public distribution.

Large sums of money were earmarked for these programmes in the Five year plans. This shows the commitment of government for eradication of poverty and hunger. If these programmes are implemented with good commitment and participation of the rural poor, there might have been substantial reduction in the proportion of population hungry and poor.

a) As regards schemes to reach the unreached through market mechanism, wide range of programmes were tried over the years. Applied Nutritional Programme, School Lunch Programme, Preschool Nutrition Programme, Special Nutrition Programme, ICDS, TINP and DANIDA health project in Tamil Nadu are some of the health and nutrition related programmes which tried to meet the calorie deficiency noticed in the diets of children and mothers of the poor community. The basic approach of these programmes were good yet the impact was marginal. Applied Nutrition Programme and Special Nutrition Programme were discontinued and other programmes are being continued till date. The community did not bother to protest when these two important programmes were withdrawn. This shows lack of commitment on the part of the community in supporting these programmes.

The basic premise with which these nutrition related programmes were planned are:

1) Indian diets lack good quality protein. Unless this deficiency is made good, social and physical development will be completely arrested.

2) Undernutrition and malnutrition are widespread.

3) The most vulnerable group are pregnant and lactating mothers and young children.

4) While PCM is a major problem, malnutrition relating to Vitamin-A, Iron and Iodine are also widely prevalent. Special programmes to combat these deficiencies are needed.

5) The synergysm between resistance to infection and nutrition is recognised and programmes to control infection are needed as integral part of nutrition programmes.

Dr.C. Gopalan and Dr.P.V. Sukhatme proved that the major problem in India is undernutrition. i.e. calorie deficiency. The diets normally consumed by the poor have good protein calorie ratio. If the poor could consume more of the same diet, both calorie and protein-need can be easily met. Thus, poverty was identified as a major cause for malnutrition. This led to number of poverty eradication programmes.

B) The poverty eradication programmes that were planned and implemented are:

1) Drought Prone Area Programme.

2) Small Farmers Development Agency.

3) Tribal Area and Hill Area Development Programmes.

4) Whole Village Development Project.

5) Antyodaya.

6) Integrated Rural Development Programme.

7) Food for Work.

8) Village and Khadi Industry Programme.

9) Rural Industries Programme.

10) Command Area Development Programme.

11) Crash Programme for Rural Employment.

Nationalisation of the banks and the promised credit support to the poor were also supposed to help the poor in crossing the poverty line in a short span of time. N.Rath reviewing the IRDP programmes had observed that at the end of seven years of operation, about 3 per cent of the poor households in rural India would have been helped to live above the poverty line even if for a while only. Studies on IRDP by the Programme Evaluation Organisation indicate:

a) Inadequate outlays.

b) Absence of infrastructure required to sustain production and marketing.

c) Absence of involvement of beneficiaries in the choice of planning and implementation of the schemes designed for them.

d) Absence of efficient and appropriate delivery system.

e) Corruption.

For the landless agricultural labourers, there were schemes to generate additional employment in the lean season. There were two programmes viz. NREP and RLEGP meant to generate employment for small and marginal farmers and landless agricultural labour. These two programmes were merged into one programme viz. "Jawahar Rozgar Yojana" (JRY) in 1989. Recently the following modifications were suggested in the JRY during the Eighth Five Year Plan :

1) 20 per cent of the funds under JRY (subject to minimum of Rs. 700 crores) will be spent to implement an intensified JRY

in 120 backward districts in different states where there is concentration of unemployment and underemployment.

2) Two sub sectors of JRY viz. Million Wells Scheme (MWS) and Indira Aawas Yojana (IAY) will continue under JRY but their allocations are being increased by 10 per cent and 4 per cent respectively. The coverage of both the schemes will be extended to non SC/ST poor people.

3) 5 per cent of JRY funds subject to a maximum of Rs. 75 crores will be earmarked for special innovative projects aimed at preventing migration of labour and enhancing women's employment.

The anti poverty strategy as stated in the planning documents state :

"The household will remain the basic unit of the poverty eradication in target group oriented programmes. Families differ in such respect as dependency ratio, asset holding, skill and even the ability to perform manual labour. Hence house-holds have to be assisted through an appropriate package of technology services and asset transfer programmes".

The operational mechanisms in tailoring the programmes in keeping with the need of each household has not been spelt out in the documents nor followed fully in the filed. Though some impact of these programmes are seen here and there, by and large the progress of these schemes were tardy according to most of the evaluation reports. NREP programmes with a budget allocation of Rs. 340 crores in 1980-81 is meant for generating employment to the order of 40 crore mandays. The demand is, for creating employment for 100-150 days for 5 crore agricultural labourers in the lean season. This means 500-750 crore mandays of employment generation is required for the needy section of the rural population. The NREP plan will meet less than 10 per cent of the requirements. Even if these schemes are implemented in full, two-thirds of the agricultural labour force will be left uncovered. The evaluation report has also brought out that the foremost concern of implementing officiers was to achieve the financial and physical targets assigned to them. In that process, it is not practical to hunt for the real poor for implementing the programmes. It makes sense to spend the money on the better off section of the villagers, as their participation capacity was greater. It was thus possible to meet the programme targets without making much dent in thereduction of poverty and hunger.

D) Food security and Public Distribution of essential commodities are two important instruments used to insulate the poor from adverse market forces and to ensure price stability in the market. With the advent of Green Revolution, price support, and procurement policy, the governemnt was able to mobilise huge buffer stock. The role envisaged and the actual impact of the public distribution was studied critically by K.R.Venugopal in his book "Deliverance from Hunger". concludes:

"The Indian Public Distribution System has failed to fulfil the role assigned to it by the planners in every critical respect, thereby directly contributing to the continued existence of the kind and level of poverty that characterises the country today". "Indian food security system has not recognised or accepted the position that food security to be meaningful, should be at the level of house-hold in urban and rural areas".

In fact, food security is defined as "access by all people at all times to enough food for active and healthy life".

6 Experiments with the community

Over the planning decades there were many action cum research studies to develop cost effective delivery systems for reaching the unreached with education, nutrition and health inputs. Many of them were forerunners to some of the major nutrition programmes like ICDS, TINP. These studies were implemented with the help of the community. The community gave all the support needed for the research team to undertake these studies. These innovative studies prove that community can rise up to the occasion in undertaking health and nutrition projects themselves. It will be worth recaptulating the important land marks of these projects. The Narangwal Project in Punjab and Poshak project in Madhya Pradesh attempted to prove that considerable impact can be made on growth of young children and reduction in morbidity and mortality with the three inputs viz. education, nutrition and health. The impact was considerable when all the three inputs reached the community in sufficient quantity and in time. The Tamil Nadu Nutrition Project which was an action cum research project, a forerunner to the current World Bank funded TINP attempted to look at the nutrition system in a holistic way. This project identified that very young children from birth to three years and pregnant and lactating mothers require priority if the reduction of infant mortality is the goal. In fact, the World Bank funded TINP is meant to reach children below three years and pregnant and lactating mothers. The other component suggested by Tamil Nadu Nutrition project namely generation of employment among rural households, production, distribution and food security have not been integrated in the current TINP. Dr. Anita in his health project at Mandwa demonstrated the capabilities of a village personnel in undertaking many health functions normally done by paramedical or medical persons. The ability of an illiterate Adivasi woman to diagnose and ensure almost 100 per cent continuity of treatment of 25 cases of leprosy in a village of 250 population was well documented in the report by Dr. Anita. If we have to achieve Health for All by 2000 A.D., it may be necessary to involve the community in a very large way in all the programmes like nutrition, water supply, sanitation and environment. In China, it was the bare foot doctor that helped the community in all their ailments and this was one of the factors contributing to the reduction of Infant Mortality Rate. Prof. Sukhatme in his report on the Summer Institute has brought out the role of Indira Community Kitchen at Pune and the Village Improvement Pro-gramme in Kirkitwadi in helping the poor. The employees of the Indira Community Kitchen are drawn from backward classes in need of employment. It was a cooperative venture by these backward class women who were widows without any support. This cooperative prepared food and sold them to labourers from the factory in Pune city at half the cost and earned profit also. This activity, besides helping themselves with adequate wage was able to help the poor from the factory with nutritious food at half the market price. Today the Society serves food for 7000 people every day. All these women who were below the poverty line are now leading a healthy life above the poverty line with dignity. In another project Prof. Sukhatme showed that living condition in the village can be improved through proper environmental sanitation waste disposal, and provision of water supply.

