Indira Gandhi National Open University
School of Extension and Development Studies

MDV-109
Development in India – An Overview

Block

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MDV-109 DEVELOPMENT IN INDIA – AN OVERVIEW

Welcome to the Course MDV- 109 on "Development in India – An Overview". As you all know that development is a multidisciplinary subject of social science which addresses the issues of concern to developing countries, and it has historically placed a particular focus on issues related to social and economic development, and its relevance therefore continues to extend to communities and regions outside of the developing world. It is also well known that the developing nations are facing many daunting problems and they are confronting many new issues with regard to development in the post liberalization period. Therefore it is pertinent to study development in India with emphasis on pre and post liberalization period. The main aim of this course is to make you all aware about the various issues, historical facts and policies relating to development in India in the pre and post liberalisation period. This course is divided into following five blocks.

The Block 1 deals with the basics of development initiatives and planning process in India, how the planning and development initiatives have taken place in the pre and post liberalization period.

The Block 2 discusses the issues related to rural development in India, with emphasis on agriculture and rural development, rural industrialization, rural poverty and unemployment.

The Block 3 gives an account of urban development in India, describing the various kinds of social and infrastructural issues, with emphasis on migration and urban problems and various development interventions in this regard.

The Block 4 deals with social development issues focussing on the issues relating to the scheduled castes, scheduled tribes and role of youth in development. It also discusses various initiatives and policies in this regard.

The Block 5 gives an account of various kinds of roles played by public, private and service sectors in the process of development. It also describes about the roles of unorganized sectors in development.

BLOCK 1 DEVELOPMENT INITIATIVES AND PLANNING

The development initiatives and planning has occupied a prominent place in the greater national discourse on economic issues since the pre-independence era in India. Gandhiji described large business as 'trusts' of the 'wealth of the people' and thus emphasized on the larger social purpose that industrial wealth should serve in independent India. The real development process of India started after the Independence with the formation of the Planning Commission. During the pre-liberalization phase public sector was playing important role in the socio-economic development of India. The private sector was only playing a limited role. The development strategies and process was guided by the planning under the stewardship of Planning Commission established at the central as well as at the state level. However, after the 1990s, liberalization process started in India; as a result the private sector started playing an important role in the economic growth and development process in the country. The emphasis on rural and urban development, development with equity and equality, and energising contribution of all the sectors towards economic growth and development formed the corner stone of the economic development processes and strategies of India. This block gives a holistic perspective of development initiatives undertaken during pre and post liberalization period of India.

Unit 1, **Pre-Independent Development Initiatives,** focuses on various development initiatives under taken prior to our independence by the Mughal and during the colonial rule.

Unit 2, **Planning and Development Initiatives: Pre Liberalization Period**, describes the various kinds of development initiatives and planning process in the post independence and pre-liberalization period. In other words, it gives an overview of the development initiatives undertaken after independence and before 1991, the known as pre-liberalization period.

Unit 3, **Planning and Development Initiatives: Post Liberalization Period,** unit discusses the planning and development initiatives undertaken during the post liberalization period. In other words, the development initiatives those were taken after the liberalization period, 1991.

Unit 4, **Globalization and Development in India,** unit discusses about the issue of globalisation, it has raised many contested debates about its conceptualisation: is it a "process", a "phase", an "ideology", a "trend" or a "path of development"? It is in this context that pinning down or reducing globalisation to one perspective or one phenomenon becomes untenable. Keeping in mind shifting paradigms, this unit tries to address the issues of governance and globalisation from five different but interlinking dimensions: conceptual, state-level reforms and development from the economic, social, cultural and political perspective.

UNIT1 PRE-INDEPENDENCE DEVELOPMENT INITIATIVES IN INDIA

Structure

1.1 Introduction
1.2 The Concept of Development
1.3 Early Development in India
1.4 Mughal Empire and Development
1.5 Colonial Rule and Economic Situation
1.6 Colonial Impact on Indian Agriculture, Industry and Foreign Trade
1.7 Drain Theory
1.8 Let Us Sum Up
1.9 Keywords
1.10 References and Suggested Readings
1.11 Check Your Progress- Possible Answers

1.1 INTRODUCTION

The purpose of this unit is to provide the historical sketch of development initiative in India. For this historical background and basic conception of development is necessary for understanding of present and future development of India. India's deep rooted history of development and change also explained by Karl Marx through Asiatic mode of production. Hence, the historical knowledge of development is pre-condition for understanding the development process in India. The notion of development viewed as overall changes including economic context, social system, psychological and technological innovations in the long history of Indian society. However, this is very difficult task of to encompass such a long historical discourse within one unit. Hence, the unit will to provide you a brief sketch of changes in mode of production, in short, glance of development prior to British India. The major thrust has given to introduce the development of British colonial period and particularly the economic drain theory developed by Indian nationalists. The impact this theory is very significant for changing the process of economic development in colonial period. After reading this unit, you will be able to:

- understand the concept of development, its various connotations and the dynamics of development in India,
- describe the nature of early development, particularly in ancient and medieval India, and
- explain the economic drain theory propounded by Indian nationalists and the economic context during British India.

1.2 THE CONCEPT OF DEVELOPMENT

The concept of development refers to the planned change for better quality of life. This is a planned process to organise human energies and productive resources to respond to opportunities and challenges. The development takes place on a

foundation of four levels of infrastructure — physical, social, mental and psychological. The concept has started with economic connotation like economic growth measured in terms of per capita income and gross domestic product (GDP). Thus, initially it was confined to economic growth including advancement in industry/ manufacturing, banking, commerce, agriculture; foreign trade (export-import); infrastructure- energy and power, communication and transport. Besides economy, there are non-economic considerations like social issues, human aspects, gender concern and environment which are further, supportive to economic growth and development in the long run. Keeping the view of non-economic concerns like, the equal distribution and other aspects of sustainable development have been given emphasis in the process of planning.

Gurnar Myrdal, W. W. Rostow and other development thinkers consider development as economic development and finds the causes of under development in any country is due to following factors-low income, predominance of agriculture, predominance of primary exports, insufficient capital and traditional technique, illiteracy and skill shortage, serious population pressure, unemployment and particularly disguised unemployment. This is based on assumption that the growth causes development because some of the increase in income gets spent on human development such as education and health. Whereas underdevelopment or dependency thinkers, following Marxian perspective, refuted the view and argued that the backwardness is not because of above mentioned factors rather inequality and exploitation. According to them, poor countries have sometimes experienced economic growth with little or no economic development; for instance, in cases where they have functioned mainly as resource-providers to wealthy industrialised countries. Therefore, the notion of development has changed with addition of new connotations from economic growth, social justice including gender and human development as well as the sustainability dimension.

1.3 EARLY DEVELOPMENT IN INDIA

As a process of change, development has always existed through out the Indian history in some form or the other. Since Indus valley civilisation, it has been revealed as earliest town planning- architectural excellence, effective transportation and trade with other contemporary civilizations like Masopotamia (now Iraq). How development traverses through Indian history can be observed as a major changes and advancement to human life. Here, we will make a brief sketch of ancient and medieval period of India's development while major thrust will be given to modern period. According to Karl Marx, Asiatic mode of development is the oldest in the history of mankind and which possess three oldest river valley civilisations- Mesopotamia, Chinese and Indus Valley. In Asia, the history of Indian society is rooted more than 5000 years old and the history of development is also deep rooted in ancient India and it can be observed from the discovery of metals- copper, iron and bronze. The discovery has played a critical role in agriculture and life conditions.

The Indus Valley civilisation characterised with initial town planning of the world and major development in transport technology and other urban infrastructure. Two such early cites are Mohenjo-daro and Harappa shows the excellent town planning and architectural evidences, The civilisation includes Citadel, Granary, common pond, road and drainage system. The Indus civilization's economy appears

to have depended significantly on trade and commerce, there is also evidence of external trade relations with other river valley civilisations. Such long-distance sea trade became feasible with the innovative development of plank-built watercraft, equipped with a single central mast supporting a sail of woven rushes or cloth. There was an extensive maritime trade network operating between the Harappan and Mesopotamian civilizations. Romila Thapar writes that the there were also trade contacts with people of northern Afghanistan from where the Harappans brought the famous blue gemstone and Lapis Lazuli. The advances included bullock-driven carts that are a very common throughout South Asia even today, as well as water navigation. Probably, the most of the navigation were small boats, flat-bottomed craft, driven by sail, similar to those one can see on the river today. Further, archaeologists have discovered a massive, dredged canal and docking facility at the coastal city of Lothal. They also developed their language in pictographs, unfortunately could not unravel till now. In Vedic period Painted Grey Ware is another significant evidence of development of art and craft. Further, the Indus Valley Civilization is called a literate society based on the evidence of these inscriptions, this description has been challenged on linguistic and archaeological grounds however could not be spelt out till date. The inscriptions are unparalleled in any known premodern literate society.

Further Aryabhata, Varahmihir, Charak, Brahmagupta, Susrata, Jivak and many others played significant role in the development of mathematics, astronomy and medicine in ancient period and these forms of knowledge got translated into Arabic. The rich architectural techniques can also traced from different monuments- temples Konarar (Sun temple), Puri, Lingraj, Khajuraho, a group of Jaina temples (Mount Abu), and later on Turk and Afghans brought new styles and techniques of architecture as well. However, the Harappans developed metallurgy of copper and bronze, the Vedic Aryans tanned leather, fermented grains and fruits, and dyed scale production of copper, iron and steel, brass, silver and gold and their alloys. Indian steel was highly esteemed in the ancient world and it was exported in large quantities.

Subsequently, the Mahajanapadas (600 BC) minted *punch-marked* silver coins. The period was marked by intensive trade activity and urban development. Thereafter a firstly unified administration of the Indian subcontinent traced in the Mauryan Empire (300 BC). During this period, trade routes became more secure and the road system was expanded. The political unity and military security allowed for a common economic system and enhanced trade and commerce, with increased agricultural productivity. Farmers were freed of tax and crop collection burdens from regional kings, paying instead to a nationally-administered and strict-but-fair system of taxation as advised by the principles in the Arthashastra. Chandragupta Maurya established a single currency across India, and a network of regional governors and administrators and a civil service provided justice and security for merchants, farmers and traders. Buddhism and Jainism- two well known religious order has been established in this period to propagate the idea of non-violence which became the basis of further development like monasteries, educational institutions as well as the sculpture and paintings etc. Through Buddhism, later on, trade and missionaries spread to other parts of Asia i.e. Central Asia, China, Tibet and south-east Asia. During this period, educational institutions were held in the temples and taught by Brahmins to the higher caste children. Apart from these institutional settings, there is also evidence of two well known universities in Taxila and Nalanda. Jivak Komarabhacca, the founder

of Buddhist medicine and his contribution in ayurveda considered as treasure for modern medicine.

One of the biggest change observed during medieval period from ancient India is that the revenue collection system through intermediaries. This change affected not only the direct control of kingdom but also other aspects of life. The most suffering section of this change were the peasants, they paid the revenues of the land, as well as extra taxes for irrigation, roads and other support services in addition to free labour to their feudatories. This has made the king's position both economically and politically weaker. For the next 1500 years, India produced its classical civilizations such as the Rashtrakutas, Hoysalas and Western Ganges. During this period, India is estimated to have had the largest economy of the ancient and medieval world between the 1st and 15th centuries AD, controlling between one third and one fourth of the world's wealth up to the time of the Marathas, from whence it rapidly declined during European rule.

1.4 MUGHAL EMPIRE AND DEVELOPMENT

The Mughal Empire was characterised by political unity, centralised administration, a uniform revenue system, fairly a good network of inland trade, growing economic links and overseas trade. It is observed that the hold of Mughal empire is more than about 90 per cent of South Asia (almost 1,000 million acres or 4 million square km) and a uniform customs and tax administration system was enforced. It had facilitated trade and commerce across the sub-continent, agriculture was still at subsistence level and contributed a major share in productivity. In 1526, the empire established by Babur and reported as the second largest economy in the world. Arjun Dev, a noted historian, estimated Mughal's economy about 24.5 per cent of world's economy (second largest in the world) in 1526. In 1600 AD, the gross domestic product of the Mughal India was 22.6 per cent of the world economy, while Ming China's was 29.2 per cent. W H Moreland (1962) writes that the Mughal economy seems to have been at its peak under Akbar and later on it has declined. During eighteenth century, the decline of Mughal empire and the emergence of few kingdoms as well as increasing hold of East India Company changed this economic position. Mughals were replaced by the Nawabs in north India, the Marathas in central India, the Nizams in south India and British East India Company in Bengal. However, the Mughal tax administration system was left largely intact. Therefore, till early eighteen century, India emerged as the world's largest economy along with China and Western Europe. In 1750, a rough estimate suggested that Indian gross domestic product (GDP) was 80 per cent of China, while in 1775; it was about 70 per cent of China.

Agriculture and allied industry

Since time immemorial, agriculture and allied industries based on agricultural produce were major source of economy in the sub continent. During Mughal period, these two sectors were not only the largest sources of income to state but also those were the sources of livelihood to the large majority of people in India. Major crops were cereals, millets, oilseeds, sugarcane, cotton, hemp, chilli, indigo and betel. Farm implements were very poor and ploughs are made of wood. Crop residue and cow dung were not used as manure rather as compost, fuel and building materials. Crops were damaged by rodent and insect pests which were not checked for socio-religious considerations. Irrigated area was small as it

was mainly dependent on monsoon. There were more cattle than Europe but yield was less. Reliance on the monsoon meant that agricultural output fluctuated more than that in case of Europe, and therefore, the occurrence of famine was more frequent. Broadly, the collection of revenue from two sources i.e. the land and trade. There is also evidence of good revenue collection such as, the annual revenue of Emperor Akbar's treasury at 17.5 million pound in the same period, equal to the entire treasury of Great Britain in 1800 AD. Subsequently, Aurangzeb's exchequer (1700 AD) exceeded 100 million pound twice that of Europe. It is also evidenced through a number of handicraft industries produced high quality cotton textiles, jute, silks jewellery, decorative sword and weapons besides minerals and other resources. Artisans also worked and contributed to the second largest revenue generation after agricultural produce. India was trading relations with Europe, China, East Africa, Persia, and Russia. Many urban centers developed with trade, such as Decca, Madurai, Ahmedabad and Surat for cotton, Banaras, Agra, Merrut for silk. Similarly, many other towns emerged as the specialised trading centres. Meddision (1971) explains the status of peasants and inequality within society. He viewed that the living standards of ordinary people in this period were lower than those of European peasants and their life expectancy was shorter. However, the life style of Indian ruling class surpassed the European aristocracy in luxury goods. Hence, the overall production and income was substantially good while limited to aristocratic class.

Other Aspects of Development

During 16th and 17th centuries, we find a fine synthesis between Islamic astronomy and Indian astronomy, where Islamic observational techniques and instruments were combined with Hindu computational techniques. While there appears to have been little concern for theoretical astronomy, Muslim and Hindu astronomers in India continued to make advances in observational astronomy and produced nearly a hundred Zij treatises. Some of these well known heritage site even today like Jaipur, Udaipur, Mathura, Jaipur, Ujjain, and Banaras. Humayun built a personal observatory near Delhi, while Jahangir and Shah Jahan were also intending to build observatories but were unable to do so. The instruments and observational techniques used at the Mughal observatories were mainly derived from the Islamic tradition, and the computational techniques from the Hindu tradition. One remarkable astronomical instruments of this period is the seamless celestial globe. One of the most remarkable innovations in metallurgy, the seamless globe and celestial globe were invented in Kashmir by Ali Kashmiri ibn Luqman, and twenty other such globes were later produced in Lahore and Kashmir during the Mughal Empire. Another famous series of seamless celestial globes was produced using a lost-wax casting method by Muhammad Salih Tahtawi with Arabic and Persian inscriptions. It is considered a major feat in metallurgy. These Mughal metallurgists pioneered for the method of wax casting while producing these seamless globes.

Besides these, Mughal Emperors has given patronage to music, literature, art and architecture. In this period Mughal court is a patron for Hindustani music, Carnatic music, Dhrupad, Khayal, Thumri. The Mughal architecture remembered for combined finest features of Indian and foreign architecture, characterised with domes of various shapes, decorated arcs, tall minarets, balconies, small pavilions and other decorative features. The use of red stone buildings, marbles and well balanced proportion of the building is another beautiful part of their architect. Marvellous Mughal gardens constructed between Central Asia and South Asia

are beautiful examples of landscape architecture. Education facilities and the content of education were no better than in medieval Europe, and much worse than in Europe after the Renaissance. Meddison says that Muslim education was entirely religious and carried out in *madrassas* where boys learned the Koran in Arabic. Hindu education was confined to religious instruction for higher-caste boys in Sanskrit. Neither religious group provided education for women. There was no Hindu higher education of a secular character. The theology of Hinduism did not encourage the growth of rational thought, and the social system hindered technical innovation.

Later on economic historians equated the declined of Mughal Empire and the downward trends in the Indian economy. Aurangzeb also observes this trend but unable to control owing to its own administrative weakness in many regions. The Mughal period had no uniform economic condition either in different provinces or periods but certainly traced better life conditions in term of agricultural produce, employment particularly self employment and self sufficient economy than the colonial period.

In this session you read about the development initiatives taken during early and Mughal period and now answer the questions given in Check Your Progress-1.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What do you mean by development?

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2) Briefly describe the development of India during Indus Valley Civilisation.

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1.5 COLONIAL PERIOD AND ECONOMIC SITUATION

The nature and character of colonial rule including, all European companies, was based on economic gain and political hold to support their interest. In earlier section, we saw the political and economic policy followed in Mughal period,

now we will compare it with British economic policy. Bipin Chandra makes a very explicit distinction between British conquest and other foreign conquest in the Indian history that except British, all foreign conquerors had overthrown Indian political powers but made no basic changes in the country's economic structure; rather gradually they became the part of Indian society. British economic policy made huge transformation from a 'self sustaining Indian economy' to 'dependent colonial economy' for their interest. The trade and resource exploitation was the major concern other than evangelical, however, latter one has refuted by different thinkers. In India, British association starts with the East India Company's trade in some selected pockets. Initially, the company had two fold purpose- 1) raw material for their factories, and 2) searching market of their manufactured product. Further, the company moved ahead to acquire administrative and political power.

To understand the concept of economic drain theory, it is necessary that learner should understand the Indian economic institutions and context during colonial period and British commercial policy. The East India Company along with other European companies travelled to India for trade from the beginning of the 17th century. Broadly we may divide the British colonial period into three phases in terms of their changing status and role.

1.5.1 Early British Period: From 1600 AD to 1757 AD

The East India Company has started as trading organisation in India since 1600 covering eastern part. As a trading organisation, it has brought large precious metals particularly silver and gold to India and in place of that exported Indian cotton cloths, silk, salt peter, spices and other good which was high demand across the world market. The East India Company earned a good profit from these transactions and this profit also some extent shared with Indian manufacturers and big producers which helped for company's interest. In this process, no doubt the company also provided good market for Indian products.

1.5.2 From Plassey War to 1857 AD

The Plassey war (1757) the succession of British East India Company is one important juncture which has decided the fate of India for colonial rule. Thereafter the company had acquired both economic and political power in Bengal province. That is detrimental not only for revenue collection but also to make the authoritative trade policy. This change has long term impact on Indian farmer and traders. Before that, there were high demand of Indian products across the world and pouring of bullions into India has created a sense of jealousness among British traders. The reason for jealousness is due to unilateral demand of Indian products and precious metals silver and gold. Secondly, the demand of their manufactured products were not able to change this unilateral trade.

1.5.3 British Crown Period: 1858 onward

Thirdly, the transfer of power from the East India Company to the British Crown in 1858, when almost all parts of the sub-continent was under colonial power. During this period the Mughal political structure was very strong and the company has been given permission of trade and commercial activities in limited in a limited way, while 1757 was a turning point of getting political control in Bengal apart from trading role and further increasing political hold. (Many plans of development) **The Bombay Plan** (1944) is the name commonly given to a World War II-era set of proposals for the development of the post-independence economy

of India prepared by seven leading Indian industrialists- Jehangir Ratanji Dadabhoy Tata, Ghanshyam Das Birla, Ardeshir Dalal, Sri Ram, Kasturbhai Lalbhai, Ardeshir Darabshaw Shroff and John Mathai. They proposed state intervention in the economic development after independence. The major thrust was to doubling the agricultural production and a five-fold growth in the industrial sector. A key principle of the Bombay Plan was that the economy could not grow without government intervention and regulation, the Plan proposed that the future government protect indigenous industries against foreign competition in local markets. An alternative line of reasoning is that the Bombay Plan was a reaction to the widespread social discontent of the 1940s (resulting from unprecedented industrial growth during wartime), and a product of the fear that the movement against colonial rule would become a movement against private property. It also reaped criticism: the far left criticized the capitalistic background of the Plan and the plan did not go far enough. The far right foresaw it as a harbinger of a socialist society, and considered it a violation of the agreements of the United Nations "Bretton Woods Conference". Economists criticized the plan on technical grounds.

1.6 COLONIAL IMPACT ON INDIAN AGRICULTURE, INDUSTRY AND FOREIGN TRADE

The impact economic drain on the one hand diverted the wealth and other resources out of country while other side ruined the existing mode of production and created a long term dependency and impoverishment. The nature of dependency can be looked through three important sector- agriculture, industry and foreign trade. Critically, he analysed the economic nationalists views have not done full justice to the depth and breadth of their economic insight and to their attitude towards the drain as part of a comprehensive, inter-related and integrated economic analysis of the Indian situation. Secondly, the chief political implication of the drain theory must be looked. However, contrary to this, Bipan Chandra examines the scientific correctness of the theory of economic drain which has been advocated by the India nationalist economist. The overall impact certainly reveals the diversion of wealth and other resources towards Europe. Buts it is also true the development of sub-continental networks of railroad tracks, telegraph wires, irrigation infrastructure, and coal mines in South Asia are a part of a historical process that resulted in the creation of the modern Indian state. Here, we will examine the impact on India in terms of above mentioned three sectors.

Improvisation of Peasantry

India was pre-dominantly an agricultural country. Agriculture was one important sector which has major contribution in national income and a sizeable (more than two-third) population dependent on this sector. One significant characteristic of agriculture production was that it was self-consuming purpose rather than production for commercial purpose. Village produced were consumed and exchanged for other requirement at local level. Therefore subsistence nature of agricultural production left out the scope of growth and innovation. This characteristic of village also levelled as self republics by the orient lists and British administrators. In this sector, the people may be involved directly as producer in the rural areas or indirectly through trade of agricultural products and processing industries. The role of agriculture in development of any society

can be observe through following factors- such as growing agricultural products, employment to expanding labour force, contribution to capital formation, enlarged exports, raw material to new industrial expansion. Precisely, this sector has provided two important human needs- food items and raw material. Previous one is the major concern since ancient period while the need of raw material has grown up with the development in manufacturing and production process. Therefore, the amount of agricultural produce and its importance has grown up with new production process. Secondly, the need of agriculture produce was limited to local village community level called subsistence agricultural system which has with the growing size of the market.

Till late 17th century, the principal produce were wheat, rice, maize, millet, tobacco apart from cash crops in the sub-continent had enormous production of food items, high quality cotton. From 18th century, India's per head agricultural output was lower than China and Japan which were insufficient to fulfil our population. The relative low output shows was because of unreliable weather conditions, old farming techniques and attitudinal problems and growing needs. The crops are often destroyed by rodents and insect pests, lack of irrigation and other disastrous effects. Apart from these, land tenure system and its ownership also play critical role to the agricultural production and development. There is no historical evidence that communal property or community ownership ever existed in either Mughal period of post-Mughal India. However, Karl Marx described Asiatic mode of production as the tribal and communal property. The new land tenure system created a group of intermediaries through Zamindari system which has added the burden on Indian peasants- the increasing revenue, reduced supports services of irrigation facilities, no concession during natural calamities.

Therefore, the agricultural policy including water resource management and land holding pattern, food item to industrial raw materials and cash crops has direct concern with the development of the sub-continent. The agricultural produce is higher in Mughal period than colonial rule. This reveals some major implications of agricultural policy-

1) First, almost absence of the class of landless labourers, Munro writes "there were no landless peasants in India". The size of landless labourers continuously increases from 8.2 million in 1871 to 49 million in 1951. Gadgil explained the causes of this phenomenon as a destruction of cottage industries and commercialisation of agriculture.

2) Second, agriculture production never grew proportionally with the pace of population owing to various reasons- uncertain rain and lack of irrigation facilities, lack of government's agricultural policy, land holding pattern, commercialisation of crops for non-food grains, impoverishment of peasantry.

At the advent of British rule, there is a general consensus that Indian economy was stable or a state of equilibrium existed often called self sufficient village economy. The land was one important resource, agriculture had major share in national income and a sizeable population was dependent of agriculture. However, there were limitations of agricultural output such as lack of irrigation, dependent on monsoon, traditional technique, small land holdings etc. British period also witnessed of drastic changes which has long lasting impact on Indian economy

and development. For development of irrigation, colonial ruler on recommendations on irrigation facilities covered only a minor part i.e. 13 per cent by 1940. Crops in irrigated areas were costlier because of water charges which forced for cash crops. This had dual impact lower food production inequality and famine.

Ruin of Indian Industry and Crafts

Traditionally India is known for subsistence industries and artistic products- arts and crafts, cottage industries and urban artefacts. Broadly, we can categories in following areas and vocations. a) Peasant's arts and crafts- these industries peasants pursued during their spare time and off seasons like hand spinning and weaving, *gur* making, flour grinding, rice pounding, cotton ginning, rope making, mat weaving, basket making, sericulture, tobacco making. b) Subsistence industries- blacksmith, carpenter, weaver, oil presser, potter. c) Village art industries- carpet weaving of Mirzapur and Benaras, Silk weaving, Metal work, Conch shell, bangles, Lungis, Saries, embroidery cloths of specific places. d) Urban arts and crafts- textiles handicrafts, silks, woollen cloths, Metal works, paper making, bangle making.

In the long historical period and diverse culture the above mentioned various industries developed with abundant and different forms of existing raw materials- cotton, jute, wood product, silk, jewellery, coal, iron ores etc. Second half of 19th century witness of plantation (rubber, tea and coffee), this has facilitated by Muslim and British rulers and attracted large number of artisans in urban areas. Basically, the increasing trend of these industries has attracted the European trading company which was in favour India. Till the war of Plassey (1757) this status continued with little aberrations. Thereafter, British company occupied political power and made various economic interventions both at colonial place as well as at home- changed revenues collection system, forced through agricultural policy for cash crop, foreign capital many other changes disrupted self sufficient village economy and created a new class of agricultural labours.

Most of the industrial item was either produced by traditional village artisans as their occupations, while town and urban centres were various *Srenis* (guilds). Each guild was specialised with each craft and it played significant role within the group like, networking, specialised training and overall to protect their common interest.

Foreign Trade

Foreign trade in Indian sub-continent has been traced since ancient period, i.e. Indus civilisation trade relations with Mesopotamia (now Iraq), thereafter, many items has been exchanged South East Asia and further East Africa, even migration to South East Asia evident from various literatures. India had traded textiles products to East Africa, the Persian Gulf, Malaya and Indonesia. Before European conquest (1600 AD) Arabs, Armenians and Jews were running the offshore trade. Over the years, there were some changes in the direction and nature of the trade. Throughout th19th century Great Britain dominated the foreign trade, while 20th century new trade relations has started with US, Japan and Germany. Malviya in his report on Indian Industrial Commission reveals the skill based products of delicate woven fabrics, colours mixing, the working of metals and precious stones work enjoyed a world wide celebrity during modern India. The important items exported from India were Calicos, Bengal silks, Indigo, Lac, cotton yarn, opium,

marbles, precious stones, iron and steel. However, the imports were limited to few luxury items- gold, silver, horses and others. Two fold arguments givens for limited imports- one is self sufficient economy, and second is inequality. Once Moreland remarked 'the masses of Indian consumers were too poor to buy imported goods' while the nature of import trade is better understood by former argument i.e the self sufficient Indian. The increasing trends of exports can be observed through exported of Calicos ´ ´ from 15,000 pieces annually during 1658-64 to 91,000 pieces annually during 1673-78 and 1,10,000 pieces annually in 1700. The high demand of Indian products also imported huge precious metals in exchange which can be analysed with following table.

Table 1: Surplus of Imports of Gold and Silver in British India

Years	Gold	Silver
1835-36	$ 1,694,590	$ 8,059,480
1845-46	2,722,380	4,662,450
1855-56	12,531,225	40,971,875
1865-66	28,622,380	93,343,365
1877-78	2,340,645	73,381,675

Source: Adapted from J. Laurence Laughlin (1886) History of Bimetallism in the States, pp. 252-3

In late eighteenth century, on the one hand England's increasing productive power by industrial revolution while on the other hand growing political control over India strengthen company's power to revert the direction of the colonial trade. As a result of this policy, the value of goods exported from India had declined from 13 million 1815 to 0.1 million in 1834. Thus, the foreign trade in colonial India and economic drain theory have direct correlations. Burke remarked that whole process of investment of the East India Company is the main cause of impoverishment of India. The exported item was not exchanged equally rather without any return or payment. The investment of the company during 1766-1780 was limited to four heads- drugs, piece goods, silk and saltpetre. Further D.B. Naoroji estimated the exceptional annual drain of capital-flow during the late 1850s and early 1860s, which reduced the excess of Indian exports over imports during that period, and so concealed the real size of the Indian tribute. Foreign trade determines the countries economic position in international market through the measures of exports and imports. Larger exports of raw materials for their factories and imports of finished products exploited the Indian resources and ruin the existing productive process in order support British interest.

The drain of wealth from India to England would have been not possible without the development of supportive infrastructure like, effective transportation and communication, skilled human resources as well as rational legal system to continue colonial administration. Keeping these needs they created railway as new transport system, built new roads and repaired the existing road links, introduced modern bureaucracy system based on rational legal system, established modern educational institutions. All these initiative was very limited to few areas and restricted in order to serve their interest. Railway services has started in 1853 but located from factory to port for goods transportations. Three universities were set up in 1857 in Calcutta, Madras and Bombay, but they were merely examining bodies

and did no teaching. Higher education did little to promote analytic capacity or independent thinking and produced a group of graduates with a half-baked knowledge of English but sufficiently Westernized to be alienated from their own culture. Education for girls was almost totally ignored throughout the nineteenth century. Warren Hastings and later Lord Cornwalis played key role in the foundation of common judiciary system through a hierarchy of civil and criminal courts. Lord Macaulay codified the India laws called Indian Penal Code (IPC) and western derived codes called civil, criminal and other codes. However, the discrimination within the legal process also existed against Indians, only Europeans judges are allowed for important cases.

While in this process of colonial interest, India had some positive impacts- like the transfer of railway technology from Britain to colonial India is required. Besides the massive installation of thousands of kilometers of rail tracks, telegraph wires, irrigation infrastructure, and coal mines in whole south Asia. The construction of railway also required the preparation of rail-beds, the laying of plates, the building of tunnels, the undertaking of heavy-cutting, and the building of bridges wherever necessary. British India imported from Britain necessary manufactured products such as rails, sleepers, prefabricated bridges, and locomotive engines. These developments required strong will power of the administrator particularly in bad economic conditions. Although Indian workshops began to emerge at the end of the nineteenth century, British manufacturers remained the primary suppliers of these industrial goods. 'Between 1850 and 1940, more than 14,000 British locomotives were sold to colonial India compared to slightly more than 700 that were manufactured indigenously. Indian workshops such as those established in Lahore focused on repair and assembly work for the duration of this period'.

1.7 DRAIN THEORY

economic drain has visualised as a portion of the national product of India was not available for capital formation or consumption by its own people rather drained away to Britain for political reasons. This drain was without getting an adequate economic, commercial and material return. Thus it is unilateral transfer of wealth from India to Britain. Further we can see the drain in to two major aspects- internal and external. Former in terms revenue collection, agricultural production, the issue of economic drain theory first highlighted by Alexandor Dow, a military personnel of the East India Company, who spent twenty years in Bengal and wrote an economic conditions of Bengal. According to his estimation, the annual drain from Bengal to Great Britain was about 1,477,500 Pounds including company's revenue and exports from India. Later on Edmund Burke (1783) developed this theory and explained the mechanism of economic drain in Indian situation and increasing poverty. In 1776, Philip Francis analysed the drain economy and divided it into four major streams- first was the East India Company's Investment, secondly remittance to other presidencies, thirdly the transfer of private income, fourthly the transfer of income from private trade or investment. There are many other British intellectuals and their documents providing the evidences for drain theory. Later nineteenth century, Indian intellectual also realised the impact of British rule as exploitative process and transfer of Indian economy towards Britain. Before this period, particularly the elite sections of Indian society had positive perception and assumed British rule as development actor in India.

This perception has changed different British commercial policy and interventions towards destruction cottage industries, agricultural policy and land tenure resettlements. Review of British policy has started by Indian intellectuals and the idea of economic drain has been evolved to show how rigorous the British policy draining India and reducing it to poverty. In this process, many nationalists who advocated the 'economic drain theory' like Dada Bhai Naoroji, M. G. Ranade, G.. V. Joshi, Romesh Chandra Dutt, Bholanath Chandra, G. K. Gokhle, Gadgil Bhaskar Tarkhadkar and others. First three have played instrumental role and analysed economic transition in depth, while the issue has raised first by Bhaskar Tarkhadkar (a journalist) along with his Maharastrian group in 1841.

Dada Bhai Naoroji (1825- 1917), Mahadev Govind Ranade (1842-1901), Romesh Chandra Dutt (1848-1909) worked extensively and spread message through speeches, research papers and other publications in favour of their argument. Naoroji attributed the India's abysmal poverty to sustained drain of wealth towards Britain long before Indian National Congress placed its agenda for change. M G Ranade, a well known Indian economist after Kautilya, analyzed trade pattern and consider the export of raw materials and import of manufactured product as major cause of drain and causes of backwardness. R. C. Dutt elaborated mechanism of transfer of wealth in his book- the economic history of India. He writes "If manufactures were crippled, agriculture overtaxed, and a third of the revenue remitted out of the country, any nation on earth would suffer from permanent poverty and recurring famines".

The following are major causes of economic drain during colonial India.

a) Colonial Rule and their interest

b) Decline of Indian Export

c) Introduction of new patterns of products

d) Competition with machine made goods

e) Western education

f) Role of intermediaries

g) Government's policy

British interests were of several kinds. At first the main purpose was to achieve a monopolistic trading position. Later, it was felt that a regime of free trade would make India a major market for British goods and a source of raw materials, but British capitalists who invested in India, or who sold banking or shipping service there, continued effectively to enjoy monopolistic privileges. India also provided interesting and lucrative employment for a sizeable portion of the British upper middle class, and the remittances they sent home made an appreciable contribution to Britain's balance of payments and capacity to save. Finally, control of India was a key element in the world power structure, in terms of geography, logistics and military manpower. The British were not averse to Indian economic development if it increased their markets but refused to help in areas where they felt there was conflict with their own economic interests or political security. Hence, they refused to give protection to the Indian textile industry until its main competitor became Japan rather than Manchester, and they did almost nothing to further technical education. They introduced some British concepts of property, but did not push them too far when they met vested interests.