Prosopis is a promising multipurpose tree for arid lands. This tree provide fuel, fodder, food, small timber, medicine, gum and tannin. The green leaves contain 14 to 18 per cent crude protein. It is a major raw material for charcoal - such kind of trees help to integrate nutrition and social forestry objectives. Mr. S. Kondas has made a detailed study of this promising prosopis. He had reported 'how a village community effectively (Vilathikulam Taluk of Chidambaram District) took up to the cultivation of this crop and made a success of it. In Pallakulam village out of the sale proceeds from 100 acres, Rs. 2,000/- were paid to each family. This crop can be grown extensively in many ***dry areas*** and it is estimated that integrated use of this crop can generate 6.34 million mandays and 7.03 million womendays employment especially ***in the drought prone areas of the country.***

There are many such innovative community level programmes successfully carried out by many eminent scientists and social workers. But unfortunately all these programme have ended without any follow up. Though the people participated in the programmes, there is no commitment to continue these activities which were good to them in terms of health and nutrition. Broadly the following conclusions emerge if one carefully analyses the results of these good endeavours :

1 Most of the studies admitted that increments in growth among young children was marginal, sometimes statistically significant, but biologically not meaningful.

2 In view of large coefficient of variation in the requirements and intake, nutrition input to cover the estimated gap of 33 per cent in calories only to the target population in the household did not result in any significant impact on growth.

3 Food sharing and substitution were inevitable when entire household faces the hunger problem. Intra-family distribution is dictated by their prudence of making adult earning member relatively more nourished. Otherwise household will not get even the limited food they were getting. Target should be the poor household as a whole and not young children and the mother alone in that household.

4 Health input had some impact on the reduction of duration of morbidity. The pattern of morbidity has not changed over the years.

5 As long as the underlying causes of morbidity are not attacked through protected water supply and proper waste disposal, there may not be appreciable reduction in morbidity itself.

6 Expanding the curative medical services will touch only the fringe of the problems besides being prohibitively costly.

7 Many studies on the delivery systems for health and nutrition services show that a properly trained village level worker can do an admirable job in delivering health services. These village level workers should be recruited, monitored and funded by the village community. Otherwise the village level functionary becomes a link in the uncommitted bureaucratic service. They start trade union activities, demanding permanent government service.

8 Training of these village level functionary should be done by NGO and government departments.

9 We are tinkering with the system without any long term commitments to the community and as a result there is no sustained cooperation and participation. Once the project activities are over, there is no trace of these projects in the areas where implemented.

10 Central and State governments which were funding these studies did not evince interest in the follow up actions.

11 The rural community at large thought that these projects and plans of the government are more meant to give work to their employees and treated them as a passing fancy.

12 Unless the various activities which the project advocates become part of life style of the rural poor, the projects may not have lasting impact.

13 A laudable feature of the poor community was, that they were very considerate in subjecting themselves as ginea pigs for field oriented research projects. No where in the world can one find such cooperation from the rural poor.

14 Their altruism is all the more seen in their helping without getting any worthwhile benefits.

15 If education and training of one illiterate woman in a scientific community in their quest for knowledge exists then villages can take care of 90 per cent of common ailments

in the village as shown in some of the studies. The planning should exploit this latent genetic potential in the rural community.

16 What is needed is not a programme or a set of programmes, but engineering a process of change organising the poor to help themselves.

Dr.M.S. Swaminathan in his Fourth Gopalan's Oration (1980) listed the following as ingredients of a Self-replicating Programme:

i) The community must be involved and should be in charge of the programme.

ii) The programme must be one that will lead to greater equality and better quality of life.

iii) Healthcare and nutrition must be the responsibility and concern of each member of the community.

iv) Some kind of increased income generation must develop in the community.

v) The cultural heritage must be preserved as much as possible.

vi) The change agents must be from the community or atleast trusted by the community.

vii) Health care (including nutrition education) and even illness (at non specified elementary level) can be administered by trained (irrespective of formal education) healthcare workers from the community selected by the community.

viii) The community learns and can teach outsiders by doing health, nutrition and hygiene.

7 Need for new strategy

One clear message that emerges from the analysis of the planning process and programme implementation is that, hard core poor people have not yet been benefited and they continue to remain hungry. Peoples' participation is not there and they do not demand their entitlements, because village institutions are dormant. Dimensions of the poor and hungry are large and the resources made available can at best help a very small proportion to cross the poverty line temporarily. Most of the programmes were implemented as an end in themselves without any synergy and they have not also been integrated with sectoral programmes generating income and employment. There is good scope for increasing employment opportunities in the farm and non-farm sector through labour intensive programmes. Like the petroleum sector, it may be necessary to think of many-down stream projects in rural areas to utilise all the agricultural produces. Such agro based projects in the rural area will generate employment in the rural areas and arrest to a certain extent rural-urban migration. In order to achieve full employment and raise the entire population above the poverty line by 2000 AD, it is estimated that the country needs to create employment for 100 million persons and also raise the incomes of the millions of under employed persons. The new labour intensive agricultural strategy suggested by C. Subramaniam in his foreword to the paper "Prosperity 2000" written by Dr.G.R. Rangaswami requires very serious consideration. According to C. Subramaniam, a strategy based on accelerated development of commercial agriculture, agro industry and agro-exports can alone generate 100 million new jobs required for full employment by 2000 AD and this goal can be achieved within the present financial resources of the country. The objectives of the programme developed by Dr.G.R. Rangaswami are:

a) Double the agriculture production in 10 years, (b) achieve complete nutritional self-sufficiency and (c) generation of income through export of sugar, fruits, vegetables, fish, silk and cotton textiles. This will ensure a growth rate of 4 per cent and above in the agricultural sector, generate additional income, and virtually raise 100 per

cent rural families above poverty line. Peoples' participation is absolutely essential for successful implementation of this plan and the government should play only a catalyst role - this strategy is the plan of action for a hunger free country with accelerated programme in the agriculture sector.

Biomass utilisation also requires careful consideration. In India with very large land area, having adequate sunlight and water has enormous potential of producing huge quantity of biomass, through photosynthesis via terrestrial agricultural or aquatic path ways. Only a fraction of such large biomass is consumed by living systems and the remaining gets decomposed into carbondioxide, methane, water etc. Even the fraction consumed by the living system is not fully utilised and the unspent portion come out as exreta. It is estimated that the country produces 600 million tonnes of crop residue and other biomass that can be utilised for energy and other products. Major sources of fuel in rural areas are still firewood, cowdung and crop residues. Cowdung and crop residues can be effectively used as manure too. Bio-convertion of organic waste for fuel and manure can solve this twin problems. Besides energy, there are other spin off benefits in the effective utilisation of biomass :

i) It has been estimated that environmental methane concentration is increasing at an alarming rate of one per cent per year giving a warning signal for global warming. These organic waste contribute sizeable portion towards the rise in global methane concentration. If it is harnessed for energy, methane pollution can be reduced.

ii) Improvement of the lviing conditions in the rural areas.

iii) Reduction in the morbidity and mortality.

iv) Saving human energy used for collecting materials for fuel by the rural women and children.

v) Saving the forest resource.

8 Planing for Hunger free districts - Agenda for Action.

I suggest the following steps in planning for hunger free district :

1 District socio-economic profile.

2 Plan for accelerated agricultural production.

3 Estimates of unemployment and under-employment and their distribution in the different parts of the district.

4 Scope for generating additional employment through farm and non-farm activities.

5 Estimation and identification of poor household in the district and their distribution blockwise (criteria for identifying poor household have to be specified).

6 Review of the existing nutrition and poverty eradication programmes and their coverage in the district.

7 To examine whether the resources earmarked for the district for programmes under "nutrition" and "poverty" could be mobilised and used in a synergetic way. This is necessary because the resources made available is small compared to the magnitude of the problem relating to poverty and hunger.

8 Energising all the village institutions and enabling them to take active part in all the development programmes meant for the village community.

9 Development of efficient food and nutrition security system for the district, and to insulate the poor from adverse market forces.