As we discussed the company's commercial policy was based on the principle that to purchase Indian goods in exchange for bullion. There was little demand for European consumer goods in India market whereas Indian silk, drugs, spices were high demand in the European market at a much higher price and the East India Company earned a considerable profit from European market. Historian writes that between 1601 AD and 1612 AD cargo worth 200,540 pound were carried in 9 East India voyages of which 69 per cent consisted of bullion. In the first two decades was 292,286 pound of which 65 per cent was in bullion. The danger of a drain of treasure from the West became a nightmare and India became the 'sink of precious metals' (P. J. Thomas 1810: 146-147). In 1772, Lord Clive also mentioned this in his speech at House of Commons that "silver of the West and the gold of the East have for many years been pouring into that country and goods only have been sent out in return."

In this session you read about the drain theory and now answer the questions given in Check Your Progress-2.

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What are the causes of economic drain in pre-independence India?

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2) List three Indian nationalist who advocated the economic drain theory.

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1.8 LET US SUM UP

In this unit, thrust has given to provide basic conditions and the historical sketch of pre-independence development to the learner. We have traced the history of development in India since early Vedic period till 1947. However major thrust has given to the Mughal period and British Colonial period which has major role in shaping the Indian economy and has had authority almost whole sub continent. The comparison of these two rulers for development has been also discussed. Both had foreign origin while Mughal dynasty assimilated in this sub continent while Britishers came with modern technology and bureaucracy but used for their colonial interest and drain the economic resources towards Europe.

1.9 KEYWORDS

***Srenis (*Guild)**: This is an organisation of artisans or merchants, its structure is a unique and multi-faceted form of organisation. Romila Tthaper identified three features of Indian guilds- 1) the localization of occupation was possible, 2) the hereditary character of professions was recognized and 3) the idea of a legitimised guild leader.

Jajmani System: The system of economic exchange of good and services among hereditory occupational community (between *Jajman* and *Kamin)* in absence of currency. This concept of socio-economic interaction was coined by W. H. Wiser.

Zamindary System: The system of land settlement introduced by Lord Cornwalis (1893)

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1.11 CHECK YOUR PROGRESS- POSSIBLE ANSWERS

Check Your Progress-1

1) What do you mean by development?

Answer. This is a planned process to organise human energies and productive resources to respond to opportunities and challenges. The development takes place on a foundation of four levels of infrastructure — physical, social, mental and psychological. The concept has initiated with economic growth further added the other concerns like, distributive justice, human and social aspects and now the issue of sustainability.

2) Briefly describe the development of India during Indus Valley Civilisation.

Answer. The Indus Valley civilisation characterised with initial town planning of the world and major development in transport technology and other urban infrastructure. Two such early cites are Mohenjo-daro and Harappa shows the excellent town planning and architectural evidences. Its economy appears to have depended significantly on trade and commerce, there is also evidence of external trade relations with other river valley civilisations. They also developed their language in pictographs, unfortunately could not unravel till now.

Check Your Progress-2

1) What are the causes of economic drain in pre-independence India?

Answer. The major causes of economic drain during colonial India are- a) colonial rule and their interest, b) decline of Indian export, c) introduction of new patterns of products, d) ccompetition with machine made goods, e) western education, f) role of intermediaries- *zamindari* system, g) government's policy.

2) List three Indian nationalist advocated the economic drain theory.

Answer. Many nationalists advocated the idea of 'economic drain' from India to Britain, in which Dada Bhai Naoroji (1825- 1917), Govind Ranade (1842-1901), Romesh Chandra Dutt (1848-1909), G.. V. Joshi, Bholanath Chandra, G. K. Gokhle, Gadgil Bhaskar Tarkhadkar and others. First three worked extensively and spread message through speeches, research papers and other publications in favour of their argument. In 1776, Philip Francis analysed the drain economy and divided it into four major streams- 1) is the East India Company's Investment, 2) remittance to other presidencies, 3) the transfer of private income, and 4) the transfer of income from private trade or investment.

UNIT 2 PLANNING AND DEVELOPMENT INITIATIVES: PRE-LIBERALIZATION PERIOD

Structure

2.1 Introduction
2.2 Thrust Areas of Economic Planning
2.3 Development Initiatives during Different Plans
2.4 Development Performance: Aggregate and Sectoral
2.5 Let Us Sum Up
2.6 References and Suggested Readings
2.7 Check Your Progress-Possible Answers

2.1 INTRODUCTION

India inherited a dismal economic condition from the Britisher Ruler and the economic state of affair at the time of Independence was quite sordid. India's developmental pattern during the pre-liberalization period from 1950-1990, the long span of four decade was characterized by strong centralized planning. It is featured by government ownership of basic and key industries, excessive regulation and control of private enterprises, trade protectionism through tariff and non-tariff barriers and a selective approach towards foreign capital. The basic objective of planning during the period was (i) growth; (ii) social justice; (iii) modernization; (iv) self reliance and (v) socio economic development.

After reading this unit you should be able to:

- Discuss the thrust area of economic plans
- Explain development initiating during different plans
- Describe the development performance in different sector.

2.2 THRUST AREAS OF ECONOMIC PLANNING

The Indian Government Resolution of March 1950 envisaged that without developmental planning, the developmental aims and objectives of the nation cannot be achieved. The planning process in the country was triggered off with the launching of First Five Year Plan in 1951. Customarily, economic planning by a set of programmes of development fixed by the planners and implemented for achieving certain chosen objectives. Therefore, economic planning of India is an important instrument of achieving the nation's main aim and objectives.

Some of the thrust areas of economic planning are

- Economic growth
- Poverty Alleviation
- Employment Generation
- Self reliance

- Equality and social justice
- Regional Balance

Poverty Alleviation

Alleviation of poverty was a great challenge before the nation after Independence. High population growth after Independence enhanced the labour force in the economy and so also the consumer population in terms of children and aged population. The alleviation of poverty and hunger was the topmost priority before the planners. The first Five Year Plan emphasized in agriculture to enhance food grain productivity and also employment opportunity in the primary sector. The Fifth Five Year Plan especially laid emphasized on poverty alleviation or *"Garibi Hatao"*. Government of India had initiated several poverty eradication programmes in the form of land reform, self-employment programme, wage employment programmes, rural housing, social security schemes, etc for the eradication of rural poverty. Some of the important programmes are IRDP,JRY, SGRY, SGSY,EGS, NREGS, IAY, etc. All these programmes are discussed in detail in unit. One of the plan documents had rightly emphasised "dispread poverty is a challenge which no society in modern times can afford to ignore for long. It must be eradicated both on humanitarian grounds and as an essential condition for orderly progress".

Economic growth

One of the prime objectives of economic planning is to accelerate the growth rate. In order to promote growth rate emphasis was laid on development of agriculture, industry, small scale and cottage industry and infrastructure development during different Plan period. Each plan takes into account the experience of the previous plan and attempts to make the necessary directional changes and emphasis for achieving high growth rate. The First Five Year Plan had envisaged a target of 11 percent increase in national income, the second plan a target of 25 percent increase in national income. Like this, the planner set the economic growth target and initiated development programmes in various sectors to achieve the targeted growth rate. The economic growth during the pre-liberalization period aimed at reduction of poverty. The growth rate during the pre-liberalization period particularly during 1950-1980 was normal. However, during 1980-90s some economic reforms were initiated to push economic growth. Those (a) Encouraging capital imports and commodity exports; (b) a modest degree of industrial de-regulation; and (c) a modest degree of tax system rationalization.

Equality and social justice

During the dawn of Independence, a vast inequality was observed between haves and not haves. In order to secure equality and justice to the population, planners announced socialistic pattern of society in the Second Five Year Plan. The strategies adopted to raise the standard of living of the people who were living below the poverty line, narrowing the gap between the haves and have nots, and ensuring that the benefit of growth is tickled down to benefit the poor. The Third Five Year Plan stated that "Economic activity must be so organized that the tests of production and growth and those of equitable distribution are equally met. A high rate of economic growth sustained over a long period is the essential condition for achieving a rising level of living for all citizens and specially for those in

low income groups or lacking the opportunity to work. A socialist economy must be efficient, progressive in its approach to science and technology and capable of growing steadily to a level at which the well being of the mass population can be secured".

Self-reliance

Indian Planning for the first two plan period relied more on external aid and from the Third Five Year Plan onwards the emphasis was given on attainment of self-reliance. The endeavour was made to make investment out of domestic savings. The initiation of Green Revolution and establishment of basic industries like iron, steel, machine tools, heavy engineering, chemical and allied industries, and other textile industries are a few developmental initiatives taken in the direction of achieving self reliance. However, the motto of self reliance still remains unrealized. The Forth Five Year Plan laid greater emphasis on self-reliance. The seventh five year plan (1985-90) emphasised policies and programmes which aimed at rapid growth in food grains production, increase in employment opportunities and productivity within the framework of basic tents of planning, namely growth, modernization, self-reliance and social justice.

Employment Generation

Generation of employment is an important objective of Indian Planning and all the developmental initiative aimed at generating employment opportunities in different sectors of the economy. Though employment opportunities have increased over the years, growth of population and labour force has aggravated unemployment problems year after year. The provision of whole time employment appears either as a primary objective of planning or a necessary by product of planning of whatever kind primarily undertaken for other reasons. Full employment is inherent in the nature of planned economy. The fourth five plan laid emphasis on productive employment on a sufficiently high level of efficiency. The plan document gave stress on labour intensive programme through development of agriculture. Rural infrastructure including communication and transport links. The planning commission also suggested to the Central Ministries and the State Governments and Union Territories to take effective steps to remove any restrictive policies which inhibit the faster growth of employment. Special schemes were formulated by Gujarat and Maharashtra Government to provide increasing employment avenues in the rural employment guarantee scheme aims at providing unskilled manual work to all able bodied persons looking for employment is one of such example.

Regional Balance

Uneven Development during British Regime had led to unbalanced development. Some regions are found more advanced compared to the other region. On account of these regional disparities, the planners have accepted the urgency of balanced regional development ever since the advent of the planning process on India. The second Five Year Plan has clearly envisaged that "in any comprehensive plan of development it is axiomatic that the special needs of the less developed areas should receive due attention. The pattern of development should be so devised as to lead to balanced regional development". Again the Third Five Year Plan devoted a separate chapter to this problem and emphasized that "balanced development of different parts of the country, extension of all benefits of economic progress of the less developed regions and wide spread diffusions

of industry are among the major aims of planned development". Thus, it is clear that one of the avowed objectives of Indian planning during pre-liberalization period is the balanced regional development.

In this session you read about different objectives of India Plan and now answer the questions given in the Check Your Progress-1.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Narrate two key thrust areas of Indian planning.

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2) Why do we need balanced regional development ?

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2.3 DEVELOPMENT INITIATITES DURING DIFFERENT PLANS

During pre-liberalization period from 1951 to 1991, India had formulated seven Five Year Plans. The thrust areas and development initiative undertaken during First Five Year Plan to Seventh Five Year Plan are discussed.

First Five Year Plan (1951-1956)

At the time of launching First Five Year Plan, the country was facing formidable challenge of food security. Obviously, the plan gave topmost priority to agriculture and community development. Some of the development initiatives undertaken during the First Five Year Plan period are as follows:-

i) land reforms measures

ii) setting up agriculture extension services

iii) revitalization of cooperative movement

iv) provision of irrigation and facilities

v) establishment of a number of specialized institutions for providing credit to agriculture, small scale industries and backward sections of the population.

Second Five Year Plan (1956-1961)

The Second Five Year Plan laid emphasis on the development of heavy and basic industries to lay the foundations for future industrialization of Indian economy.

Some of the emphasis and development initiative of Second Five Year Plan are :

i) Emphasis was laid on development of iron and steel, chemicals, fertilizers, heavy engineering and machine building industries.

ii) Plan defined more clearly the key role that the public sector was to play in the economic development of the country.

iii) Acceleration of the rate of growth of the economy.

iv) Establishment of socialistic pattern of society.

v) Increase the capacity for producing cement, caustic soda ash, sugar etc.

vi) Expansion of steel in private sector.

It is appropriate to say that the Second Five Year Plan laid the foundation stone for a highly developed, self reliant industrial economy. The completion of Second Five Year Plan also led to the completion of a decade of India's planned development. The decade laid the foundation stone of the basic objectives and long term economic goals of the Indian economy.

Third Five Year Plan (1961-1966)

The Third Five Year Plan was constructed basing on the experiences gathered during First and Second Five Year Plans. The greatest stress in the Plan was given on the i9mplemention and creating conditions for the maximum production and employment and the development of human resources. Some of the initiatives and thrust areas during the Third Five Year Plan are as follows:-

i) Shifting of emphasis from industry to agriculture as there was slow growth rate in agricultural production forcing the nation to import 25 Million Tonnes of food grains from outside?

ii) Emphasis was on establishment of number of basic industries such as sugar, paper, cement, textile etc.

iii) Development of cottage and small industries in the areas like handicraft, coir, handlooms and silk product etc.

Thus, Third Five Year Plan was grounded on the mixed emphasis both on agriculture and industry and particularly on small scale and cottage industries.

Annual Plans (1966-1969)

The planning process was disrupted during 1966 to 1969 because of certain unavoidable circumstances such as hostilities with Pakistan, drought condition, devaluation of rupee and inflationary pressure. Therefore, instead of the Fourth Five Year Plan, three annual plans such as 1966-67, 1967-68 and 1968-69 were prepared. This is otherwise known as 'Plan Holiday' which essentially means that no long term financial commitment can be made by the Government for more than one year. The Annual Plans gave top priority to agriculture and family planning programmes which revolutionized farm sector giving birth to 'Green Revolution'

in Northern India. The main lessons learned during this plan holidays was that not the only growth, but the stability with the maximum rate of growth consistent with its maintenance considered as the main strategy for the next five year plan period.

Fourth Five Year Plan (1969-1974)

The Fourth Five Year Plan was formulated under the Chairmanship of Indira Gandhi. The two main objectives of the Fourth Five Year Plan are (i) growth with stability and (ii) progressive achievement of self reliance.

The Plan recommended for regional and local planning to vary the large number of small and weaker producers and increase immediate and future employment potential. The Plan identified the role of Panchayati Raj Institutions in local planning. Fourth Five Year Plan also laid emphasis on industries manufacturing inputs for agriculture such as fertilizers, pesticides, firm equipment etc. The development of small scale and cottage industries continued to be the main area of industrial development with a motto to achieve self reliance. It also suggested reorganization of the management of public enterprises to achieve the twin aims of a strong well knit public sector.

Fifth Five Year Plan (1974-79)

The Fifth Five Year Plan laid emphasis on "Growth with Social Justice". It also coined a new slogan called "*Garibi Hatao*" or "remove poverty". But the change of the government in Centre in 1977 lead to change in the strategy called Growth for Social Justice". A new pattern of planning was introduced called "Rolling Plan" which emphasised that every year the performance of the plan would be assessed and necessary correction be made in the subsequent year. In other words, it led to continuous planning. The plan in order to achieve the growth with social justice laid stress on rapid growth of the core sector by expanding production of essential consumer goods and by restricting the production of luxurious goods. As a result of production in the consumer goods industry recorded a high growth rate of 14.3 percent.

Sixth Five Year Plan (1980-85)

The Sixth Five Year Plan places a very high priority on alleviation of poverty. In the Sixth Five Year Plan substantial allocation was made for reducing regional disparities. Moreover, substantial investment was made for the development of the North Eastern region. The programme such as National Rural Employment Programme and Minimum Needs Programme were launched and strengthened to have direct attack on poverty. One of the important objectives of the Sixth Five Year Plan was to raise at least 3000 poorest households above the poverty line in each block during the plan period.

Seventh Five Year Plan

The Seventh Five Year Plan had an ambitious objective of growth, modernization, self reliance and social justice along with the strategy of generation of productive employment. The plan document had accorded highest priority to food, work and productivity. For this, the natural emphasis placed on programmes for agriculture and community development. A key feature of the strategy was the extension of the Green Revolution to the eastern region and to dry land areas to reduce regional imbalances in agricultural development.

The Seventh Five Year Plan laid emphasis on the acceleration of the industrial growth rate in the country. For this, the Seventh Five Year Plan gave boost to the liberalization measures. A few of them are as under

i) Raising the assets limit for exemption to companies from the purview of MRTP Act.

ii) Exempting 83 industries under the MRTP Act for entry to dominant industries.

iii) Grant of exemption from licensing for industrial limits with an investment up to Rs.50 Crores in backward areas and Rs.15 Corers in other areas on the bank of a negative list.

iv) De-licensing non MRTP non-FERA companies for 31 industries groups and MRTP/FERA companies in backward areas for 72 industry groups.

Thus both agriculture and industry was given top priority in the Seventh Five Year Plan with a few to generate more and more employment and enhanced productivity in both the sectors.

In this session your read about the development initiatives taken during different five year plans and now answer the questions given in Check Your Progress-2.

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What are the thrust areas of First Five Year Plan

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2) Why there was a need for annual plan ?

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2.4 DEVELOPMENT PERFORMANCE: AGGREGATE AND SECTORAL

The Government of India triggered off the planning process in 1950 and the First Five Year Plan covering the period 1951-1956 was launched. The planned development initiative emphasized, not only on the balanced regional development, but also on the balanced development of all developmental sectors, although, the emphasis varied from Plan to Plan. In this section you will read about the planning

and development initiative undertaken in India during the Pre-Liberalization period from 1950-1990. The main sectors of development are

- Agriculture
- Industry
- Social and Human Development
- Infrastructure Development

2.4.1 Agriculture

Agriculture is the most important sector of Indian economy. It plays a key role in providing food security, generating employment, alleviation of poverty and also contributing to export. 65 percent of the manpower is still engaged in agriculture and still contribute one third to country's GDP. Therefore late Prime Minister Jawaharlal Nehru said "everything may wait but agriculture can not." Agriculture is primary to economic development. However, before independence 1947, the agriculture was traditional and stagnant characterized by feudal land relations, primitive technology, poor capital formation and low productivity. The First Five Year Plan gave a pride of place to agriculture development. During the First Five Year Plan period following initiative were taken for the development of agriculture (i) extending irrigation facilities; (ii) increase the supply of agricultural inputs like fertilizers, insecticides, improved seeds etc., (iii) introduction of land reforms, community development and extension programmes. Although, in the Second Five Year Plan focus was shifted from agriculture to industry, yes, increase in production of food and raw materials have been remaining in the mainstream of development initiative in subsequent Five Year Plans. The Second Five Year Plan laid emphasis on greater diversification of agriculture by growing fruits, vegetables and allied food crops and by stepping up the production of cash crops. Large investments were made for the development of research system under the aegis of Indian Council of Agricultural Research (ICAR) and the State Agricultural Universities. With these interventions the agricultural productivity has increased which has been depicted by Table-1. The food grains production increased from 54 million tonnes to 75 million tonnes during a decade from 1950-51 to 1960-61 that is by 40%.