10 Food for all and Health for all by 2000 AD should be the goal.

9 Action at the village level

At the village level, Panchayat will have to play an active role in mobilising the village support for :

a) Rural water supply and environmental sanitation programmes. This is perhaps the first step in improving the living condition of the village.

b) Effective use of agricultural, animal and human waste by coverting them to energy and fertiliser. This will help in reducing the incidence of morbidity and mortality.

c) Mobilising the rural women labour force for generating non farm incomes. Organising women industrial cooeperative societies to produce nutritionally good infant foods for use within the village and marketing outside. This will take care of nutrition of the children besides women earning additional income through this enterprise.

d) Promote village literacy programme especially for women.

e) Enrolment of all eligible children, boys and girls for school education.

f) Taking responsibility for monitoring mid-day meal and health and nutrition schemes in the village.

g) Creation and maintenance of village infrastructure.

10 Action at the household level

Households below the poverty line have to tackle their poverty and hunger problem individually and collectively. For this :

a) Households should be made aware of their entitlement.

b) Every household must have an entitlement card which will show the endeavour of the house to improve their quality of life.

c) Participation in all the nutrition and poverty eradication programmes effectively, as they are meant for them.

d) Households should take the responsibility for (i) personal hygiene (ii) nutrition of the child (iii) keep the house and environment clean by proper waste disposal.

e) Households should endeavour to improve their skills or acquire new skills to improve their income level.

f) Analogous to the agricultural extension service, one may have to think of some mechanism imparting training to improve the household skills, so that the households improves their productivity besides earning additional income through non farm activities.

g) Set of activities for the household for improving farm and non-farm income vary from household to household. This will have to be planned with them with the help of various technical departments at the village or taluk level. The entitlement card will show the services availed by the household from different agencies.

h) Above all they may have to orgnaise themselves to improve their lot with all the support to which they are eligible.

Following 1000 poor household through entitlement cards for a period of 3 to 5 years will show how they improve themsleves and become self reliant in crossing the poverty line. Successful households will exemplify in this regard.

Sustained education of the rural community especially women can usher in a new movement which will ensure Food for All and Health for All by 2000 AD i.e. Hunger free Household, in the Villages and Districts.

The Profitability of Bonded Labour : The Gem-cutting Industry in Rural South India *

Visu : What caste do you belog to?
The new man; The poor.

- From the film : Kutumbam oru kadambam

IN dusty workshops, on wooden machinery that looks a hundred years old, women, children and men sit bent, making amazingly beautiful gems out of dull pebbles. The gems are synthetic, the pebbles are actually synthetic crystals. This is where entire lifetimes ebb away. Though the owners of these gem-cutting workshops make relatively good profits, their workers are trapped in a situation of bonded labour. They have become 'bonded' - unable to leave employment in gem-cutting with the village - because they are very poorly paid. For their owners the loans (baki) given to workers are both the direct and the indirect means of surplus extraction. Baki loans are the excuse that employers use to pay exploitative wages and enhance profits. I am speaking only partly tongue-in cheek, when I say that bonded labour in the gem-cutting industry offers excellent returns on investments and in the current profit-oriented age of 'liberalization' in India is therefore a cottage industry that the country's leaders might approve of.

Profits, relative to wages, are high not only due to involuntary constraints laid upon workers, but also due to 'voluntary' or cultural factors. There are both economic and socio-cultural reasons for the profitability of bonded gem-cutting. Both economic and cultural factors finally have their effect due to existing power-relations between employers and workers. Thus this a situation where the political economy constructs the cultural relations of production and where these cultural relationships in turn reproduce certain asymmetrical power relations. However, in this article I concentrate more on the economic reasons for the profitability of bonded labour in gem-cutting.

But first, some background on the context of this bonded labour and the ways in which it operates. Tannirpalayam, a large village in Lalgudi Taluk in Tiruchirappalli District is the site of this discussion. It has been a centre of the synthetic gem-cutting cottage industry for more than seventy years. The cottage industry started in and around Tiruchirappalli (Tiruchi) city when Tamil Chettiar merchants who returned from Burma brought with them the technology for making the 'Rangoon' diamond. These 'Rangoon' diamonds are locally called 'hard gems' (getti kallu). The most popular hard gem was a deep blood-red colour - it is technically described as an imitation of corundum (a ruby). White stones have also been produced (by 'stone' I mean 'gem' - the Tamil word 'kallu' signifies both an ordinary stone and a gemstone, as does the English 'stone'). These sparkling synthetic gems " very convincing imitations of rubies and diamonds - were produced manually for many decades on wooden 'patrai'. These are large wooden frames, V-shaped. The worker sits at the point of the V, pushing a beam to and fro with her foot. This beam turns an enormous wooden wheel, which, in turn causes the round iron turn-plate or 'lap' to spin around very fast. It is by holding the

* The condensed version of the paper presented by Dr.Karin Kapadia, Dept. of Anthropology, London School of Economics and Political Science, London at the MIDS seminar held on March 11, 1994.

rough crystal (a synthetic chemical compound) to this metal lap that the synthetic gem is 'polished' or faceted. The English word 'polish' is widely used, but the Tamil term 'meregu podradhu' is more commonly used. It is quite amazing to see how small dull pebbles are transformed into brilliant gems simply through faceting or 'cutting'. Today most patral are motorized but there are still some manual patral in use, especially in homes.

This cottage industry exists both in homes and workshops. Thus there may be one to three machines (patral) in a home. Or there may be 3 to 22 machines in a workshop. Workshops are also called patral. I will, in order to avoid confusion, use the word patral solely to mean a workshop. A patralkar is an owner of a patral. I will use the word 'sanai' to mean 'machine' (this word is used just as often as patrai to mean 'machine').

While there can be up to twenty two workers in a patral (workshop) the ratio between women workers and men workers varies. In most patral men predominate but the numbers of female and male workers are fairly equal in Tannirpalayam " there are 250 female workers as against 310 male workers in the gem-cutting population that we have surveyed. Of the female workers 42 are children (age 14 and below) while the male workers include 25 male children. This is in the 'traditional' hard gem industry.

But in the last year or so the industry has changed dramatically in some patral - this is due to the introduction of new machines with which a new product - American Diamonds " can be cut. American Diamonds are faceted from synthetic crystals made of cubic zirconium. The American Diamond - popularly called the 'A.D.' - is growing steadily in market popularity and high demand is reflected in the fact that increasing numbers of entrepreneurs are now investing in the new machinery. These new machines are much more expensive than the old ones: they cost around Rs.15,000 each - as compared to Rs.1,500 for the old foot-pedal sanai. But profits are huge, so employers are happy to bear the costs involved. An extremely significant aspect of the new situation is that while the 'old' workforce of the 'traditional' sector is largely excluded from the 'new' sector, the ratio of female to male workers in the new industry is strongly in favour of males. This appears to support the claim, widely made, that when new technology enters a traditional craft or industry, the first casualty is the woman worker. This is extremely serious given that, based on a random sample, our research suggests that in roughly one-third of all families women are the main providers. This very important finding implies that if women's access to work is made more difficult the consequences for the survival of families can be even more severe than if men's access is restricted. However, this important question is not discussed here: I mention it to indicate that the 'new sector' is very different from the traditional one. In this paper I restrict myself primarily to a discussion of the traditional sector though a few comparisons will be made with the new one when necessary.

A final word about the 'modernized' sector: the semi-automatic machines used are popularly called 'Gem Park' machines after the company that initially introduced them in Tiruchi and Pudukottai Districts in January 1990 when 'Trichy Gem Park' was set up by a private company called the Diamond and Gem Development Corporation. The wealthiest patralkars are losing interest in the traditional sector entirely, but as most owners cannot afford the new investment - and as they apparently find their current rates of profit satisfactory - by far the larger number of workshops (in Tannirpalayam, our main research village) continue to produce 'hard gems' (getti kallu).

It is very important to realize that the traditional gem-cutting of getti kal (hard gems) is an extremely skilled and difficult craft. It is a craft that traditionally took upto six or eight years to learn: only after this period of

apprenticeship was the artisan: (1) capable of both evaluating, by eye, the minute measurements to which all 4 facets have to be cut on a tiny gem and (2) capable of the physical strength necessary to pedal the wooden beam at sufficient speed all day in order to spin the lap for faceting. In short, traditional gem-cutting on the foot-pedal machine required both a high degree of technical skill and considerable physical strength. It is a very enervating occupation and one which has spoilt the eye-sight of all workers who have done it for more than twenty-five years. All these older artisans wear thick glasses: several have had to discontinue work. The long period of training necessary was part of the reason why child-labour was an integral part of traditional gem-cutting. The great majority of gem-cutters in the village, both women and men, started to learn gem-cutting as child-apprentices.

This apprentice-work is called 'pattai pidikkira velai', that is 'cutting-holding (the faceter) work'-'pattai-work' in short. If someone is described as doing pattai-work it means that she is an apprentice who has still not mastered the craft. Thus pattai-work used to take upto eight years, but today this period of apprenticeship has been reduced to two or three years (unless a child starts apprenticeship very young). This remarkable reduction has occurred because of the motorization of the foot-pedal machines. Today most machines are attached to a motor (usually a weak .25 h.p. motor) - four to five machines to one motor. But manually operated foot-pedal machines also continue to be in use, especially by women-workers within the home. Motorization is of enormous benefit to the worker: she does not need to pedal all day: in fact she no longer pedals at all because the lap is directly connected by a string to the motor: the huge wooden wheel that was turned by the beam remains still and unused. This is also why children as young as 12 and 13 can do 'separate work' - that is, independent work, sitting in the 'main' seat, facing the machine. Previously they could not: they could only sit on the side of the machine, in the seat occupied by the apprentice, because the artisan sitting in the main seat had to do the pedalling, all day, everyday, to turn the lap at high speed. For this reason children continued as 'apprentices' even though they had learnt to do all 4 cuttings, until they had passed puberty and developed bodies that were strong enough to bear the hardship of pedalling a huge beam all day. They 'graduated' to the status of 'separate work' (taniya velai) at age 16 or 17. Today, however (as noted), they can do this by age 12, thereby starting to earn an 'adult' wage from an earlier age. Whether children 'ought' to be employed in labour or not, is not discussed here because this is a very major issue which requires a separate paper. There are large numbers of children doing gem-cutting work in Vilvanoor, our second research village in Pudukottai District, but fewer children are employed in Tannirpalayam. This appears to be largely because Vilvanoor lies in a rather remote area where the surrounding population is even poorer than the population in the villages around Tannirpalayam. That is, in both villages it is largely children from outside the village (from 'veliye-oor') who come into it to work: these 'outside' children from poor villages commute to their work-places on foot every day. The majority of children from within the village (that is, 'ull-oor' or 'within-the-village' children) go to school for at least a few years, though very few complete high school.

From the above discussion I hope I have made it clear that (in Tannirpalayam):

1 gem-cutting is a highly skilled and arduous craft, even though most traditional machines are not pedalled by foot but are motorized today;
2 the ratio of women-workers to men-workers is roughly equal;
3 there is a considerable degree of child-labour though not as much as in Vilvanoor;

4 though this cottage-industry is undergoing rapid change due to new technology, the traditional sector (which I contrast with the 'modernized' or 'new' sector) continues to work in the old way, the only major change being the motorization of foot-pedal machines.

I now turn to other important issues.

Debt and Bondage in Traditional Gem-cutting

The organization of work in gem-cutting rests on bonded labour today as it has done virtually since the inception of this cottage industry almost a century ago. Until 1976 labour was predominantly male, though a few women participated. As we will see, it is of considerable significance that the number of female workers has risen steadily so that today women workers out - number men workers in a number of patrai. 1976 was a dramatic year for gem-cutting in Tannirpalayam because this was the year in which Prime Minister Indira Gandhi,taking advantage of her powers under Emergency Rule, abolished bonded labour under her '20-point Programme'. High hopes were entertained of the 20-point Programme, especially as it recognized that rural indebtedness was the key reason for bonded labour. The discussion of Ruddar Dutt and K.P.M. Sundaram of these issues in their classic text-book Indian Economy ([1965] 1984) reflects this optimism and highlights some central issues; I therefore quote at length:

> In its report submitted in April 1976, the Sivaraman Committee outlined these proposals: (a) consumption loans for marriages, births and deaths, religious expenses, medical expenses, education, etc., should be provided by the Government corporations and nationalised banks to small farmers, landless labourers and artisans - the amount estimated for this purpose is Rs.170 crores per year; (b) banks and co-operatives should provide similar loans to marginal farmers-estimated at Rs. 125 crores a year; and (c) schemes should be devised to enable these classes of people to return these loans...
>
> Under the 20-point Programme, the Government had declared a moratorium on the recovery of debt by money-lenders from farmers, landless labourers and rural artisans. Liquidation of rural indebtedness and abolition of bonded labour were two dynamic aspects of the 20-point economic programme. To rescue the small peasants and landless agricultural workers from the clutches of money-lenders, speedy implementation of a multi-purpose credit system with efficient management is imperative. This system should also provide consumption credit to enable the poorer sections to take effective part in the production system without being exploited in wages or returns. Finally, the Government is setting up regional rural banks which provide alternative sources of finance. If these steps are vigorously implemented, the burden of indebtedness can be tackled effectively' (Dutt and Sundaram [1965] 1984: 450; italics added).

However, reality belies these high expectations. Rural banks have not become 'alternative sources of finance' for the very poor who have the greatest need for consumption loans. This is certainly true of gem-cutters both in Tannirpalayam (in Tiruchi District) and in Vilvanoor (in Pudukottai District). Our economic census of household expenditure levels shows quite clearly that in the great majority of cases the expenditure of poor households exceeds their income - and they have to take consumption loans to survive. It is just as true to say of these rural artisans, as it is said of farmers - I refer to the quote regarding farmers, by Dutt and Sundaram ([1965] 1984:447) - that they are born in debt, live in debt and die in debt. Further, these debts are owed to the patrai owners because they are perceived as the only source of credit easily available to these impoverished artisans. It is extremely difficult for the poor to get loans of any kind from the rural banks. This is despite the fact that the much-talked-about I.R.D.P. (Integrated Rural Development Program) loans are intended for 'the poorest of the poor'. Today, in fact, with the pressure from the Narasimha Rao government on banks to restructure and become profit-oriented, it has become quite

fashionable for writers to point out all the flaws of the I.R.D.P. scheme and to conclude that the sooner the rural banks drop their I.R.D.P. schemes the better. However (to quote a famous saying), the trouble with I.R.D.P. - as with Communism, in the original quote - is not that it has failed, but that it has never been tried! I.R.D.P. loans have not gone to the poorest - they have gone to those people who have political connections. So in fact there are often 'no assets to show' (see the items 'Self-employment scheme non-starter' in *The Hindu* on 3.2.1994 and 'Bankers, rural development officials blame each other' in the same paper on 8.2.1994). This is a clear indication of the politicization of lending. This was also very apparent from our conversations with rural bank officials: they told of how M.P.s and local-level bigwigs incessantly pressurized them to give loans to their friends. But the poor have no friends. This is why women-workers in Tannirpalayam complained bitterly that they were never the ones to receive any I.R.D.P. loans, despite the fact of trying repeatedly to apply for them.

Our research demonstrates that the poor - who, in Tannirpalayam, largely comprise the majority of gem artisans - therefore turn to their workshop owners - the patraikars - for loans. These loans are primarily for 'veettu seluvu' -'household expenses': that is, day-to-day food and groceries. But they are also for 'vishesham' - 'special' major festival days that every family desires to celebrate - and for 'sadangu' - 'celebratory rituals', especially those marking female puberty. The amount of money a rural bank is able to disburse for 'major religious expenses' or major rituals is derisory. It is only around Rs.200 - which one Bank Manager himself said was ridiculously low, given that even the poorest family spends more than a thousand rupees on a marriage. Thus for all their needs workers turn to their employers and so their loans grow larger, year by year. This loan is termed 'munnpanam' by the patraikars: 'munnpanam' means 'advance-money'. However the common term used by the workers themselves is 'baki' - which is literally 'remainder', but signifies 'debt in bonded labour'.