Table 1: Agricultural Productivity 1950-51 to 1960-61

Items	Unit	1950-51	1951-56	1956-61	1961-66	1966-69	1969-74	1974-79	1980-85	1985-90
Rice	Tonnes	20.6	25.0	30.3	35.1	35.9	41.8	47.3	54.5	65.1
Wheat	Tonnes	6.4	7.9	9.7	11.1	15.5	25.4	29.8	41.2	48.3
Jowar	Tonnes	5.5	7.5	8.7	8.8	9.7	8.6	10.8	11.3	10.9
Bajra	Tonnes	2.6	3.4	3.4	3.9	4.5	6.0	5.0	6.0	5.2
Maize	Tonnes	1.7	2.7	3.6	4.6	5.6	6.1	6.3	7.3	7.6
Other cereals	Tonnes	6.1	6.6	6.5	6.3	6.2	6.4	7.1	6.0	5.4
Pulses	Tonnes	8.4	10.1	11.7	11.1	10.3	10.9	11.7	11.8	12.5
Total food grains	Tonnes	50.8	63.2	74.0	81	87.8	103.0	118.1	138.1	155.0
Oilseeds	Tonnes	6.2	5.5	6.7	7.3	7.2	8.3	8.9	11.4	13.9

Sugar cane	Tonnes	57.1	55.3	80.3	109.2	104.3	128.1	153.3	174.9	196.4
Cotton	Bales	3	3.9	4.8	5.4	5.5	5.9	6.8	7.5	8.4
Jute	Bales	3.3	3.9	4.4	5.7	4.9	5.5	5.2	6.4	8.9

Source: *Indian Economy Today Changing Contours*, B N P Singh Deep &Deep Publication Pvt. Ltd, p.73

Table II Use of Agricultural Inputs, 1950-51 to 1960-61

Inputs	Unit	1950-51	1960-61	1964-65	1965-66
Fertilizers	000 tonnes N	56	210	555	600
Electricity	Million Kwh	203	832	1400	1730
Irrigation tube wells	Numbers	3500	17700	28900	32400
Fuel oil	Values in Rs crores	4.5	14.6	25.1	27.7

Source: Fourth Five Year Plan, A Draft Outline, Government of India, p.9

In the mid-1960s the Green Revolution programme was started in order to boost the agricultural productivity in the country. The HYV (High Yielding Programme) initiated through the Green Revolution was initially launched in selected districts of the country for example Ludhiana in Punjab, Aligarh in Uttar Pradesh and West Godavari in Andhra Pradesh. Later on, it was extended to many more districts in the country. As a result the food grain production which was hovered around 50-60 million tonnes per year sicne 1950-51 started increasing at a faster rate. By the mid-1980s it had touched the level of 170 million tonnes. The main achievement is in the areas of wheat production.

The Fourth Five Year Plan offered priority to the provision of material inputs and other supporting services for augmenting agricultural productivity. It emphasized on enhanced production of fertilizers, pesticides tractors, agricultural implements and tube-wells and pumps for irrigation purposes. Besides, it also emphasises on the agricultural education and research. The Seventh Five Year Planning (1985-90) aimed at a substantial increase in agricultural productivity with a targeted growth rate of 4 percent per annum. The plan initiated following steps for agricultural development.

- Modernization of irrigation systems and improved water management; and
- Acceleration and resilience of growth in raifed dry land agriculture and in crops like paddy, oilseeds and pulses.

The special food-grain production programme (SFPP) was launched for raising productivity in low yield areas. The earlier Integrated Programme for Rice Development (IPRD) launched during Sixth Five Year Plan merged with the SFPP. This scheme covered other principal crops such as Maize, Jawar, Bajra and Ragi along with rice. These programmes laid emphasis on spread of improved technology, efficient delivery of inputs such as seeds, fertilizers, pesticides and improved agricultural equipments. Lauding the achievement of Indian agriculture the Economic Survey 2000-01 observed that "technology led development in agriculture has made India self-sufficient in food grains and a leading producer of several agricultural commodities in the world. The green revolution in crops, yellow revolution in oilseeds, white revolution in milk production, blue revolution

in fish production and golden revolution in horticulture bear ample testimony to the contribution of agricultural research and development efforts undertaken in the country."

2.4.2 Industry

It is realized that development of agriculture is not sufficient to ensure a sustainable higher standard of living to the people. Therefore the industrialization is a strategic move to supplement the agriculture. Industrialization subject to an absolute and relative growth in the importance of factories, mills mines, power plants and railways and so on of manufacturing and closely related activities especially activities involved in the building and operation of a modern economic infrastructure.

Industry occupies a pivotal place in the post-independence economic development of India. In the constitution of independent India the subject 'industries' appears as entry number 24 in List II (State list) of the Seventh Schedule of the constitution of India. Besides, the three Acts formulated during the pre-liberalization period provided boost to industrialization in India. The industrial (Development and Regulation) Act 1951 is a step towards systematic industrialization in the country. The two important objectives of the Act are: (i) to endure the establishment of new industrial capacities according to national priorities; and (ii) to regulate generally the location of industrial enterprises so as to secure balance regional development. Further the industrial licensing system, owing its legal authority to the Act, is the main instrument to direct investments into desired channels of industrial activity. Secondly, another Act called Monopolies and Restrictive Trade Practices (MRTP) Act. 1969 is enacted for regulating the industrial activities in India. Besides, the Foreign Exchange Regulation Act (FERA) was enacted by the Government of India in 1973 to deal with the foreign exchange law violators.

The Government of India formulated various industrial policies and passed resolutions to deal with the various industrial development issues such as

i) Foreign participation in industrial initiatives.

ii) Determination of role of public and private sector in industrial development.

iii) Consumer goods vis-à-vis capital goods industries.

iv) Large vis-à-vis small scale industries

v) Location of industries: economic versus social criteria

vi) Entrepreneurships issues

vii) Licensing policy.

viii) Regional balance in industrial development.

Some of the policy initiative taken during post independence and pre-liberalization period are:

i) Industrial Policy Resolution 1948

ii) Industrial Policy Resolution 1956

iii) Industrial Policy Statements 1973, 1977 and 1980

iv) New Economic Policy and Industrial Liberalization, 1985

The Second Five Year Plan laid adequate stress on industry sector. A number of industries like Cement, Sugar, Diesel, Engines, Machine Tools, Iron, Steel, Aluminium, Automobiles, Paper and Paper Boards, Sulphuric Acid registered with a significant rise in production level during 1959 and 1960. However, during the plan period the performance of small and cottage industries was poor. Although the Third Five Year Plan placed emphasis on agriculture, yet the private sector enterprises a recorded and remarkable increase in the field of aluminium, tractors, machine tools, ball and roller bearings, steel castings and forgings, cement and a number of other items. In the public sector, the small and cottage industries such as leather products, machine tools hard tools, khadi etc., got a boost in their production. The Fourth Five Year Plan gave priority to the industries manufacturing industrial inputs for agriculture such as fertilizers, pesticides, farm equipments etc. The plan document envisaged that the development of village and small industries will continue to be undertaken as an integral part of the industrial development of the country with a view to achieve the goal of self reliance., The Fifth Five Year Plan emphasised that the programmes of industrial development is planned and implemented in such a way so as to realize the turn objectives of self reliance and social justice by accelerating rapid growth of the core sector by expanding the production of essential consumer goods and by restricting the production of luxurious goods. During the Sixth Five Year Plan also the industrial growth rate was unstable and one of the major problems for the basic industries during the Plan period was shortage of power. The liberalization measures undertaken during the Seventh Five Year Plan promoted industrial development. Besides, the significant growth in industrial production during the Seventh Plan period attributed to a number of other factors, the most important among them is the performance of the infrastructure viz. Power, coal etc.

2.4.3 SOCIAL AND HUMAN DEVEL0PMENT

The two key sectors of social development are education and health. Both these sectors play an important role in the human resources development of human resources is both a means and an end to development. It is well said that education and improved health case are desirable in themselves. TW Schultz one of the eminent economists said that investment in human resource development is more important to bring about the accelerated economic growth with social justice than mere investing in physical capital.

The First Five Year Plan intended that the educational planner has to strike a balance between primary education secondary and higher education, general and vocational studies, humanities sciences and technologies and between institutional training and in service training. The Education Policy drafted in 1968 emphasized on following aspects (a) relating educational system more closely to the life of the people (b) a continuous effort to expand educational opportunities (c) a sustained effort to raise the quality of education at all stages (d) an emphasis on the development of science and technology and cultivation of moral and social values.

The post independence period saw the massive quantitative expansion of educational institutions at all levels with the support of the government.

Table I: School and College Education During Post Independence and Pre-Liberalization Period

Institutions	1950-51	1960-61	1970-71	1980-81	1990-91
Primary	210.10	290.40	385.80	494.50	560.90
Middle	35.40	65.90	90.60	118.60	151.50
Higher Secondary	16.20	24.70	37.10	51.60	79.80
Higher Education (College)	426	1438	2285	3421	4862
Professional College	74	645	992	1317	886*
Universities	27	49	82	110	184*

- Medical, Engineering and Teacher Training Colleges only.
- Including deemed Universities and Institutions of national importance

Table-II Expenditure on Education during Post-Independence and Post-Liberalization Period

Five Year Plan	Elementary	Secondary	Higher	Total Expenditure in Lakh
1st	85 (5600)	20 (13)	14 (9)	15,300
2nd	95 (35)	51 (19)	48 (10)	27,300
3rd	201 (34)	103 (18)	87 (15)	58,900
4th	239 (30)	140 (18)	195 (25)	78,600
5th	317 (35)	156 (17)	205 (22)	91,200
6th	803 (30)	736 (25)	530 (18)	204,300
7th	2849 (34)	1829 (22)	1201 (14)	850,000

Note: Figures in paranthesis indicate percentage of total allocation

Source: Tenth Five Year Plan, 2002-07, Vol.II, Planning Commission, New Delhi

Table III: Literacy Rate during Post Independence and Pre-Liberalization Period

Year	Persons	Male	Female	Male-Female Gap in Literacy Rate
1951	18.33	27.16	8.66	18.30
1961	28.30	40.40	15.35	25.05
1971	34.45	45.96	21.97	23.98
1981	43.57	56.38	29.76	26.62
1991	52.21	64.31	39.29	24.84

Source: Tenth Five Year Plan, 2002-07, Vol.II, Planning Commission, New Delhi

The physical expansion of educational institutes as well as enhanced expenditure on education enabled the nation to raise its literacy from a meagre 18.33 per cent in 1951 to 52.21 per cent in 1991. Accordingly there was also rise in percentage of education in the secondary and higher education also. However, the progress as croupade to the investment was not satisfactory. Except a few southern states the literacy rate was poor in eastern part of the country. Besides, the literacy rate among the Scheduled Castes, Scheduled Tribes and even girl child across the community was not encouraging. The National Policy on Education (NPE), 1986 and its programme of Action (POD) as reviewed in 1992, therefore envisaged improvement and expansion of education in all sectors, elimination of disparities in access, a stress on improvement in quality and relevance of education at all levels, along with technical and professional educations.

Like education health is one of the major components of major development. Good health is a necessary condition for economic development. Improved health contributes to higher economic growth by reducing predication losses because of morbidity. So there is a significant relationship between health and development. The Alma Ata Declaration in 1977 upholds that primary health care is the key to attain Health for All. India being a signatory to the Declaration also adopted primary health care as the main instrument for achieving the goal of Health for All. The government of India took initiative for enhancement of health care infrastructure in the country which has resulted in establishment of health sub-centers, primary health centres, community health centres and district hospitals.

Table IV Trend of health Care Institutions

Categories	1951	1981	2000
SC/PHC/CHC	725	57363	163181
Dispensaries and Hospitals	9209	23555	43322
Nursing Personnel	18054	143887	737000
Doctors (Modern)	61800	268700	503000

Source: Government of India, Economic Survey, 2002-03, P.230

The figure given in Table IV shows that the number of primary health care delivery institutions in creased significantly from a meager 725 to 57363 and similarly also the number of medical and paramedical professional. This has resulted in the reduction of birth and death rates.

Table V: Trends in Health Indicates (1951-1991)

Categories	1951	1981	1991
Crude Birth Rate (CBR)	40.8	33.9	29.5
Crude Death Rate	25.1	12.5	9.8
Total Fertility Rate	6.0	4.5	3.6
Infant Mentality Rate	146	110	80
Child(0-4) Mentality Rate	57.3	41.2	26.5
Life Expectancy Rate(%)			
Male	37.2	54.1	59.7
Female	36.2	54.7	60.9

Source: Government of India, Economic Survey, 2002-03, P.230

The CBR has reduced from 40.8 at 1951 to 29.5 in 1991. The death rate has gone down from 25.1 during 1951 to 9.8 during 1991. Similarly, the life expectancy for both male and female has gone up from 37.2 and 36.2 in 1951 to 59.7 and 60.9 respectively in 1991. Since independence, the government has taken a large number of measures to control the communicable diseases like small pox, malaria, tuberculosis, leprosy, filarial, blindness etc. increased access to the quality health care services has been one of the thrust areas of the social development programmes being undertaken in the country.

2.4.4 Infra Structure Development

Existence of adequate, and constitutes the care of development strategies and efforts. Customarily, infrastructure is defined as the physical frameworks of facilities through which goods and services are provided to the public relationship to the development are multiple and complex, because it directly influences production and consumption in a country. The most important infrastructure are: (i) electric power (ii) transport; and (iii) communication.

Electric Power

Power is the prime movers of economic development. The Government of India, since Independence has assigned utmost priority to power generation in the country. Up to independence 1947 the supply of electricity was mainly confined to the urban areas generally for lighting purpose. The government assigned emphasis on the generation of electricity through various sources such as coal, oil, gas and hydroelectric. However, during the pre-liberalization period coal-based thermal power plants were the main source. However the adequate generation of power has helped in the industrial and agricultural development of the country.

Transport

Transport system holds crucial to development process. Generally it refers to various means which carry men and material from one place to another. The four important means of transport are (a) road; (b) railways; (c) civil aviation and ports. The government of India has laid emphasis on road transport by constructive National Highways. Second to road transport is railways. The Indian railways have played an integrating role in the socio-economic development of the country. In 1901 the British constituted the Railways Board. After independence in 1951, the government formed six zones. In 1985 the steam locomotives were phased out and the computerization of railway reservation started in 1987. There initiatives triggered up not only modernization of railways but also enhanced the contribution of railways to development process in the country. The third transport system is civil aviation which provides three categories of services viz. operational, infrastructure and regulatory cum developmental. The history of civil aviation in India shows that the first commercial flights started in 1911. After independence the government of India set up Air India International in 1948 and the first route journey was Bombay-London air route. The Nationalization of Indian Airline was done in 1953. This sector has substantial contribution towards the development of country's trade and tourism.

Communication

During the pre-liberalization period, the two important communication systems was (i) postal communication and (ii) telecommunication. The postal system was established by Lord Clive in 1766. At the time of independence there were

23344 post offices throughout the country. Of these 19184 post offices were in the rural areas and 4160 in the urban areas. Today India has the largest postal network in the world with more than 1.55 lakhs of post offices. The Indian postal system currently provides 38 services could be categorized as:

Communication: letters, postcards, newspapers

Transportation: parcels, money orders, etc.

Other services: postal life insurance.

Besides, postal communication, the telecommunication network in the longest in Asia and 12th largest in the world. The telecommunication infrastructure was established in India in 1856. During the tine of independence India had 321 telephone exchanges with a capacity of 100000 lines and 86000 working completion. This grew significantly by the year 1991. The liberalization period is considered as period of information revolution. The India launched its first telecommunication satellite in 1962. The advent of computer in to the communication system was utterly limited. In 1947 first microware was setup and in 1952 the first data base was implemented on RCA'S Bizmac computer. In 1985 department of telecommunication (DOT) was established. In 1986 DOT was concerted into two wholly government owned companies: the Videsh Sanchar Nigam Limited (VSNL) for international telecommunications as been playing an important role in the development as commutation is a vital component of development process.

In this session you studied about performance of various sectors during pre-liberalization period and now answer the questions given in the Check Your Progress-3.

Check Your Progress 3

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What are the initiatives taken in the agriculture sector during the pre-liberalization period.

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2) What are the social sector development initiatives taken during the pre-liberalization period ?

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LET US SUM UP

In this unit has extensively discussed two aspects that are thrust areas of economic planning and the development initiatives undertaken by the government during different plans period particularly pre-liberalization period which covers First Five Year Plan to Seventh Five Year Plan. The various sectors covered in this unit are agriculture, industry, social sector development and infrastructure development.

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CHECK YOUR PROGRESS - POSSIBLE ANSWER

Check your Prorgress 1

1) Narrate two key thrust areas of Indian planning.