Prior to 1976 workers had to sign or mark a sheet of paper - the 'bond' in question, a 'puro-notu' in Tamil (from the English 'pronote') - and this offered proof of the owner's hold over them. After the official abolition of bonded labour (kottadimai neekkiradu) however, government officials visited major centres of bonded labour in order to officially 'liberate' the bonded workers. They came to Tannirpalayam too, when workers' bonds, held by the employers, were confiscated from them and handed over to the workers. Workers were officially told that their debts were now wiped out and that they could start work afresh. A co-operative was even started in the village, with government funding to the tune of two lakhs of rupees, in order to enable workers to work 'for themselves' instead of going back to their old employers.

However in reality bonded labour never disappeared at all. The village's biggest employer (in 1976) threatened his workers with dire consequences if they didn't pay up - or return to work. Recognizing that they would eventually have to seek employment again, many workers never even opted for 'liberty' but quietly carried on work. These men told us (in 1993) that they felt they owed it to their patrai-owners. After all, these owners had made them loans and given them employment: it would be ungrateful, they said, to pretend that the loans could be disregarded. Significantly, the workers' co-operative collapsed very quickly, largely because of corruption and embezzlement on the part of the government-officers in charge of the scheme. When it was dissolved the workers had to seek out old employers again and it was as if nothing much had ever changed. The power of the big patraikars continued as before. Abolition had failed because the abolition of bonded labour failed to tackle its root cause: the endemic poverty of workers. This persistent poverty and indebtedness could, perhaps, have been mitigated if, on the other hand, the government had sought to ensure that existing power-relations changed. Smaller profits for owners and larger wages to workers could have made all the difference. However, like others before her, Indira Gandhi was not interested in really attempting to change the power-balance in the Indian countryside. Its results suggest, therefore, that the 1976 abolition of bonded labour was not much more than a cosmetic change. It made the Congress government feel virtuous, but it left Tannirpalayam's gem-cutting population as deeply in debt as they had ever been. The only major difference is that in Tannirpalayam today bonds no longer exist: the worker does not need to sign one. But in Vilvanoor even this difference doesn't exist: there bonds have to be signed by workers to this day (11 March 1994).

Gem-cutting today

But the brutality of employers has been lessened in modern bonded labour - we learnt that beatings from the owner were common in pre-1976 days. Further today, unlike pre-1976 days, workers can transfer from one patral to another if they 'don't like the owner'. Such a transfer is, however, contingent on being accepted by a new employer, who, then, agrees to repay the baki (debt) that is outstanding in the old patral. The debt them shifts to the new patral, that is, it transfers, along with the worker. Transfers between patral are extremely common, for several reasons.

From the owners' perspective, transfers are a good idea because owners actively seek out good artisans. Workers told us that owners from other patral would regularly do rounds to see where better-quality gems were being made. They would offer the worker a better rate of wage to transfer to their patral. All employers did this.

The collection of data from owners has proved difficult -they are as secretive as businessmen anywhere else and often try to deliberately mislead us by answering our questions with outright lies. Our only consolation has been that *one patraikar* - an exceptionally friendly and pleasant man - has answered our questions with a surprising degree of frankness (though he too, has, inevitably, sought to mislead us on the question of his profits!) This patraikar, Subramani - popularly known as 'Mani' - had an interesting story to tell regarding transfers. It illustrates the fact that even employers exploit each other when they can.

He was explaining the process of the hiring of workers. He explained that if the worker took the initiative and came and asked if she could transfer to his patral, he made enquiries about her and her work, 'not only from her current employer, but sometimes from her previous employer as well. I ask how she worked - and why she left'. But Mani had been tricked recently. A woman called Jaya had come to ask for work. She 'didn't like' her patraikar and wanted to leave his patral. Jaya had a large baki to repay in that patral, so Mani was careful to enquire of her employer how she worked. The report was most encouraging -she was a very good worker, producing a lot of high-quality gems. So Mani agreed to hire her. He repaid her baki and she transferred to him, simultaneously taking an advance of Rs. 300 so that her baki rose to Rs.3,300. Mani was, however, rather bewildered to find that the gems she produced were few and of low quality. He realized, too late, that the other patraikar had deliberately duped him, in order to be rid of a poor worker who gave low profits. Mani told the story ruefully, adding that because patraikars had to depend on each other for information about workers there was always the possibility that this might happen. But it was the first time that it had happened to him - and he had run his workshop for many years.

The workers' reasons for wanting a transfer are often given in the standard phrase: 'I didn't like it there' or 'I didn't like

him!' meaning the owner. But as soon as this is probed it is quickly clear that the disagreements between workers and employers focus on two issues: wages and baki (advances). It is primarily either (1) when an employer refuses to give any further baki or (2) when he refuses to increase coolie (wages) that a worker tries to leave. Of course, many workers don't succeed in leaving - these are especially those workers who already have very large baki (say 8,000 to 12,000 rupees) or those who are known to be poor workers. These workers have a hard time - especially those with large baki - because they are liable to be bullied and harrassed by their employers who want them to produce more stones because they have large *baki*.

That is, there is an intimate relationship between baki given by the employer, the wages he pays and the number of stones produced by the worker. However this relationship became clear to us only slowly because, at first, employers loudly and emphatically told us that there was no connection between wages (coolie) and baki ('advance' or 'debt').They insisted - as did Vinayakan of Melapatti village - that workers were paid solely on the basis of the quality and number of their gems. Vinayakan was the largest patrai owner in Melapatti - a village belonging to Tannirpalayam Panchayat Union and close to Tannirpalayam. Initially we were confused by this because we had not yet realized that almost every owner we talked to deliberately lied to us about these issues. Why did they so assiduously lie to us? Because, though we only slowly realized this, the key to the profitability of bonded labour for owners lies in the relationship between wages, baki and the productivity of the worker.

Caste and class in Tannirpalayam

The most striking characteristic of the gem-cutting industry in the village is that it is almost solely comprised of Soliya Vellalars. Almost all workers and employers are of this caste. Thus, while the bonded labourers on whom this study is focused are almost all Soliya Vellalars, so too are the richest workshop-owners and gem-traders both in Tannirpalayam and in distant Vilvanoor. This caste-nexus between rich patrai-owners and gem-merchants in both villages is particularly striking because Soliya Vellalars are a minority of the village population in Vilvanoor. Yet Vilvanoor's biggest patraikars are referred to as 'our close relatives' by Tannirpalayam's dominant owners. While the social status of these merchants and big owners is very high, that of the poor, labouring Soliya Vellalars is much lower. However - though other castes might contest this - in Tannirpalayam itself the Soliya Vellalars always rank themselves first, followed by the Vaniya Chettiars, the Muthurajahs, the Ottars and the Sakkiliyars. Brahmins don't figure in this caste list because there are so few of them: there are only two Brahmin families in the village. Both are connected with the village's fine Siva Temple: the Neelavanisvarar -Visalakshi Temple. Significantly, unlike other large villages today, the major temple and village festivals here continue to be celebrated jointly by the village castes - with, of course, the strong dominance of the Soliya Vellalars.

This joint celebration is closely connected with the communal nature of relationships in this particular village. Villagers often say 'Everyone here is related to everyone else'. By this they mean that distant kinship links join virtually all Soliya Vellalars in the village. But -significantly - these kinship links do not seem to have mitigated the brutality of owners towards bonded-labourers in pre-1976 days - and even today male workers run away and are brought back and beaten up by the patraikar and his assistants. In short, in this Soliya Vellalar village, owners appear to keep their class interests well to the fore and -apparently - pay little heed to the supposed kinship bonds that exist between them and their gem-cutters. This, however, while particularly true of the largest patrai, is far less true of the smaller patrai where a different dynamic is at work.

This dynamic exploits putative Soliya Vellalar kinship links to the benefit of the patrai-owner. Small owners make frequent reference to their 'common interests' with their workers. Thus Mani once told us - loudly, so that all his workers could hear - 'I show them sympathy and understanding and they, too, show me understanding in return.' He was speaking about what happened when he delayed payment of wages because of some problem that he incurred. Suguna responded very positively to this, from where she sat working, saying, 'Of course we show him understanding - we only get our wages if he sells our gems!' Thus her response linked the workers' 'sympathy' with their own self-interest.

Significantly, the 'kinship-quotient' between employers and workers is stressed in small patrai, such as Mani's through the frequent use of kinship terms when people address each other. For instance, Suguna is not distantly related to Mani, but he addresses her as '*attai*' 'father's sister'. This use of kinship terms even for distant classificatory kin is a well-known feature of everyday Tamil life, but in the context of the workshop it takes on additional meaning, because the common bonds of kinship are being invoked against the separate class interests of workers and employers. I suggest that this is a major reason why - in small patrai - the idiom of kinship is very present in everyday interaction: because here too there are very low wages and the exploitation of workers, but by transforming the work-context, to a context of (fictitious) familial relationships, both workers and employers seek to win more sympathy for themselves. However this strategy appears to work more to the benefit of the *patraikar.*

The gem-trade in the village is controlled by the biggest patraikars. Consequently a small owner can always claim, to his workers, that the other owners will not let him raise their wages. The dominance of the big owners and the strong solidarity of all workshop-owners is brought sharply home in the following wage-negotiation.

It took place in the patrai of Govindraj, the brother of Mohan who has a patrai that until recently shared the same large shed. Recently (at the end of January 1994) the workers in Govindraj's patrai asked him to raise their wage as gem-sales had picked up, this being the high-season. Govindraj owns 7 machines, his brother, Mohan, in the adjoining patrai also owns 7 machines. Govindraj agreed to a raise of Rs.2 per 100 stones. As soon as the workers in the neighbouring patrai (Mohan's) heard about the raise they at once asked for a similar raise. But, instead of negotiating, Mohan went straight to the High Street (Kadai Veedi) where he told the other patraikars that Govindraj had raised wages and that this had started a trend. The owners immediately summoned Govindraj to a gem-shop in the High Street where they told him that this could not be allowed. Govindraj would have to go back and tell his workers that wage-rates were as before: there was no change. Govindraj did so.

When we were told about this, two weeks later, the young men who told us were still very indignant about the rise-and-fall of their wages. Significantly, the male workers who told us about this were not Soliya Vellalar but Sakkiliyar ('untouchable') by caste. This is remarkably interesting for it suggests that where wage-struggle does occur, an awareness of separate interests and a separate identity help to motivate the struggle. Further - equally significantly - we have found that male workers speak far more critically of the gem-cutting industry and of the hardships they have to bear, than female workers. Women-workers are far less likely to complain about the patraikar and about how they suffer as bonded labourers.

This caste and gender difference between the awareness of workers is extremely significant because it suggests that from the employers' point of view it is Soliya Vellalar women who are the ideal workers. This is in fact the case because we were repeatedly told by owners in Tannirpalayam, 'Women are better workers than men'. It would be very naive to assume that this merely means what it says. On the contrary, the implicit message here is that women are more profitable workers than men. This, I suggest, is because of the very different social conditioning that women receive, compared to men. It is clear that by raising their daughters to be utterly obedient, docile and 'fearful' of their parents, while they raise their sons in a far more indulgent manner, allowing them to do more or less as they please a lot of the time, parents set the stage, even in early childhood, for the strongly male-biased world that Tamil girls will grow up in. In short, the construction of gender within the intimacy of the home has powerful repercussions in the public workplace - and this is largelu why 'women are better workers'. But this very important issue can only be mentioned here, due to lack of space.

Profits and perceptions: The legitimacy of bonded labour

On average an owner makes a profit of Rs.10 on every 100 stones. I would like to show here that, on the one hand, there is clear evidence that in relation to workers' wages, the profits of employers are excessive profits. But, on the other hand, it is equally clear that the system of bonded labour that allows large profits to emerge from exploitative wages enjoys legitimacy. I will first explain why profits are excessive and then suggest how a 'reasonable' level of profit can be ascertained.

My central argument here is that owners, by extending baki to workers make a far larger profit tham they would by lending these sums of money out at current money-lending rates. On the other hand workers are paid so very little that they are forced to take 'advances' - which in due course are added to their total 'main' baki - every few months. Workers tell us - and our own research amply shows - that they live a hand-to-mouth existence. While they can - by being extremely frugal and spartan in their daily life - just survive on their low earnings, they have no resources at all for the exigencies of everyday life. So at every illness, at every funeral, at every advent of puberty to a daughter, at every ritual where custom demands that they give a gift (sir), they have to take an advance - which they have virtually no possibility of repaying - from the patraikar. This is how baki builds up, inexorably.

Suguna's case

Suguna, in Mani's patrai has had a main baki of Rs.1000 since 1.7.1993. She took this debt in order to repay her previous owner, so she received none of this money in hand, it all went to the owner. If Mani had lent out this money at the current money-lending rate of 3% per month he would have earned interest of Rs.240 between 1.7.1993 and 1.3.1994, a period of 8 months.

Suguna produces 750 stones per week - that is, 30,000 stones per month. Given that Mani's profit is of the order of Rs. 10 per 100 stones this gives a profit on sales of Suguna's gems of Rs. 300 per month. In 8 months this is Rs.2400. If it is assumed - rightly - that owners have to choose between lending their money out to the general public or extending it as baki to their workers then it is clear that Mani is here indirectly 'earning' (through his profits on sales of gems) 10 times more than the interest he would earn by lending the money out (at 36% per annum). Owners are very aware that they must make money at a higher rate than the lending rate - which is why owners insist on higher production of stones, from a worker, for more baki - or reduce coolie.

Parimala's case

Parimala has main baki of Rs.2560. If Mani had lent this sum out at 3% p.m. (36% p.a.) it would have earned an interest of Rs.76.80 p.m. If we assume that the period since the baki was taken is 8 months then this means that in 8 months the interest earned is Rs.614.40.

Parimala works with her daughter Devi (aged 13). Because of this she has the highest production of any worker - 900 stones per week. Child labour is of great benefit to higher production and is strongly encouraged by owners - especially where workers use the labour of their own children, because here the owner gets higher production without bearing any costs at all. Child labour is, of course, a crucial issue, but I can only refer to it very briefly here, to point out that even where a non-related child is employed in a workshop the owner bears no wage-costs because the child's wages are paid, not by the owner but by the worker for whom the child works.

Parimala and Devi produce 900 stones per week - that is, 3600 stones per month. Mani's profit (at the average rate of Rs.10 per 100 stones sold) is Rs.360 p.m. In 8 months this profit on sales of Parimala's gems comes to Rs.2880. This is more than four and a half times (4.687) what Mani would have earned in interest if he had lent the baki-sum out (at 36% p.a.). Note that Parimala is paid less than Suguna (Rs.15 per 100 instead of Rs.21 per 100) both because she has a higher debt and because her individual production is lower than Suguna's. This observation directs our attention to what is a very important principle in the hidden accounting of bonded labour profits - namely that wages paid correspond very closely to stones produced and to baki taken. It is also important to note here that employers are extremely keen to stress that 'stones produced' are evaluated as to the quality (taram) of the stones and their size as well.

Giving Suguna a fair deal

Back to Suguna. She is certainly a very profitable worker to Mani. Her loan principal (Rs.1000) plus interest (Rs.240 for 8 months) adds up to Rs.1240. If this sum is deducted from the total profit Mani makes from selling her gems over 8 months (Rs.2560) this leaves Rs.1320. So if Mani's total profits were instead considered 'wages that Suguna has lost' then, with this money, she could not only have repaid her principal plus interest (Rs.1240) but she could have done so more than twice over.

But, of course, businessmen are in business to make profits. So Mani has to earn some profit on his investment. Therefore we cannot equate his entire profit with the worker's 'lost' earnings. But this raises the important question: what is a 'reasonable' level of profit? This is probably always very difficult to decide - just as it is very difficult to control the greed for profit (in any business, anywhere). But surely the level of profit earned by an employer is 'reasonable' if his workers are enjoying a good wage. And if they are not earning a good wage, they at the very least, deserve a living wage - that is, a wage that covers subsistence and everday expenses.

But this is precisely what wages in traditional gem-cutting don't do. Virtually all gem-cutters live in debt - and the debts are for consumption loans. That is, their wages are too low - or, in other words, here we can justifiably say that employers' profits are too high.