Answer: The two important thrust areas of plan were alleviation of poverty and promotion of growth rate. Alleviation of poverty was a great challenge before the nation after Independence. The first Five Year Plan emphasized in agriculture to enhance food grain productivity and also employment opportunity in the primary sector. The Fifth Five Year Plan especially laid emphasized on poverty alleviation or *"Garibi Hatao"*. One of the prime objectives of economic planning is to accelerate the growth rate. In order to promote growth rate emphasis was laid on development of agriculture, industry, small scale and cottage industry and infrastructure development during different Plan period.

2) Why do we need balanced regional development?

Uneven Development during British Regime had led to unbalanced development. Some regions are found more advanced compared to the other region. On account of these regional disparities, the planners have accepted the urgency of balanced regional development ever since the advent of the planning process on India.

Check your Prorgress 2

1) What are the thrust areas of First Five Year Plan?

At the time of launching First Five Year Plan, the country was facing formidable challenge of food security. Obviously, the plan gave topmost priority to agriculture and community development. Some of the development initiatives undertaken during the First Five Year Plan period are as follows:-

- land reforms measures
- setting up agriculture extension services
- revitalization of cooperative movement
- provision of irrigation and facilities

2) Why there was a need for annual plan?

Answer: The planning process was disrupted during 1966 to 1969 because of certain unavoidable circumstances such as hostilities with Pakistan, drought condition, devaluation of rupee and inflationary pressure. Therefore, instead of the Fourth Five Year Plan, three annual plans such as 1966-67, 1967-68 and 1968-69 were prepared. This is otherwise known as 'Plan Holiday' which essentially means that no long term financial commitment can be made by the Government for more than one year.

Check Your Prorgress 3

1) What are the initiatives taken in the agriculture sector during the pre-liberalization period.

The First Five Year Plan gave a pride of place to agriculture development. During the First Five Year Plan period following initiative were taken for the development of agriculture (i) extending irrigation facilities; (ii) increase the supply of agricultural inputs like fertilizers, insecticides, improved seeds etc., (iii) introduction of land reforms, community development and extension programmes. In the mid-1960s the Green Revolution programme was started in order to boost the agricultural productivity in the country. As a result the food grain production which was hovered around 50-60 million tonnes per year sicne 1950-51 started increasing at a faster rate. By the mid-1980s it had touched the level of 170 million tonnes.

2) What are the social sector development initiatives taken during the pre-liberalization period ?

The two key sectors of social development are education and health. The First Five Year Plan intended that the educational planner has to strike a balance between primary education secondary and higher education, general and vocational studies, humanities sciences and technologies and between institutional training and in service training. As far as health is concerned, the government of India took initiative for enhancement of health care infrastructure in the country which has resulted in establishment of health sub-centers, primary health centres, community health centres and district hospitals.

UNIT 3 PLANNING AND DEVELOPMENT INITIATIVES: POST-LIBERALIZATION PERIOD

Structure

3.1 Introduction

3.2 The Reforms Taken Up During 1991

3.3 Various Plans in the Post Reform Period

3.4 Development of Various Sectors in the Post Reform Period

3.5 Let Us Sum Up

3.6 References and Suggested Readings

3.7 Check Your Progress – Possible Answers

3.1 INTRODUCTION

The functioning of the Indian economy during the 1980s was marked by growing macroeconomic imbalances in the form of high fiscal deficit, high levels of current account deficit and increasing levels of external debt, besides a repressive and weakening financial system. Large fiscal and monetary deficit resulted in pressures on money supply which led to inflation. Price rise reached exceptionally high levels in 1991. Thereafter, government took a series of measures to contain price rise. The economic reforms initiated in early 1990s aimed at reorientation of the economy from a control economy to market oriented one. This was done by introducing greater competition in the economy through progressive internal deregulation accompanied by external competition promoted by foreign direct investment and trade liberalization. In this unit, you will read about the various planning and development initiatives of the government and their implications in the post liberalization period.

After reading this unit, you will be able to:

- Explain the various economic reforms taken up during 1990s
- Discuss the various objectives of the five year plans in the post reform period
- Detail the performance of various five year plans in the post reform period
- Discuss the development of different sectors in the post reform period

3.2 THE REFORMS TAKEN UP DURING 1991

1989-91 was a period of political instability in India and hence no five year plan was implemented. Between 1990 and 1992, there were only Annual Plans. In 1991, India faced a crisis in Foreign Exchange (Forex) reserves, left with reserves of only about $1 billion (US). Thus, under pressure, the country took the risk of reforming the socialist economy. P.V. Narasimha Rao) was the twelfth Prime Minister of the Republic of India and head of Congress Party, and led one of the most important administrations in India's modern history overseeing a major economic transformation and several incidents affecting national security. At that

time Dr. Manmohan Singh (currently, Prime Minister of India) launched India's free market reforms that brought the nearly bankrupt nation back from the edge. It was the beginning of privatisation and liberalisation in India.

Economic reforms launched since June 1991 may be categorized under two broad areas:

- major macro-economic management reforms; and
- structural and sector-specific economic reforms

Naturally, the attention of the new government that took office in June 1991 was primarily focused on crisis management dealing with the balance of payments. It was of the utmost importance to restore India's international credibility by meeting its scheduled external debt liabilities and through maintaining a more realistic exchange rate consistent with market obligations. Achieving macro-economic stabilization was also an urgent priority, necessitating control of intolerably high inflation. It was recognized that macro-economic stabilization would provide a sound foundation for medium and long-term structural economic reforms and accelerate the rate of economic growth in a sustained manner. This would be possible by removing distortions created by controls and by improving the competitive edge for Indian goods and services in global markets as well as in the markets of major regional trading blocs.

3.2.1 Reforms Related to Macro Economic Management

Macro-economic management reforms have focused on controlling the politically difficult problems of reducing the fiscal and (even more so) revenue deficits. The capital account deficit does not pose long-term problems as investment in productive capital made in the present, if prudently carried out, will generate an adequate income stream to pay for capital costs incurred and generate positive returns in the future. India's problem is primarily in the area of revenue deficits. From 1950 to 1980 the national budget was usually characterized by revenue surpluses and capital account deficits. However, after 1980, all (democratic) governments for political reasons had willingly allowed the revenue deficit to rise over the years to dangerously high levels, and had found it increasingly difficult to reduce. The revenue deficits reflected an excess of annual consumption expenditure by the government over its annual income. The deficit was caused by excessive employment in the government sectors, uneconomical pricing of goods and services by public sector enterprises, a growing interest burden, mounting subsidies, and rising defense expenditures. Downsizing the government (through the bureaucracy or public sector enterprises and banks) was also difficult and negotiate staff resistance from the organized employees.

1) Attempts at Reducing the Fiscal Deficit

Faced with the necessity of reducing the fiscal deficit in the crisis year of 1991-92, Finance Minister Singh attempted to reduce fertilizer and food subsidies in 1991-92 and to some extent in 1992-93. Simultaneously, he (and several subsequent finance ministers) resorted to the softer options of reducing public investment expenditure and reducing public expenditure on social welfare services from 1991 to 1995. These measures did help reduce the fiscal deficit of the central government to 4.8 percent of GDP at the end of 1992-93. However, further cuts in fertilizer and food subsidies could not be carried out as these measures were opposed in Parliament and proved

suicidal for the ruling Congress Party, which lost power in state elections in 1993-94.

Meanwhile, the fiscal position of the state governments also started deteriorating. The combined fiscal deficit of the central government and the states climbed to the unacceptably high level of 10-11 percent of GDP in 2002-03. Some state governments have begun to address their fiscal deficit problems. The central government has recently started linking further transfers of resources to the states to the progress of state-specific economic reforms aimed at reducing deficits.

The good news for macro-economic management reforms is that the pre-1990 pattern of 'deficit financing' (that is, the printing of currency) to meet the fiscal deficit has now been effectively curbed. The autonomy of the central bank (the Reserve Bank of India) in regulating the money supply to control inflation has been assured within the limits of monetary policy. This has led the government to resort to larger and larger domestic borrowing. The bad news is that government borrowings have risen so high that the economy is moving towards an 'internal debt trap'. Further growth of internal debt needs to be curbed but the government is in no mood to close off this easy way of financing its rising fiscal deficit. The finances of most state governments are in even poorer shape and some have occasionally resorted to market borrowings to meet their payrolls.

2) Tax Reforms

Since 1991 several efforts have been made through the annual budget process to achieve tax reforms. These have focused on: (i) expanding the tax base by including services (not previously taxed); (ii) reducing rates of direct taxes for individuals and corporations; (iii) abolishing most export subsidies, (iv) lowering import duties (covered below by us under structural reforms relating to trade policies/external sector); (v) rationalizing sales tax and reducing the cascading effect of central indirect taxes by introducing a Modified Value Added Tax and a soon-to-be implemented nationwide Value Added Tax; (vi) rationalizing both direct and indirect taxes by removing unnecessary exemptions; (vii) providing for tax incentives for infrastructure and export-oriented sectors, including setting up special (Export) Economic Zones; and (viii) simplification of procedures and efforts for improving the efficiency of the tax administration system especially through computerization.

3) Resource Generation through Divestment

The governments of India, both at the central and state government levels, have initiated divestment programs to sell government equity in several public-sector enterprises. Unfortunately, the sales proceeds have mostly been used to finance fiscal deficits rather than for fresh public investment, social sector spending, or reducing the interest burden on ballooning public debt.

3.2.2 Structural Economic Reforms

Structural reforms since 1991 have been sector-specific. The sectors subjected to reform have been carefully selected and the coverage of sectors under structural reforms has been extended over time. The major structural economic reforms

carried out since 1991 have been primarily in the following areas: Trade Policy/ External Sector; Industrial Policy; Infrastructural Sector Policies; Divestment/ Privatization Policies; the Financial Sector; and in policies for attracting Foreign Direct Investment (FDI). The thrust of the reforms in all areas has been to open India's markets to international competition, remove exchange rate controls, and encourage private investment and participation in industry and, in the finance markets, to liberalise access to foreign capital and to ensure that foreign investment is not penalized merely for being foreign.

1) Reorientation of Planning

Consistent with the spirit of the market-oriented and private sector-led economic reforms launched since 1991, the government has reoriented the role of planning in India. It has been recognized that market forces and the state should be given roles which added to their comparative advantages and that they should work together as partners in the economic development of the nation. While private initiative should be encouraged in most areas of business activities, the state should increasingly play a pro-active role in areas in which the private sector is either unwilling to act or is incapable of regulating itself in the social interest. The areas in which the state has a comparative advantage over the private sector include poverty alleviation programs; human resource development; provision of social services such as primary health and primary education; and similar activities categorized as building human capital and social infrastructure. The state also has a new role in setting up independent regulatory authorities to encourage genuine competition and to oversee the provision of services by the private sector in critical areas such as utilities, water supply, telecommunications, and stock market operations to avoid the ill effects of speculation and to maintain a workable balance between the interests of the producer and the consumers. Economic liberalization in the organized manufacturing sector (subjected to rigid labour laws for retrenchment) has led to growth with very little additional employment. This can create serious social unrest and fertile ground for terrorist and other anti-social activities that attract unemployed youths in the absence of gainful employment. Market-based economic reforms also often lead to increasing disparities between the rich and the poor and between infrastructurally backward and more developed states. The government has to intervene and calibrate the contents and speed of market-based economic reforms to more effectively addresses the specific areas of 'market failures and weaknesses' to optimize growth with social justice.

The new role assigned to planning, consistent with market-based economic liberalization, can perhaps best be illustrated with the goals and the strategies incorporated in India's Tenth Five-Year Plan (2002-07).22 The Plan has targeted an annual growth rate of eight percent. Along with this growth target, the government has laid down targets for human and social development. Timely corrective actions will be proposed to ensure growth which is accompanied by social justice. The key indicators of human and social development targeted under this Plan include: a reduction of the poverty rate by five percentage points by 2007; providing gainful employment to at least those who join the labour force during 2002-07; education for all children in schools by 2003; and an increase in the literacy rate to 75 percent by March 2007.

In this session you read about various reforms undertaken during the plan period and now answer the questions given in the Check Your Progress-1.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What were the main focus areas in the tax reforms since 1991?

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2) What are the steps that have been taken since liberalization to reorient the role of planning in India?

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3.3 VARIOUS PLANS IN THE POST REFORM PERIOD

Now, we will discuss in detail the various objectives of the five year plans during the post liberalization period.

8th Plan (1992-97)

Before the start of the eighth plan, India had a robust and resilient agricultural economy with near self-sufficiency in food production, a diversified industrial and service structure and a large pool of skilled manpower and ample entrepreneurial capabilities. The task before the Eighth Plan was to use these advantages for further growth and lay strong foundations for even higher growth in the future. Just before the formulation of the Eighth Five Year Plan India, there was great political instability in India which hindered the implementation of any five years plan for the following two years after the Seventh Five Year Plan. This period is characterized by extreme FOREX reserve crisis and introduction of liberalization and privatization in Indian economy. The eighth plan was initiated just after a severe balance of payment crisis, which was further intensified by the Gulf war in 1990. Under this plan, the gradual opening of the Indian economy was undertaken to correct the burgeoning deficit and foreign debt. Meanwhile India became a member of the World Trade Organization on 1 January 1995.

Invitation to FDI in Indian industrial sector and to follow free market reforms were the only possible ways to revive the country from foreign debt.

Objectives of the Eighth Five Year Plan India:

The main objectives of the Eighth Five Year Plan India are:

- to prioritize the specific sectors which requires immediate investment
- to generate full scale employment
- to promote social welfare measures like improved healthcare, sanitation, communication and provision for extensive education facilities at all levels
- to check the increasing population growth by creating mass awareness programs
- to encourage growth and diversification of agriculture
- to achieve self-reliance in food and produce surpluses for increase in exports
- to strengthen the infrastructural facilities like energy, power, irrigation
- to increase the technical capacities for developed science and technology
- to modernize Indian economy and build up a competitive efficiency in order to participate in the global developments
- to place greater emphasis on role of private initiative in the development of the industrial sector
- to involve the public sector to focus on only strategic, high-tech and essential infrastructural developments
- to create opportunities for the general people to get involved in various developmental activities by building and strengthening mass institutions

9th Plan (1997-2002)

The main feature of the Ninth Five Year Plan India is that at its onset our nation crossed the fifty years of independence and this called for a whole new set of development measures. There was a fresh need felt for increasing the social and economic developmental measures. The government felt that the full economic potentiality of the country, yet to be explored, should be utilized for an overall growth in the next five years. As a result in the Ninth Five Year Plan India, the emphasis was on human development, increase in the growth rate and adoption of a full scale employment scheme for all. For such development one needs to promote the social sectors of the nation and to give utmost importance to the eradication of poverty. It was observed in the eighth plan that, even though the economy performed well, the gains did not percolate to the weaker sections of the society. The ninth plans therefore laid greater impetus on increasing agricultural and rural incomes and alleviating the conditions of the marginal farmer and landless labourers. The main aim of ninth five year plan was to attain objectives like speedy industrialization, human development, full-scale employment, poverty reduction, and self-reliance on domestic resources.

The main objectives of the Ninth Five Year Plan were:

- to prioritize agricultural sector and emphasize on the rural development
- to generate adequate employment opportunities and promote poverty reduction
- to stabilize the prices in order to accelerate the growth rate of the economy
- to ensure food and nutritional security
- to provide for the basic infrastructural facilities like education for all, safe drinking water, primary health care, transport, energy
- to check the growing population increase
- to encourage social issues like women empowerment, conservation of certain benefits for the Special Groups of the society
- to create a liberal market for increase in private investments

10th Plan (2002-2007)

The tenth plan aimed at making the Indian economy the fastest growing economy in the world, with a growth target of 10%. It wanted to bring in investor friendly market reforms and create a friendly environment for growth. It sought active participation by the private sector and increased FDI's in the financial sector. Emphasis was laid on corporate transparency and improving the infrastructure. It also aimed to reduce poverty ratio by 5 percentage points by 2007and increase in literacy rates to 75 per cent by the end of the plan. Increase in forest and tree cover to 25 per cent by 2007 and all villages to have sustained access to potable drinking water. The main objectives of the Ninth five year plan were:

- Reduction of poverty ratio by 5 percentage points by 2007;
- Providing gainful and high-quality employment at least to the addition to the labour force;
- Increase in literacy rate to 75 per cent by the end of tenth plan;
- Reduction in gender gaps in literacy and wage rates by at least 50% by 2007.

11th Plan (2007-2012)

The eleventh five year plan targets to increase GDP growth to 10%, to reduce educated unemployment to below 5% while it aims to reduce infant mortality rate to 28 and maternal mortality ratio to 1 per 1000 live births, reduce Total Fertility Rate to 2.1 in the health sector.

The plan also targets to ensure electricity connection and clean drinking water to all villages and increase forest and tree cover by 5% and offering opportunities to all for employment in the service of the community. Some of the specific objectives in various areas are as follows:

1) Income & Poverty
    - Accelerate GDP growth from 8% to 10% and then maintain at 10% in the 12th Plan in order to double per capita income by 2016-17
    - Increase agricultural GDP growth rate to 4% per year to ensure a broader spread of benefits

- Create 70 million new work opportunities.
- Reduce educated unemployment to below 5%.
- Raise real wage rate of unskilled workers by 20 percent.
- Reduce the headcount ratio of consumption poverty by 10 percentage points.

2) Education

- Reduce dropout rates of children from elementary school from 52.2% in 2003-04 to 20% by 2011-12
- Develop minimum standards of educational attainment in elementary school, and by regular testing monitor effectiveness of education to ensure quality
- Increase literacy rate for persons of age 7 years or above to 85%
- Lower gender gap in literacy to 10 percentage point
- Increase the percentage of each cohort going to higher education from the present 10% to 15% by the end of the plan

3) Health

- Reduce infant mortality rate to 28 and maternal mortality ratio to 1 per 1000 live births
- Reduce Total Fertility Rate to 2.1
- Provide clean drinking water for all by 2009 and ensure that there are no slip-backs
- Reduce malnutrition among children of age group 0-3 to half its present level
- Reduce anaemia among women and girls by 50% by the end of the plan

4) Women and Children

- Raise the sex ratio for age group 0-6 to 935 by 2011-12 and to 950 by 2016-17
- Ensure that at least 33 percent of the direct and indirect beneficiaries of all government schemes are women and girl children
- Ensure that all children enjoy a safe childhood, without any compulsion to work

5) Infrastructure

- Ensure electricity connection to all villages and BPL households by 2009 and round-the-clock power.
- Ensure all-weather road connection to all habitation with population 1000 and above (500 in hilly and tribal areas) by 2009, and ensure coverage of all significant habitation by 2015
- Connect every village by telephone by November 2007 and provide broadband connectivity to all villages by 2012
- Provide homestead sites to all by 2012 and step up the pace of house construction for rural poor to cover all the poor by 2016-17

6) Environment

- Increase forest and tree cover by 5 percentage points.
- Attain WHO standards of air quality in all major cities by 2011-12.
- Treat all urban waste water by 2011-12 to clean river waters.
- Increase energy efficiency by 20 percentage points by 2016-17.

3.4 DEVELOPMENT OF VARIOUS SECTORS IN THE POST REFORM PERIOD

Agriculture

A common criticism of India's economic reforms is that they have been excessively focused on industrial and trade policy, neglecting agriculture which provides the livelihood of 60 percent of the population. Critics point to the deceleration in agricultural growth in the second half of the 1990s. Modernization of agriculture was required both in terms of technological and institutional changes. There was a loss of dynamism in agriculture and allied sectors after the mid-1990s.

There were several policy initiatives taken up since then to promote agricultural sector. These have included the following: (a) National Agriculture Policy, 2000, (b) Vishesh Krishi Upaj Yojana, 2004, (c) National Horticulture Mission, 2005, (d) National Policy for Farmers, 2007, (e) Comprehensive District Agriculture Plan, 2007, (f) Rashtriya Krishi Vikas Yojana, 2007 and (g) National Food Security Mission, 2007. Reforms in this sector were introduced only towards the end of the 1990s. These reforms included: (a) partial decontrol of fertiliser prices, (b) removal of bottlenecks in agricultural marketing, (c) relaxation of restrictions under the Essential Commodities Act, 1955 and (d) introduction of forward trading in important commercial crops.

The Union Government has also constituted a National Rainfed Area Authority (NRAA) on 03-11-2006 to give focused attention to the problem of the rainfed areas of the country. The Authority is an advisory, policy making and monitoring body charged with the role of examining guidelines in various existing schemes and in the formulation of new schemes including all externally aided projects in this area.

Besides, a scheme of debt waiver for small and marginal farmers and debt relief for other farmers has been announced by the Government in the Union Budget for 2008-09. Against the target of Rs.2, 25,000 crore for agriculture credit flow for 2007-08 the achievement was Rs.2, 43,569 crore.

Agricultural Extension has been strengthened and Agricultural Technology Management Agencies (ATMAs) have been set up in 565 districts by the end of 2007-08.

With the new trade policy initiated in 1991, three major changes were effected in agricultural export and import. Firstly, channelling of trade was abandoned and now, except for a few items, government does not determine the value or nature of imports or exports except for a few items. Secondly, most of the quantitative restrictions on agricultural trade flows have been dismantle and thirdly, tariff rates have been reduced. But while agriculture has benefited from trade policy

changes, it has suffered in other respects, most notably from the decline in public investment in areas critical for agricultural growth, such as irrigation and drainage, soil conservation and water management systems, and rural roads.

Industry

Industrial policy has seen the greatest change, with most central government industrial controls being dismantled. The list of industries reserved solely for the public sector — which used to cover 18 industries, including iron and steel, heavy plant and machinery, telecommunications and telecom equipment, minerals, oil, mining, air transport services and electricity generation and distribution — has been drastically reduced to three: defense aircrafts and warships, atomic energy generation, and railway transport. Industrial licensing by the central government has been almost abolished except for a few hazardous and environmentally sensitive industries. The requirement that investments by large industrial houses needed a separate clearance under the Monopolies and Restrictive Trade Practices Act to discourage the concentration of economic power was abolished and the act itself is to be replaced by a new competition law which will attempt to regulate anticompetitive behavior in other ways.

Since 1991, industrial policy measures and procedural simplifications have been reviewed on an ongoing basis. Presently, there are only six industries which require compulsory licensing. Similarly, there are only three industries reserved for the public sector. Some of important policy measures initiated since 1991 are set out below:

- Since 1991, promotion of foreign direct investment has been an integral part of India's economic policy. The Government has started a liberal and transparent foreign investment regime where most activities are opened to foreign investment on automatic route without any limit on the extent of foreign ownership. FDI up to 100 per cent has also been allowed under automatic route for most manufacturing activities in Special Economic Zones (SEZs).
- Reservation of items of manufacture exclusively in the small scale sector has been an important tenet of industrial policy. Realizing the increased import competition with the removal of quantitative restrictions since April 2001, the Government has adopted a policy of
- dereservation and has pruned the list of items reserved for SSI sector gradually from 821 items as at end March 1999 to 506 items as on April 6, 2005. Further, the Union Budget 2005-06 has proposed to dereserve 108 items which were identified by Ministry of Small Scale Industries.
- Equity participation up to 24 per cent of the total shareholding in small scale units by other industrial undertakings has been allowed. The objective therein has been to enable the small sector to access the capital market and encourage modernization, technological upgradation, ancillarisation, sub-contracting, *etc*.
- Under the framework provided by the Competition Act 2002, the Competition Commission of India was set up in 2003 so as to prevent practices having adverse impact on competition in markets.

- In an effort to mitigate regional imbalances, the Government announced a new North-East Industrial Policy in December 1997 for promoting industrialization in the North-Eastern region. The Policy has provided various concessions to industrial units in the North Eastern Region, *e.g.,* development of industrial infrastructure, subsidies under various schemes, excise and income-tax exemption for a period of 10 years, *etc*.
- As a result of disinvestment process of PSUs, up to December 2004, PSUs have been disinvested to an extent of Rs.478 billion.

Apart from general policy measures, some industry specific measures have also been initiated. For instance, Electricity Act 2003 has been enacted which envisaged to de-license power generation and permit captive power plants. It is also intended to facilitate private sector participation in transmission sector and provide open access to grid sector. Various policy measures have facilitated increased private sector participation in key infrastructure sectors such as, telecommunication, roads and ports. Foreign equity participation up to 100 per cent has been allowed in construction and maintenance of roads and bridges. MRTP provisions have been relaxed to encourage private sector financing by large firms in the highway sector.

Trade

Before the reforms, India had a closed economy and the trade policy was characterized by high tariffs and pervasive import restrictions. Imports of manufactured consumer goods were completely banned. For capital goods, raw materials and intermediates, certain lists of goods were freely importable, but for most items where domestic substitutes were being produced, imports were only possible with import licenses. The criteria for issue of licenses were non transparent, delays were endemic and corruption unavoidable. The economic reforms sought to phase out import licensing and also to reduce import duties. Import licensing was abolished relatively early for capital goods and intermediates which became freely importable in 1993.

Removing quantitative restrictions on imports of capital goods and intermediates was relatively easy, because the number of domestic producers was small and Indian industry welcomed the move as making it more competitive. It was much more difficult in the case of final consumer goods because the number of domestic producers affected was very large (partly because much of the consumer goods industry had been reserved for small scale production). Quantitative restrictions on imports of manufactured consumer goods and agricultural products were finally removed on April 1, 2001, almost exactly ten years after the reforms began.

Motivated by the success of China's special economic zones (SEZs) and the Shannon Free Trade Zone in Ireland, among others, the Government of India introduced SEZs under its Export-Import Policy of 2000.

Foreign Direct Investment

Liberalizing foreign direct investment was another important part of India's reforms, driven by the belief that this would increase the total volume of investment in the economy, improve production technology, and increase access to world markets. The policy now allows 100 percent foreign ownership in a large number of industries and majority ownership in all except banks, insurance companies,

telecommunications and airlines. Procedures for obtaining permission were greatly simplified by listing industries that are eligible for automatic approval up to specified levels of foreign equity (100 percent, 74 percent and 51 percent). In 1993, foreign institutional investors were allowed to purchase shares of listed Indian companies in the stock market, opening a window for portfolio investment in existing companies.

The Policy for FDI allows freedom of location, choice of technology, repatriation of Capital and dividends. As a result of these measures, there has been a strong surge of international interest in the Indian economy. The rate at which foreign direct investment has grown during the post-liberazation period is a clear indication that India is fast emerging as an attractive destination for overseas investors. FDI policy in India has been made considerably more investor-friendly, particularly by virtue of the provisions incorporated under the Foreign Exchange Management Act ("FEMA") regulations, which replaced the infamous Foreign Exchange Regulation Act (FERA). Nodal agencies such as the Foreign Investment Promotion Board (FIPB), and the Foreign Investment Implementation Authority (FIIA) facilitate realization of approved FDI and provide a "proactive", one-stop service to foreign investors by helping them obtain the necessary approvals and acting as a single point interface between the Government and governmental authorities. All these steps are significant improvements over the tightly regulated import-export regime of the 1980s and early 1990s.

Various agencies have been set up at different points of time to promote FDI. They are:

1991 Foreign Investment Promotion Board FIPB

- consider and recommend Foreign Direct Investment (FDI) proposals, which do not come under the automatic route. It is chaired by Secretary Industry (Department of Industrial Policy & Promotion).

1996 Foreign Investment Promotion Council FIPC

- constituted under the chairmanship of Chairman ICICI, to undertake vigorous investment promotion and marketing activities. The Presidents of the three apex business associations such as ASSOCHAM, CII and FICCI are members of the Council.

1999 Foreign Investment Implementation Authority FIIA

- functions for assisting the FDI approval holders in obtaining various approvals and resolving their operational difficulties. FIIA has been interacting periodically with the FDI approval holders and following up their difficulties for resolution with the concerned Administrative Ministries and State Governments.

2004 Investment Commission

- Headed by Ratan Tata, this commission seeks meetings and visits industrial groups and houses in India and large companies abroad in sectors where there was dire need for investment.

Infrastructural Development

Rapid growth in a globalized environment requires a well-functioning

infrastructure including especially electric power, road and rail connectivity, telecommunications, air transport, and efficient ports. India lags behind east and Southeast Asia in these areas. These services were traditionally provided by public sector monopolies but since the investment needed to expand capacity and improve quality which could not be mobilized by the public sector, these sectors were opened to private investment, including foreign investment.

The results in telecommunications have been much better and this is an important factor underlying India's success in information technology. Civil aviation and ports are two other areas where reforms appear to be succeeding, though much remains to be done. Two private sector domestic airlines, which began operations after the reforms, now have more than half the market for domestic air travel.

Financial Sector Reform

Since liberalization, there have been many initiatives taken up to reform the financial sector as well. Banking sector reforms included: (a) measures for liberalization, like dismantling the complex system of interest rate controls, eliminating prior approval of the Reserve Bank of India for large loans, and reducing the statutory requirements to invest in government securities; (b) measures designed to increase financial soundness, like introducing capital adequacy requirements and other prudential norms for banks and strengthening banking supervision; (c) measures for increasing competition like more liberal licensing of private banks and freer expansion by foreign banks.

Reforms in the stock market were accelerated by a stock market scam in 1992 that revealed serious weaknesses in the regulatory mechanism. Reforms implemented include establishment of a statutory regulator; promulgation of rules and regulations governing various types of participants in the capital market and also activities like insider trading and takeover bids; introduction of electronic trading to improve transparency in establishing prices; and dematerialization of shares to eliminate the need for physical movement and storage of paper securities.

Another important reform is the withdrawal of the special privileges enjoyed by the Unit Trust of India, a public sector mutual fund which was the dominant mutual fund investment vehicle when the reforms began.

The insurance sector (including pension schemes), was a public sector monopoly at the start of the reforms. The need to open the sector to private insurance companies was recommended by an expert committee (the Malhotra Committee) in 1994, but there was strong political resistance. It was only in 2000 that the law was finally amended to allow private sector insurance companies, with foreign equity allowed up to 26 percent, to enter the field.

Privatization

The public sector accounts for about 35 percent of industrial value added in India, but although privatization has been a prominent component of economic reforms in many countries, India has been hesitant on the subject until very recently. Initially, the government adopted a limited approach of selling a minority stake in public sector enterprises while retaining management control with the government, a policy described as "disinvestment" to distinguish it from privatization. The principal motivation was to mobilize revenue for the budget, though there was some expectation that private shareholders would increase the commercial

orientation of public sector enterprises. This policy had very limited success.

In 1998, the government announced its willingness to reduce its shareholding to 26 percent and to transfer management control to private stakeholders purchasing a substantial stake in all central public sector enterprises except in strategic areas. The first such privatization occurred in 1999, when 74 percent of the equity of Modern Foods India Ltd. (a public sector bread-making company with 2000 employees), was sold with full management control to Hindustan Lever, an Indian subsidiary of the Anglo-Dutch multinational Unilever. This was followed by several similar sales with transfer of management.

The new industrial policy did away with much of the industrial licensing and many entry restrictions on investment and expansion. It also ended public sector monopoly in many sectors, and initiated a policy of automatic approval for FDI of up to 51 per cent. The 1991 policy statement also limited public sector monopoly to six sectors selected on security and strategic grounds.

ICT

A spate of reforms-post-1991 economic crisis-have given impetus to the Indian economy, particularly to the ICT sector. As part of the reform agenda, the Indian Government has taken major steps to promote ICT including the creation in 1988 of a World Market Policy, with a focus on software development for export; telecommunications policy reform; privatization of the national long-distance and mobile phone markets; and development of a more comprehensive approach to ICT. Although India's success is commanding increasing attention and investment, it has yet to result in the distribution of social and economic benefits across a broader base of the population. Challenges-including the perception of an unfavorable regulatory climate, an overloaded judicial system, poor infrastructure and costly access, and limited use of ICT-remain. The emerging shift in government strategy, toward knowledge-intensive services, has created a climate more conducive to addressing enterprise, domestic infrastructure, education and the use of ICT to meet development needs.

India's focus on self-reliant industrialization in the 1970s and 1980s has been replaced with reforms aimed at positioning India in the world economy: the foreign direct investment process has been streamlined, new sectors have been opened up to foreign direct investment and ownership, and the government has exempted the ICT industry from corporate income tax for five years. These reforms have helped India to become increasingly integrated into the global economy through growth in the export of software and skill-intensive software services, such as call-centers.

In 1986, the Indian government announced a new software policy designed to serve as a catalyst for the software industry. This was followed in 1988 with the World Market Policy and the establishment of the Software Technology Parks of India (STP) scheme. As a result, the Indian software industry grew from a mere US$150 million in 1991-1992 to a staggering US$5.7 billion (including over US$4 billion worth of software exports) in 1999-2000-representing an annual growth rate of over 50 percent.

The establishment of the Telecommunications Regulatory Authority of India (TRAI) was a key step towards effective implementation of telecommunications

reforms. In 1992, the mobile phone market was opened up to private operators, in 1994 the fixed services market followed, and finally in 1999, national long distance operations were opened to private competition. Prior to these reforms, the Department of Telecommunications had been the sole provider of telecommunications services.

Access to telephones in Indian villages has improved in the last five to six years through the introduction of the Public Call Office (PCO) run by local shopkeepers. More than 60 percent of the villages in India have at least one phone. This also includes over 800,000 Village Public Telephones (VPTs). In some urban locations, India's Software Technology Parks (STPs) provide infrastructure, buildings, electricity, telecommunications facilities and high-speed satellite links to facilitate export processing of software.

India also has a number of progressive computerized networks in place, including a stock exchange, the Indian Railways Passenger Reservation System, and the National Informatics Centre Network (NICNET), which connects government agencies at the central, state and district levels

Social Sector and rural Development

The social indicators of India were much behind that of the other Southeast Asian countries during the start of the reforms. The gap in social development needed to be closed, not only to improve the welfare of the poor and increase their income earning capacity, but also to create the preconditions for rapid economic growth. Central government expenditure on towards social services and rural development increased from 7.6 percent of total expenditure in 1990-91 to 10.2 percent in 2000-01. As a percentage of GDP, these expenditures show a dip in the first two years of the reforms, when fiscal stabilization compulsions were dominant, but there is a modest increase thereafter. While the challenges in this area are enormous, it is worth noting that social sector indicators have continued to improve during the reforms. The literacy rate increased from 52 percent in 1991 to 65 percent in 2001, a faster increase in the 1990s than in the previous decade, and the increase has been particularly high in the some of the low literacy states such as Bihar, Madhya Pradesh, Uttar Pradesh and Rajasthan.

One of the most significant trends emerging in the wake of liberalization is the new vigour of the entry of corporate hospitals and multinationals in the health care scenario. The reason for this new tempo is the potential that India offers to NRIs and multinationals.

Between August 1991 and August 1997, the Foreign Investment Promotion Board (FIPB) approved foreign direct investment (FDI) proposals worth US$100 million in the Indian health care sector. Besides health insurance, the high-tech, medical, electronic equipment industry has been the other area to attract investment by multinationals following liberalization.

Similarly, for rural development, various schemes/programmes have been launched for rural development including the following: (a) Indira Awaas Yojana, 1986, (b) Rural Infrastructure Development Fund, 1996, (c) Swarnjayanti Gram Swarozgar Yojana, 1999, (d) Total Sanitation Campaign, 1999, (e) Pradhan Mantri Gram Sadak Yojana, 2000, (f)National Nutrition Mission, 2001, (g) National Rural Employment Guarantee Act,2005, (h) National Rural Health Mission, 2005,

(i) Rajiv Gandhi Grameen Vidyutikaran Yojana, 2005, (j) Bharat Nirman, 2005 and (k) Prime Minister Employment Generation Programme, 2008.