Suguna had taken baki of Rs.1000 (to repay her previous employer) and 'current' baki of Rs.300 in the space of her 8 months of employment with Mani. In this period she produced, on average, 750 stones per week - that is, 30,000 stones per month. She is paid Rs.21 per 100 stones so she gets Rs.630 p.m. In the space of 8 months her wages add up to Rs.5040. If we add what she has taken in current baki and quantify

the help she gets from her father (ca. Rs.800) this 'extra income' comes to Rs.1100. Suguna has been deserted by her husband. She has supported her young son for some years now, while living with her father. Recently her father has moved but continues to give her fairly regular support (around Rs.100 per month). It is partly because of this crucial family support that Suguna has not taken more baki - her level of debt is relatively low. But she has also quite deliberately taken as little baki as possible, becuse she knows that more debt will reduce her wages which are among the highest paid to any worker for her size of gem (the highest wage paid is Rs.22 per 100).

If Suguna's 'extra income' (her debt in this patral plus the help she gets from relatives) are added to her wages we get (Rs.5040 plus Rs.1100 =) Rs.6140. Rs.1100 is 22% (21.825%) of her current wage-income (Rs.5040). So - in Suguna's particular case - if her wages increased by 22% she would (theoretically) not need to take baki or seek help from relatives. Suguna's father is poor and it is with difficulty that he assists his daughter.

Meanwhile, Mani's profits, over 8 months, on Suguna's production are Rs.4800. If we deduct the 'raise' (of Rs.1100) that Suguna needs from these profits, it leaves Rs.3700. So if Mani's profits were halved, Suguna's wage could rise by 22% to a subsistence wage. Note that even if Mani made 'only' Rs.3700 in profits on sales this is still much more than the total interest (Rs.240) he would make on lending out a principal of Rs.1000. That is, he is still making a profit, only now, at Rs.3700, it is fifteen and a half times more than what he would make through moneylending, instead of twenty times.

This still leaves Suguna only a subsistence wage. On her actual wage (Rs.630 p.m.) she gets Rs.7560 which is ca. Rs.3500 less than the poverty-line income (Rs.11,000 p.a.). So if her wage is raised by 22%, it goes up from Rs.630 p.m. to Rs.768.60 p.m. This raises her annual income to Rs.9223.20, which is still below the poverty line.

Perceptions, constraints and legitimacy

Joan Scott has rightly remarked that while politics constructs gender, gender also constructs politics. Similarly, while economic constraints strongly affect cultural attitudes, culture too, constructs economics. This ongoing dialectic is strikingly apparent in the gem-cutting industry.

The nature of wages here is a powerful economic factor. I have written elsewhere about the 'disciplining' effect that piece-rates have in agricultural coolie wages (Kapadia forthcoming). Something similar, but even more insidious, goes on in gem-cutting. Here the notion of the piece-rate is very strongly entrenched - all wages are stated 'per 100 stones'. This has been internalized by workers to such a degree that they minimize and discount their own labour - because their employers do so! We discovered this in a strange way. We have carried out several large-scale censuses of our population (204 households) of gem-cutter women. We found that when we asked 'How many days per week do you work?' we were almost always told 'Five days'. Given the rather desperate economic situation of many of our respondents, I was at first rather perplexed by this. How could someone who was paid on piece-rate and who was very poor afford to work only a five-day week? So we tried to probe this and asked workers what they meant by 'We work five days per week'.

It turned out that what they meant was very different from what their words conveyed. They all worked at least six days a week, while many workers - especially women workers - worked seven days a week, with no break at all. So why on earth had they told us that they worked 'only five days' a week? They explained: they managed 'to complete only five days' work' they said, in six or seven days.

To understand this we have to understand how the system works. Each worker, when hired, is asked how many stones she will produce per day. Thus every worker has a 'rate of production' impressed on her (or him) by the patraikar and if the worker's production falls below this rate the owner will start scolding and even rudely abusing the worker. The average rate of production for an adult worker, female or male, is around 100 stones per day, reckoned on a six-day week. So the employer expects to see 600 gems by every week-end (Sunday is the last working day, Monday is the weekly holiday). But many workers are unable to keep up this rate of production. Women workers fall behind because, in addition to their full-time paid work, they also have full reponsibility for all household work. Thus due to the time they have to spend in cooking, cleaning and child-care their production rate slips. In this way they end up doing 'only five days work' - even though they have been working virtually non-stop, in the kitchen, in the home and in the patrai all seven days a week.

Apart from workers' 'guilt' at not being able to keep up with the production rate that is being demanded, there is also the extraordinary fact that many workers also feel 'guilt' about being in debt. I was left quite dumbstruck, after listening to the conversation among a group of young men in a workshop. Thangavel, my research assistant, got on very well with them and a discussion of bonded labour ensued. Two young men stated quite emphatically that they never worried about how much their debt was because they were completely trapped in it and could do nothing about it. Instead, they said very cheerfully, they spent their earnings on going to the cinema - and on drink. At this Thangavel challenged them with the patraikars point of view which was that workers are feckless wastrels and only have themselves to blame for getting into debt. To my surprise, the same two young men, turning serious, responded that the owners were right. After all, no one had forced them to take baki - they had asked for it themselves. 'Yes, it's our fault that we got into this situation' they said quite seriously. Thangavel then turned his argument around and challenged this - wasn't their debt due to exploitative wages that no one could survive on? To our surprise, the response to this was a defence of the owners' right to 'get his interest on the loans he has advanced us'. 'After all, we have to pay interest on any loan, so here he takes the interest by paying us lower wages'. There seemed to be little awareness here of the huge difference between the profits made by the owner and the market rate of interest (36% p.a.). The irony of the situation was very sharp - this was truly a case where the victims were blaming themselves, because they had accepted their emplouers agreements.

Of course, what the owner does not point out is that the workers continue to toil for years, but the baki only grows and grows because the worker is (virtually) never in a position to start repayment. In short bonded labour - and its profits - have acquired a powerful legitimacy, because of the success of the ideological ploy of employers. They have completely mystified the entire context of the baki loan and of the interest 'due' on it - no worker we have met has the slightest idea how much 'interest' is being taken. All they know is that they are in debt and have no means of repaying this debt. And they know that this debt can only get bigger and bigger. As Muniandi, 52 years old and with a debt of Rs.12,500, wryly put it, 'It's like scabies (sirangu). You scratch and scratch, but it doesn't go away, it only gets worse!' No wonder that there is an extremely high level of alcoholism among the male workforce. In this situation, who wouldn't be driven to drink?

Thus the profitability of bonded labour in this village is based not only on the

economics of gem-production but also on the socio-cultural context in which the exploitation of workers for very low wages is legitimized by notions of 'rightful interest on loans given' and on the 'common interests' of employers and workers, buttressed by invocations to the familial relations that should prevail between those who, after all, are 'all kin' as they belong to the same local caste. Thus, in a myriad ways, the actual castes prevailing in Tannirpalayam - the caste of the rich and the caste of the poor - have been hidden from view.

References

Datt, R. and K.P.M. Sundharam. (1965) 1984 : *Indian Economy*. S. Chand and Co. Ltd; New Delhi.

Kapadia, K. Forthcoming. Discipline and control : Labour contracts and Rural Female Labour. In P. Robb (ed.) *The Meanings of Agriculture*. Oxford : Oxford University Press.

Scott, J. 1988 : *Gender and the Politics of History*. Columbia University Press, New Delhi.

Private Initiative and Public Policy in Education : R.P. Singh, Federation of Managements of Educational Institutions, New Delhi, 1993, pp.175, Rs.200/.

C.B. Padmanabhan

THE book under review is a collection of seminar papers organised by the federation of management of educational institutions, New Delhi at India International Centre, New Delhi in December 1992. The book edited by Prof.R.P. Singh, has twelve chapters with an introduction and a chapter entitled Equity and Excellence Towards a New Policy in Education contributed by the Editor, the proceedings of the seminar. The participants in the seminar were educational administrators and planners and professors in social sciences like Economics and Sociology.

Each participant has touched on various aspects of private initiative in one sector or another of education. Thus Dr.Sushila Singh has discussed the state of private partnership in management of higher education and pleaded for mutual trust between the state and private sector. But it is the question of the trust of the entire economy and society on the system of higher education in its ability to deliver the goods which is more important and in achieving this both the sectors will have to play a complementary and co-ordinating role to each other. In this, the objectives of the system of higher education are important.