In this session you read about various five year plans undertaken during post-reform period and the performance of various sectors and now answer the questions given in the Check Your Progress-2.

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What was the state of Indian economy before the start of the eighth five year plan?

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3.5 LET US SUM UP

The economic reforms initiated in early 1990s aimed at reorientation of the economy from a control economy to market oriented one. In this unit we read about the various economic reforms that were taken up in India as a process of liberalization. This unit also discusses about the various five year plans and their performances during the post-liberalization period. We also get an insight into the performances of various sectors during the post liberalization period.

3.6 REFERENCES AND SUGGESTED READINGS

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3.7 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress-1

1) What were the main focus areas in the tax reforms since 1991?

Answer: The tax reforms have focused on: (i) expanding the tax base by including services; (ii) reducing rates of direct taxes for individuals and corporations; (iii) abolishing most export subsidies, (iv) lowering import duties; (v) rationalizing sales tax and reducing the cascading effect of central indirect taxes by introducing a MVAT; (vi) rationalizing both direct and indirect taxes by removing unnecessary exemptions; (vii) providing for tax incentives for infrastructure and export-oriented sectors; and (viii) simplification of procedures and efforts for improving the efficiency of the tax administration system especially through computerization.

2) What are the steps that have been taken since liberalization to reorient the role of planning in India?

Answer: It has been recognized that market forces and the state should be given roles that play to their comparative advantages and that they should work together as partners in the economic development of the nation. While private initiative should be encouraged in most areas of business activities, the state should increasingly play a pro-active role in areas in which the private sector is either unwilling to act or is incapable of regulating itself in the social interest. The state also has a new role in setting up independent regulatory authorities to encourage genuine competition and to oversee the provision of services by the private sector.

Check Your Progress-2

1) What was the state of Indian economy before the start of the eighth five year plan?

Answer: Before the start of the eighth plan, India had a robust and resilient agricultural economy with near self-sufficiency in food production, a diversified industrial and service structure and a large pool of skilled manpower and ample entrepreneurial capabilities. However, just before the formulation of the Eighth Five Year Plan India, there was great political instability in India which hindered the implementation of any five years plan for the following two years after the Seventh Five Year Plan. This period is characterized by extreme FOREX reserve crisis and introduction of liberalization and privatization in Indian economy.

UNIT 4 GLOBALIZATION AND DEVELOPMENT IN INDIA

Structure

4.1 Introduction

4.2 Globalization – Meaning and Perspectives

4.3 Dimensions of Globalization

- 4.3.1 Globalization of Financial Markets
- 4.3.2 Globalization of Goods and Services
- 4.3.3 Globalization of Production

4.4 The Incompleteness and Imperfections in Globalization

4.5 Globalization and the Role of the State in the Economy

4.6 Unevenness in Development and Globalization

4.7 Globalization and Development: The International Experience

4.8 Globalization and Indian Development

- 4.8.1 Export and Import
- 4.8.2 Growth and its Composition
- 4.8.3 Employment
- 4.8.4 Poverty and Inequality
- 4.8.5 Growth of Private Corporate Sector
- 4.8.6 Growing Rural-Urban Divide
- 4.8.7 Public Expenditure Stagnation
- 4.8.8 The Indian Experience with Globalization: Growth and Development

4.9 Let Us Sum Up

4.10 References and Suggested Readings

4.11 Check Your Progress – Possible Answers

4.1 INTRODUCTION

Globalization is one of the defining features of the contemporary world, shaping in a major way the economic trajectories of all nations. Many of these nations including India are at the same time confronted with a massive challenge of development and improvement of the general standards of living of their people. How does the globalization process enable or constrain the meeting of this challenge is therefore one of the very important questions of our time.

After reading this unit you will be able to:

- Understand what is meant by the term economic globalization.
- Develop a sense of its impact on the world and specifically on developing countries.
- Become familiar with some of the key issues arising out of the Indian experience with Globalization.

4.2 GLOBALIZATION – MEANING AND PERSPECTIVES

Globalization, or more precisely economic globalization, is an expression used both to describe a process as well as any phase of the world economy characterized by that process. Broadly speaking in the former sense Globalization is usually used to depict a process of increased integration between the economies of different countries that make up the world. This integration is said to involve the increasing movement of products, capital and labour, and of technology, across the political borders of countries. The extensive development of such integration is seen to be a characteristic feature of world history since the mid-1970s. The period since 1973 is therefore considered the age of Globalization. While this is the most common view, some consider the entire post-World War II period to be included under Globalization. It has also however been argued that contemporary Globalization is the second coming of that process, and the half-century or more preceding the outbreak of the First World War (1914) was also characterized by an increased economic integration in the world. In this unit however we shall refer to the process unfolding in the world since the 1970s, and particularly from the early 1990s, as Globalization.

The facilitating factor of the globalization process has been the increasing openness of the economies of the world to cross-border flows, meaning the replacement of controls and regulation by governments of such flows by their *liberalization*. The degrees to which goods and services produced in any country are allowed to be sold in another depend on the extent to which these are permitted by the governments of the two concerned countries. Similarly the extents to which nationals of either country are allowed to move the capital owned by them to the other or to work in them depend on what is permitted by their respective governments. Based on economic, political and other considerations, States can and do restrict or permit such cross-border economic interaction. The greater is the extent of restriction the more closed an economy would be. Correspondingly it becomes a more open economy the freer is cross-border economic interaction from government control and regulation.

Completely closed and completely open economies are at two extremes and in reality it is impossible to find instances of either of them. Cross border flows of products, capital, labour, and technology, do not necessarily require complete openness of the economies between whom such flows occur. International transactions of these kinds took place even before the advent of the era of Globalization. The scales of these transactions also depend on a host of other factors and not merely on the degree of openness of the participating economies. Thus for instance, under the impact of the current global crisis, world trade has contracted in the last year without any change in the degree of openness of economies. On the other hand, the high growth of the world economy in the post-Second World War period generated an expansion of the volume of world merchandise trade at a faster rate than has been the case subsequently under globalization and more open economies. Between 1950 and 1973, the rate of growth of world trade was 8.2 per cent per annum while from 1974 to 2007 it was 5 per cent per annum.

From the viewpoint of any individual country, the degree of its closeness or openness is not without significance. Changes in this degree are accompanied by

qualitative changes in the nature of mutual interaction between that economy and the rest of the world. When economies are relatively more closed, they tend to have more of an autonomous dynamic of their own. In such circumstances many of the more important rocesses related to the movement of any country's economy over time are national in nature – taking place within the boundaries of that country. As the economy however becomes more open, the influence of external factors in shaping its course tends to increase and its autonomy tends to decline.

Increasing integration of the world's economies however means more than simply the increasing influence of external factors on all economies. When a single country unilaterally becomes more open, it changes its situation significantly but that change does not have an equally significant impact on the *global* context confronting individual countries. But when all or most countries simultaneously become more open, they also through that transform this global context. If increasing openness is generalized, that is all or most countries lower barriers to cross-border flows, then the different national economies that constitute the world economy become bound more closely together as the field for processes that take place at the *international* plane - that is, the world economy *as a whole* is their arena. This kind of integration is the distinctive feature associated with globalization which therefore represents more than the mere existence of international economic transactions on a large scale. Apart from the increasing openness of the world's economies, improvements in transport and communication technology are usually highlighted as important facilitators of this integration.

4.3 DIMENSIONS OF GLOBALIZATION

Globalization is an adjective attached to many things and encompasses more than mere economic globalization. Even however the increasing economic integration of the world's economies under Globalization has many layers and dimensions to it. In each of these powerful subsets of economic actors whose activities have a global reach, transnational or multinational firms play a central role. Three such important 'globalizations' can be said to be contained within contemporary globalization.

4.3.1 Globalization of Financial Markets

The first is the *globalization of financial markets*, which has become more marked since the early 1990s and is considered by many to be *the* distinctive feature of contemporary globalization. The capital flows taking place in the world are of two kinds which are distinguished by their purpose and economic significance. One kind of capital is portfolio capital which seeks profit through investments in financial assets. Financial assets – like loans, equity shares of companies, or government bonds - represent claims on the entities that use them for the purposes of raising funds. Such assets can be acquired from the issuing entity at the time they are issued (primary) or in many cases also through purchase from an existing holder (secondary), both of which involve transactions in financial markets. Profits from holding financial assets can take either the form of receiving from their issuers payments (like interest, dividend) against the temporary transfer of funds, or by their sale at a higher price than that at which they are acquired (capital gains). The era of globalization has been associated with extremely large volumes of portfolio capital, running into billions of dollars, moving freely across the world in search of profitable investments in the financial markets of different

countries. The conduits for this movement are financial firms – banks and other institutions, with a global reach. Capital account and financial sector liberalization have created the conditions for this globalization which involves primarily the cross-border movement of speculative short-term capital seeking quick and large profits. Increasingly, portfolio investments have taken the forms of holding marketable financial assets which can be quickly bought and sold, thereby enabling such capital to enter and exit from countries very quickly. They are therefore referred to as 'hot money' and their flows are characterized by a high degree of volatility.

Portfolio capital flows are distinct from the other component of international capital flows, namely foreign direct investment (FDI), and are also are not strongly linked to the latter. FDI essentially involves investment in real assets where profits are earned by producing goods and services for sale. Its conduits are non-financial transnational or multinational firms. FDI may take the form of companies located in some country holding equity shares in their affiliates in other countries. The purpose of such holding however is to control and manage the real assets of that affiliate and not to profit from the sale of these shares at a higher price. FDI is therefore typically guided by long-term considerations and therefore does not move in and out of countries as rapidly as portfolio capital. There is however one kind of capital which shares the features of both portfolio capital and FDI, and is generally included in the latter. This is private equity capital where investments are associated with the exercise of control over the real assets of companies but with the relatively short-term objective of increasing the value of their shares before they are sold. Under globalization, the volumes of cross border portfolio capital flows have been considerably greater than FDI flows. In addition, an increasingly larger part of FDI flows consist of private equity flows which are more akin to speculative flows than regular FDI flows.

4.3.2 Globalization of Goods and Services

The second component of Globalization is the *globalization of markets* for goods and services - the tendency of moving in the direction of a single worldwide market supplied by a common set of firms. Transnational firms of course play a leading role in this, but trade and FDI play different roles in different categories of products. In the case of products that cannot be traded across countries (non-tradables) which include a large segment of services, FDI drives the process of market integration. Through such FDI, transnational firms have spread themselves across the world as sellers of products. Thus Vodafone is a provider of telecom services in Europe as well as in India. However, in case of tradables the location of production and sale of a product can be different, and the lowering of trade barriers only makes this more possible. Sony can therefore sell televisions in the Indian market which are produced by its plants say in China. Cross-border trade flows thus have a much greater role to play in the market integration process of tradables, in which are included most manufactured products. The FDI associated with this integration is somewhat different from that of non-tradables, and primarily takes place in the quest for the lowest-cost locations of production. A US transnational firm may therefore invest in building plants in China because it finds that relocating from the US to China would lower the cost of the products it can sell in the US itself, and also because it can use the same facility to competitively cater to the Chinese and Indian markets.

4.3.3 Globalization of Production

Complementing and overlapping with the globalization of markets is the third important dimension of globalization, the *globalization of production*. The entire process through which any product is produced is divisible into a number of stages or parts which are or can be physically separated. These may be vertically or horizontally linked to each other. The production of its engine and the assembly of a car are vertically linked to each other, the former having to necessarily precede the latter. The cleaning of the factory where these activities are being undertaken is not similarly vertically linked, but nevertheless is an essential but separable activity. Many of these different stages or parts may be undertaken within one firm – thus for instance an automobile company could produce its own engines and also have its own cleaners. Others may be undertaken by other firms thereby involving transactions between firms. Thus the automobile company may purchase the glass used in its automobiles from another firm and it could also hire a cleaning firm to clean the factory. Such transactions between firms may be of an arm's length variety – where the purchasing and selling firms have no stable relationship with each other and do not coordinate their activities. Such arms length transactions are possible in cases where the products being purchased are of some standard readily available kind of which there are many buyers. Thus, the automobile company may simply purchase the bulbs used in its factory from the market without having to coordinate matters with the bulb-producing firms. But when it needs engines made to its particular specifications, it cannot hope to similarly purchase them from the market – either it has to produce them itself or has to contract some other specific firm (s) to supply these in the requisite quantity. In the latter case, no supply will be forthcoming without prior coordination between the transacting firms. Around the automobile firm of our example therefore can emerge a coordinated network of activities and firms involved in one or the other way in the production of automobiles. The automobile firm may not be producing everything, but its position is nevertheless crucial in the entire process of coordination so that it stands at the apex of the network. The globalization of production refers to the emergence of such networks straddling a number of different countries.

Globalization of production can involve the spread of different activities undertaken within the same firm amongst different countries, giving rise to cross-border but *intra-firm* transactions. A television company therefore could produce picture tubes in one country, other components in another, cabinets in a third, and assemble the final product in a fourth country. Alternatively, it could procure the production of tubes, components, and cabinets from firms producing in three different countries, and assemble the final product in the fourth. These would result in *inter-firm* cross-border transactions. In either case, because of the different locations of these stages, a certain volume of trade –exports and imports- would occur independent of the export and import of the final product. The tubes, components, and cabinets would all have to cross borders before the final product can be assembled. In this way, global production networks have contributed to the increase in the ratio of world trade to world production. Not all intra-firm or inter-firm transactions within a network may however necessarily involve cross-border movement.

The twin tendencies of "outsourcing" and "off shoring" by transnational firms associated with globalization have been important mediums through which global

networks of production have emerged. Outsourcing refers to the transfer of activities originally undertaken within the firm to other firms in exchange for a payment. Off shoring on the other hand refers to the transfer of activities from an original location to another country. Often the two can go together – for example when a US firm transfers its self-operated call centre services catering to its US customers to an Indian firm operating in India. However, off shoring and outsourcing can happen independently too. The motivating factors behind both for the firm concerned are risk and cost reduction.

The increasing openness of the world's economies under globalization has clearly facilitated the globalization of production. Transnational firms which have been the key drivers of this process and occupy the apex positions in such networks were both pushed and pulled, by the heightened competitive pressures and the greater freedom of operation across the world respectively, to refashion their strategies in this direction.

4.4 THE INCOMPLETENESS AND IMPERFECTIONS IN GLOBALIZATION

Globalization, as described above, does involve increased integration within the world economy such that one can talk of the global economy as being much more than a sum of the individual economies constituting it. Yet one must not make the mistake of assuming that globalization is the conversion of the world into a single economy whereby political borders between nations become entirely irrelevant. The world economy is a fundamentally different entity from national economies and is not equivalent to a gigantic closed national economy even if the movement of capital and commodities within it is completely open. As it happens, even the degree of restrictions on cross-border flows is uneven across different kinds of flows. The movement of people and labour across countries is for instance far more restricted than it is within countries. Even between business firms there are variations in their ability to operate globally. Similarly, each national economy has its own currency, which along with other assets denominated in that currency, serve as money or the means of payment within the sphere of the national economy. Flows across countries however involve the exchange of one nation's money for another in foreign exchange markets. Further, even though there is no world money deriving its sanction as a means of payment from a world government, international transactions do require an international means of payment. This is particularly because the flows between any two countries, and even between one country and the rest of the world, do not always balance. This means that one or a few of the world's money, those that have a general acceptability as a means of payment, have to serve the function of international money.

No matter what the levels of flows within a country, one unit of that country's currency always remains equal to every other unit. But such stability does not characterize the ratios at which currencies exchange for each other (exchange-rates). The levels of cross-border flows themselves influence these values, and at the same time are influenced by them. If in the normal course, the inflows into any country of foreign currency from exports and capital imports exceed the outflows related to imports and capital exports, the value of the country's currency would tend to appreciate – because of the surplus in the supply of foreign currency its price would fall. If the inflows are less than outflows, the opposite would

happen and the country's currency would tend to depreciate. However, these changes in the exchange rate would firstly alter the foreign currency price of the country's exports and the domestic currency price of its imports – depreciation would reduce the export prices and increase the import prices while an appreciation would have the opposite effect. These changes then could impact on the levels of exports and imports by influencing the demand for them. In addition, changes in the exchange rate also alter the relative values of assets whose values are denominated in different currencies. Actual or *expected* changes in a country's exchange rate could thus induce portfolio capital inflows or outflows. Because of these, the very process which draws the different national economies together, namely the freeing of cross-border flows, simultaneously emphasizes their division through its inevitable impact on the ratios in which different national currencies exchange for each other. Indeed, because of the existence of large 'hot money' flows which can flow in and out of countries very quickly, exchange-rate instability has been a recurrent phenomenon associated with Globalization which has resulted in serious economic crises in many a country – the East Asian crisis of 1997 being a prime example.

Underlying many of the differences between national economies and the global economy is one very important difference – associated with a single national economy is a single State whereas the global economy is spread across territories under the jurisdiction of many different nation states. When increased integration of the global economy accompanies the division of the world into different nation states, it also produces a peculiar consequence for the relationship between the State and the economy. Normally, the more closed an individual economy is the greater is the relative ability of its state to control, regulate, and direct economic activity. This is because most of the economic activity and their associated processes, and the individuals and entities involved within them, fall within the area of direct jurisdiction of the State. This proposition would also hold for an integrated global economy if there was a single world state since the global economy does not transact with anyone or anything outside it. But with an integrated global economy and multiple states, the ability of each State to intervene in the economy in fact gets circumscribed by virtue of the fact that each has only a limited jurisdiction. These different nation states could, by coordinating between themselves, try to approximate a single world government but that is never easy given that their individual imperatives may not always coincide and they could even have conflicting interests.