The paper by S.P. Rehula on Sociology of private initiative is quite pessimistic about the role of private sector in higher education and pleads for precautions. Such pessimism is not justified. Dr.J.B.G. Tilak has written about the economic reforms and investment policies in education and referred to the implementation of adjustment policies in 105 countries of the world. He points out that public expenditures on education has declined in the wake of the adjustment policies. In India also the allocation to education has gone down. He has classified privatisation into 4 categories and pleaded for moderate form of privatisation where education is publicly provided and largely publicly funded, but with a reasonable level of finances from government sources. But this approach will have to vary from one level of education to another with private sources playing a larger role in higher education. It shall be added here that non-plan expenditure on education, sports, arts and culture in India has declined from 24 per cent to 22.43 per cent between 1988-89 to 1992-93.

One cannot definitely say what the present size of private sector in each sector of Indian education is in the absence of data from Sixth All India Educational Survey. Dr.Verghese has referred to the growth of private schools at primary middle and secondary level between the fourth and fifth the survey from 1.1, 4.5, 5.4 to 2.3, 7.8, 10.7 per cent respectively. Thus the private sector is expanding which has an inner dynamics of its own.

But one cannot predict the future role of private sector in Indian education on the basis of economic logic as Dr.Verghese has done because it is doubtful if there will be many completely non-government institutions and the system of financing does have an influence on the quality of education (ICSSR study by Dr.Mathew). Therefore the quality of private sector will vary much depend on the extent to which government funds are flowing in.

Five types of private educational enterprise have been identified in India with varying objectives. They are the following :

1) Private educational institutions established mainly to provide religious instruction.
2) The private educational institutions intended mainly to provide education of a high standard to the well-to-do classes.
3) Private educational enterprise as a privilege of religious and linguistic minorities.
4) Private educational enterprises in under-developed sectors.
5) Private educational enterprise meant for the children of the common man.

Dr.R.P.Singhal has rightly pleaded for a new approach to educational management of institutions. Shri Chauhan has bemoaned the absence of any reference to the government of formal system of education spending as much as 500 crores in a pull out of a newspaper which contained only references to coaching institutions. But it must be admitted rather regretfully that the formal system is becoming increasingly irrelevant and in its place coaching institutions etc. are emerging into prominence. It would seem that heyday of formal system is over and the future is for non-formal education of all kinds.

The question of the present and potential role of the private enterprise in Indian education has not been very much discussed in India though there are some individual studies here and there. But what are the arguments in support of private enterprise in education? Is the private sector superior to public sector in education? Is the case for privatisation of education an ideological one or is it forced by the logic of the circumstances forced by the emergence of the New Economic Policy in the horizon?

Does the scarcity of financial resources available for education as a whole or individual sector in it make it imperative for private sector to step in? What should be the relationship of private enterprise to the rest of the educational system or the governments - Central, State or local bodies? What should be the control which the state should exercise over it? On what basis should the grants-in-aid be fixed? What guarantees or safeguards are needed to ensure that the emergence of private sector does not violate equality of opportunity as Dr.V.P. Garg has argued.

These are the further questions that deserve to be considered.

Dr.J.L. Azad has only partially answered the question as to why the implication of new economic policy for education should be discussed.

The declining allocation to education from 24 per cent to 22.43 per cent of the total educational expenditure and the reduced transfer of central resources to the states combined with the need for greater progress in education at all level make it necessary to discuss the implications of new economic policy or for that matter new agricultural policy for education.

Ofcourse, in India at present privatisation of higher education is talked about a great deal more than in post elementary level of education. What would be the relationship between private institutions and government financed institutions? In fact, it will be helpful to distinguish sharply between government financed institutes and private financed institutions especially when it is noted that some of the "private colleges" in places like Delhi which are financed by the government to the extent of 95 per cent while only 5 per cent are borne by the private managing body.

Therefore, to some extent it is meaningless to discuss private sector in education as it is done in the sphere of economic activities. To this extent the arguments about relative role of public and private sector as in the economic sector is also not valid in the educational sphere.

The fact of the matter is that any discussion about the role of private enterprise in Indian education is greatly hampered by the absence of adequate empirical research especially about the performance of private enterprises, at the level of institutions sector or system. Years ago (1972), Rudolph and Rudolph in a major study on Indian educational development reflect the interest of their controlling groups but not of a broad geographical area. It was found that the private institutions perform different task, important higher educational activities are bypassed by the whole sector. Therefore, the future role of private sector will have to be judged on the basis of whether the interest of the controlling groups and constituencies of private institutions comprise a desirable approximation of the public interest. There is the last paper on the role of public sector and private sector in educational publishing by G.N.Rao. The efficiency in the performance of their respective roles has been well pointed out by Prof.Malcolm S Adiseshiah as follows :

"The question is who can perform these tasks for primary and secondary school textbooks better. At present neither the public sector nor the private sector is performing the task well. The public sector books are of varying quality, delayed in distribution, and subject to ideological and political interventions. The private sector textbooks are shoddy in appearance, an.. uneven in quality..."

The available evidences does nc conclusively show whether the present fai that the market and its invisible hands w.. often fuse the individual pursuits of particular institutions into a wider public good. But one can certainly envisage a prominent role for private initiatives of all kinds in the form of new strategies for training and education, new techniques for education etc. In the context of the new adjustment policies, tl consequent industrialisation and tl globalisation of the economy. The book unc review has done a signal service in open up the debate on this important area.

Publications of the Institute consist of the following categories :

1 **Publications brought out by Messrs Sangam* Publishers** : These consist of a series of monographs mainly relating to Rural Development of Tamil Nadu brought out between 1972 & 1980. Detailed list including prices available on request from the Programme Coordinator of MIDS. Orders may be placed with Sangam Publishers, 11, Sunkurama Chetty Street, Madras-600 001 for these.

2 **Cyclostyled Publications** : These consist of Working Papers, Digest Series, Data Series, Popular Series, Interns Reports and Offprint Series brought out since 1978. Detailed list available on request from the Programme Coordinator of MIDS.

3 **Occasional Publications of the Institute include :**

a) *A Manual on Sources of Data on Tamil Nadu Economy* (1979) published by MIDS, pp. 92, priced at Rs. 10/- per copy and Rs. 6.50/-for bonafide research scholars.

b) *Area Studies Bibliography Tamil Nadu* (1984) published by MIDS, pp 226, Rs. 30/- for paper cover and Rs. 40/- for bound volume.

c) Social Science Research in South Indian Universities—Listing and Review of Ph D. Dissertations (1989) Published by MIDS and ICSSR, SRC, pp. 260, Rs. 20/- a), b) and c) obtainable from the Programme Coordinator of MIDS.

4 **Special Publications***

a) *Poverty — An Interdisciplinary Approach edited* by B. Sarveswara Rao and V. N. Deshpande (1982) & published for MIDS by M/s Somaiya Publishers Pvt. Ltd., Bombay, pp. 296, Rs. 125/-

b) *Guide to Research in Economics,* edited by C. T. Kurien (second edition) (1985) & Published for MIDS by M/s. Rainbow Publishers, Coimbatore, pp. 390, Rs. 100/-

c) *Some thoughts on the Seventh Plan* by Dr. Malcolm S. Adiseshiah (1985) and published for MIDS by M/s. Dialogue Publishers, New Delhi, pp. 136, Rs. 70/-

d) *Shaping National Events* by Dr. Malcolm S. Adiseshiah (1985) and published for MIDS by M/s Dialogue Publishers, New Delhi, pp. 335, Rs. 180/-

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

* These publications may be ordered directly from the respective publishers.

Regd. No. M. TN/MS(S) 485

MADRAS INSTITUTE
OF
DEVELOPMENT STUDIES
(MIDS)

The Institute was founded by Dr. Malcolm S. Adiseshiah in 1971 and was reconstituted in 1977 as a National Research Institute within the framework of the Indian Council of Social Science Research, New Delhi.

The aim of the Institute is to contribute to the economic and social development in Tamil Nadu and India.

The activities of the Institute are:

—Research leading to Ph.D. Degree

—Studies and action-oriented research in micro-development problems

—Documentation and library service in development problems

—Exchange and dialogue at the State, National and International levels on development issues

—Publication of papers and results of the Institute.

Editor: Dr. Malcolm S. Adiseshiah. Published by Dr. S. Neelakantan for Madras Institute of Development Studies, 79, Second Main Road, Gandhinagar, Adyar, Madras 600 020, India

printed at reliance printers, sardar patel road, madras 600 020