4.5 GLOBALIZATION AND THE ROLE OF THE STATE IN THE ECONOMY

The implication of the above is that once a State chooses to open up its economy it necessarily accepts some limitations on its ability to intervene in the economy, a shrinking of its policy space. More precisely, the State is compelled to act in certain ways and constrained to do so in other ways. Under contemporary Globalization, these restrictions or imperatives manifest themselves in a number of specific ways that are related to the mobility of capital and economic activity within the global economy. Participation in the process of globalization necessarily requires adherence to certain rules of the game. A country for example cannot maintain its tax rates at levels much higher than those prevailing elsewhere in the world because then economic activity would tend to migrate out of that country.

Competition between countries in attracting economic activities to their economies therefore tends to generalize low tax rates (often coupled with tax concessions) across the world, constraining the ability of States to generate resources for financing their expenditures. Similar imperatives also operate in other areas like for instance labour regulations.

The problem of exchange rate instability associated with volatile portfolio capital flows also tends to make state economic policy prisoner to maintaining the "state of confidence". If those who bring in this capital into any country feel insecure about the returns on the assets held by them and suddenly withdraw their capital from that country, the consequent sharp depreciation of the country's currency can have crippling effects on its economy. States therefore become disinclined to take any policy measures that make financial investors nervous and tend towards policy measures that inspire confidence in them. In general this works in the direction of conservatism in policy - curbing the State's ability to regulate and discipline private capital and pushing it towards measures that would promote private profit. To give some examples of how this process works – any significant increase in the corporate income-tax rate in a country is likely to produce an adverse reaction in its stock-market and with falling share prices foreign portfolio investors would be likely to withdraw their capital from that country and its stock-market. This would reinforce the tendency for decline in the stock-market and give rise to depreciation in the country's currency. The latter in turn would on its own induce flight of capital. The net result would be a self-reinforcing or cumulative process of falling value of shares and currency depreciation. In order to avoid these eventualities, the Government would tend to avoid any such increases in corporate income tax rates. But it might be inclined to do the opposite - reduce corporate tax rates - when stock-markets are down for other reasons.

One of the important general implications of exposure of countries to volatile capital flows is that it makes the maintenance of a low taxes and low public expenditure policy framework the norm adhered to by most governments. If governments cannot mobilize significant resources through taxes then the only way they can sustain large expenditures is by incurring deficits in their budgets. An excess of public expenditures over revenues, what goes by the name of the fiscal deficit, however makes financial investors nervous. In particular it generates expectations that prices of products in that economy will rise rapidly (inflation) and the exchange rate would depreciate. A rise in prices in any economy at a faster rate than in the rest of the world means that the prices of products produced in that country would rise even relative to the prices of the same products produced elsewhere. This could induce buyers in that country to switch to foreign currency using imports and for foreign currency earning exports to fall. The important thing however is not whether this would eventually happen or not. The *expectation* that this will happen is sufficient to make it actually happen much before the effects of a fiscal deficit show up. In order to avoid generation of such expectations governments become committed to a conservative fiscal policy which would limit the fiscal deficit.

Public expenditure however plays an important role in any economy and its development process. A significant part of the necessary development of a country's physical infrastructure is dependent on public investment because such development does not provide profitable opportunities for private investment. Similarly, there are many important social services like health and education

which need to be publicly provided if all segments of the population are to have reasonable access to them. Such general access of the population to these services is also important from the purely economic point of view because their health and education status also impacts significantly on the productivity of a country's workforce. Fiscal policy, involving both taxation and expenditure, is an important instrument of redistribution of incomes whose importance arises from the fact that the spontaneous operation of the economic system may generate excessive inequalities in society. Fiscal policy and public expenditure are also the means through which governments can influence the aggregate level of demand in an economy, which can often fall below levels necessary to sustain the maximum feasible output or employment in a capitalist economy. Under globalization however, the government's use of fiscal policy for all such purposes tends to get tempered or limited by the commitment to a low taxes and low fiscal deficit policy.

4.6 UNEVENNESS IN DEVELOPMENT AND GLOBALIZATION

The description of globalization as a process of increased global integration facilitated by the increasing openness of economies could fit any kind of world because it does not bring into the picture the differences between the countries participating in that process. The fact however is that the world over which the globalization process has unfolded is one that was and remains divided between advances or developed countries and poorer developing countries. The former constitute the dominant component of the world economy - they produce the major chunk of the world's output; they dominate world trade being both the major exporters as well as importers; the bulk of the capital flows across countries originate in these countries and they are also the principal destination for such flows; a large proportion of the dominant transnational firms belong to these countries; most technological developments take place in these countries; and their currencies are the dominant international currencies. The majority of the world's population on the other hand lives in developing countries.

The inequalities between the world's countries are however not merely economic, but also political and military, and these too have had their impact on the nature and course of the globalization process. Thus for instance, even though in principle bodies like the World Trade Organization (WTO) and the rules enforced by them are the result of multi-lateral agreements, these agreements are a result of a *political* process within which developed countries command a disproportionate influence. In other international institutions like the International Monetary Fund (IMF) and World Bank, which have been active in promoting openness in developing countries and in regulating the global economy, even formal equality between countries does not exist and developed countries command the major share of the voting rights in them. In other words, to whatever extent there is a global structure of governance, it can scarcely be described as a democratic one and is inherently biased against developing countries.

One important aspect of international inequality in a globalized world is that this places countries whose moneys serve as international money and whose do not at different levels within the structure of international transactions. A country like India whose currency is not an international currency, when confronted with a

large deficit in its transactions with the rest of the world, experienced a balance of payments or foreign exchange crisis in 1991 as international borrowings became increasingly difficult and costly. On the other hand, the USA has in recent times been able to live with a very large external deficit because the dollar is the number one international currency. Countries with the surpluses in their external transactions have been willing to finance the US deficit by lending to it, including in the form of investing their foreign exchange reserves in low-yield US government securities. A comparison of the direction of capital flows during the East Asian financial crisis and after the sub-prime crisis in the US would also show up a similar asymmetry between countries. The East Asian countries in 1997 saw a massive outflow of portfolio capital from their economies resulting in a sharp and precipitous decline in the value of their currencies. But the global financial crisis induced the flow of capital towards the US, the very place where the crisis originated, and a strengthening of the dollar. The implication of such iniquities is that the constraining of the policy space for developing country governments as a result of exposure to volatile capital flows is of a higher order than for developed countries.

In this session you read about the globalization and its impact on development and now answer the questions given in the Check Your Progress-1.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What is meant by the increasing oppness of an economy?

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2) What are the major components of contemporary Globalization?

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3) Why does globalization restrict the scope for state intervention in the economy?

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4) Does Globalization mean that nationality of individuals becomes irrelevant to the degree of economic success they achieve?

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4.7 GLOBALIZATION AND DEVELOPMENT: THE INTERNATIONAL EXPERIENCE

The process of Globalization has been accompanied by a major shift in the theory underlying development policy in the Third World. In the period after the Second World War, as many developing countries gained their independence from colonial rule, the dominant conception shaping economic policy in the newly liberated countries was that their development required both a high degree of autonomy as well as a key role to be played by the state. Typically, import-substituting industrialization strategies were pursued with varying degrees of emphasis on domestic and export markets. However, from the debt crisis of the early 1980s, institutions like the IMF and the World Bank have pushed Third world governments to open up and liberalize their economies and soon the old view on development came to be decisively replaced by what came to be known as the Washington Consensus. This name is derived from the fact that three institutions which have together played a key role in the making of Globalization – the IMF, the World Bank, and the US Treasury Department - are all headquartered in Washington.

The theory of development promoted by the Washington consensus, also called *neo-liberalism*, argued globalization would promote both rapid growth as well as *convergence* in the world economy. Convergence refers to the process of the per capita incomes of different countries becoming similar to each other, which would happen if developing country per capita incomes were to rise significantly faster than in developed countries. The Washington Concensus was based on the premises that:

a) the spontaneous working of the market mechanism promoted efficiency and therefore should be interfered with to the minimum;

b) there are only benefits and no costs to all participating countries from freely transacting with each other and therefore barriers to trade and capital flows are undesirable;

c) taxes create disincentives for effort and risk-taking, and strong incentives for tax-evasion, and therefore should be maintained at low levels;

d) fiscal deficits always produce adverse consequences like inflation and exchange-rate instability and therefore should be avoided by maintaining expenditures at levels commensurate with tax revenues;

e) developing countries would benefit tremendously from adopting the economic policies following from the above premises. It was argued that by opening

themselves to capital inflows, labour surplus developing economies would gain from the flow of capital to them from the capital rich developed countries which also would have various spillover effects. In addition, free trade would also promote the growth of labour-intensive exports from these developing countries, which would in turn induce further growth through the linkages between the exporting sectors and other sectors in the economy. The gains from efficiency and productivity improvement, capital inflows and trade would combine to generate higher growth of both output and employment and also promote greater equality in the distribution of income.

The problem of development, or economic backwardness, is the problem of not all the countries in the world but of the developing countries within them. These countries, as mentioned earlier, were unequally positioned within the global economy. The implicit meaning of the Washington Consensus was that these initial conditions were entirely irrelevant and all countries could follow more or less the same liberal economic policies. In other words there were no grounds for specifically a development policy because the spontaneous operation of the global economic system would be towards leveling out and eliminating the differences between and within countries. The premises underlying the Washington Consensus have never been universally accepted within the economics profession. Many have challenged these on theoretical as well as empirical grounds. However, it has ruled for a long time in the world of policy-making with results, as we shall see, that have not been in conformity with the predictions of the Washington Consensus.

Table 1: Rates of Growth of World Real GDP and per Capita GDP (% per annum)

Item Period	**1950-73**	**1973-2007**
Real GDP	5.1	2.9
Per Capita Real GDP	3.1	1.2

Source: WTO, World Trade Report 2008

Aggregate world output growth since the mid-1970s has actually taken place at a significantly slower pace than was the case earlier, and the same is true of even per capita output growth (Table 1). These are not necessarily true for every individual country, India being one of the exceptions, but are generally the case for both developed and developing countries. The principal reason to which this slowing down has usually been attributed is the withdrawal of States after the 1970s from the earlier post-War practice of using fiscal policy for sustaining adequate levels of demand in the economy.

Table 2: Per Capita GDP of Selected Country Groups and their Rates of Growth

	Per Capita GDP in 2005	**Annual Growth Rate 1975-2005**
Country group	**2005 PPP US$**	**Percentage Per Annum**
Developing countries	**5,282**	**2.5**
Least developed countries	1,499	0.9
Arab States	6,716	0.7

East Asia and the Pacific	6,604	6.1
Latin America and the Caribbean	8,417	0.7
South Asia	3,416	2.6
Sub-Saharan Africa	1,998	-0.5
High income Countries	**33,082**	**2.1**

Source: UNDP, Human Development Report 2008

Not only has world output growth been slower, inequalities between countries have also increased during Globalization. Many developing countries except those in East and South Asia, including the least developed countries, have been the worst victims of the growth slowdown. Per capita GDPs of many have virtually stagnated and fallen way below the rates of growth in the developed countries (Table 2). The gap between the per capita GDP of these developing countries and those of developed ones has therefore clearly *increased* during the period of Globalization. In the case of the few developing countries showing a faster rate of growth, the base or starting levels of their per capita GDPs were significantly lower than those of developed countries and even many other developing countries. Consequently, even a higher *rate* of growth of the former cannot always prevent the absolute gap between the two increasing. Thus, the per capita GDP in East Asia and South Asia are still only a fifth and a tenth respectively of the levels in high-income countries. Indeed, if we compare the differences between the per capita GDP at constant prices of the US, advanced Western Europe, and Japan on the one hand and individual developing countries on the other, they were almost without exception *greater* in 2006 than was the case in 1973. Convergence therefore clearly has not happened.

The promise of export-led growth has proved elusive for developing economies. As Table 3 shows, though at first sight it might appear that the share of developing countries in world exports has increased particularly since 1990, this is basically a result of the rising share of East and South-East Asia rather than being representative of the general experience of developing countries. In other words, the distribution of developing country exports has become increasingly concentrated in East Asia with China alone exporting more than any developing country region other than East Asia. A similar story characterizes the exports of services, which have been increasing their relative importance in world exports during Globalization, the only difference being that in this case India too is amongst the developing countries emerging as a major exporter. Developing countries have increased their share in world services exports from 18.34 % in 1980 to 25.41 % in 2007. This was however accompanied by East, South-East and South Asia increasing their combined share in developing country services exports from 38.5% to 67%. Indeed, one of the apparent paradoxes of globalization is that both in terms of growth as well as export performance, the developing countries of Asia which have traditionally had greater state involvement in the economy have fared better than developing countries in Latin America and Africa who liberalized earlier and to a greater extent.

Table 3: Share of Developing Countries in World Merchandise Exports (Percentage)

Country Group	1980	1990	2000	2007
All Developing Countries	**29.40**	**24.25**	**31.85**	**37.52**
Africa	5.86	3.08	2.37	2.87
Americas	5.48	4.13	5.65	5.53
West Asia	9.29	3.38	3.64	5.08
South Asia	1.29	1.35	1.44	1.90
East Asia	3.75	8.06	12.00	15.81
China	*0.89*	*1.78*	*3.86*	*8.81*
South-East Asia	3.64	4.18	6.69	6.26
Developing Countries Excluding East and S-E Asia	**22.01**	**12.01**	**13.16**	**15.45**

Source: UNCTAD, Handbook of Statistics, 2008

Globalization has also been accompanied by a more or less across the board sharp rise in inequalities within countries, both developed and developing. The richer sections in most countries have experienced an enormous increase in wealth and income while those at the bottom have been bypassed. Consequently, even in the few developing countries with relatively faster rates of growth of per capita GDP, the positive impacts of that growth on the lives and standards of living of the poorer sections of their societies has been less spectacular and at times this impact has even been adverse. A large part of the world's population therefore continues to live in poverty. 40% of people in the world (2.6 billion) have incomes below two dollars a day and they account for barely 5% of global income. On the other hand, the richest 20% of people in the world have a share of 75% in world income.

The opening up of developing countries to volatile capital flows has been accompanied by several episodes of currency crises in these countries. Paradoxically, such problems have been a price paid without any corresponding gain because at least in the last decade or so, the perverse phenomenon observed is that the direction of capital flows has been from developing countries towards developed countries rather than the other way around. Of course not all developed countries are net importers of capital and nor are all developing ones capital exporters. But together developing countries have been exporting more capital to the developed countries than they have been importing from them. Moreover, much of the former flow takes the form of developing countries holding their foreign exchange reserves in the form of liquid assets like US Government securities with extremely low returns, while developed country capital invested in developing countries earn significantly higher rates of return.

In this session you read about the globalization and its impact on economic growth and development and now answer the questions given in the Check Your Progress-2.

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Has Globalization been accompanied by convergence between countries?

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2) What is the unevenness in the growth and trade performance of developing countries under Globalization?

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4.8 GLOBALIZATION AND INDIAN DEVELOPMENT

India's entry into the globalization process was somewhat later than that of most developing countries. It was only with the liberalization measures initiated from 1991 onwards. Though there was some liberalization in the 1980s too it was relatively limited and was accompanied by other policy measures that were uncharacteristic of the globalization era. Trade and FDI liberalization in the 1980s was fairly selective and much of the extensive system of Government controls survived till 1991. The opening up to volatile capital flows in (Foreign Institutional Investment) happened only in the 1990s. So did the restraint on public expenditure, the rapid growth of which was a characteristic feature of the decade of the 1980s.

India's development experience prior to 1991 had not been one of spectacular successes but rather of extremely slow progress. Conditions had improved somewhat compared to the state of affairs during the colonial era but the vast mass of India's populace had remained deprived of even the most basic needs. GDP and per capita GDP growth rates after independence had been significantly higher than in the first 50 years of the 20th century. But the incomes, food and nutrition intake, health status, levels of education, housing conditions, etc. of the average Indian were still exceptionally poor in 1991. The majority of Indians still lived in rural areas and the majority of the workforce was dependent on agriculture for its livelihood. Did participation in the globalization process bring about significant changes in this picture, and if so, of what kind?

According to Goldman's "Sach Economic Research Report on Global Economies" released in 2007, India has the following advantages compared with other economies.

i) India will challenge the Global Economic Order in the next 15 years.

ii) By 2050 it will be the second largest economy after China overtaking USA.

iii) India is the fourth largest GDP in the world in terms of purchasing power.

iv) India is the third fastest growing economy in the world after China and Vietnam.

v) Received 4.5 billion as FDI.

vi) Service sector contributes around 55 percent of GDP. The share of agriculture is around if percent and manufacture in 16 percent in 2005-06. This is a character of a development.

vii) Expected GDP growth rate is 10 percent shortly.

viii) India has $262 billion as Foreign Exchange Reserve as on today. India had just $1 billion as foreign exchange reserve when it opened its economy in the year 1991.

4.8.1 Export and Import

As regards its level of integration into the global economy, the standard indicators of this have clearly exhibited an upward trend since 1991, even if the heights attained by them so far are not as high as in other countries. The levels of India's imports and exports of goods and services as a ratio of its GDP has increased sharply implying that a much larger part of the economy is involved in cross-border transactions.

Table 4: India's External Trade as a Percentage of GDP

Year	Merchandise Exports			Merchandise Imports			Services	
	Oil	Non-oil	Total	Oil	Non-oil	Total	Exports	Imports
1990-91	0.16	5.55	5.72	1.90	5.68	7.58	1.43	1.12
1997-98	0.09	8.43	8.52	1.99	8.11	10.10	2.30	1.97
2002-03	0.51	9.89	10.39	3.48	8.63	12.11	4.09	3.37
2007-08	2.42	11.47	13.89	6.79	14.64	21.43	7.66	4.46

Source: RBI, Handbook of Statistics on the Indian Economy

In goods trade, import levels have tended to increase more than exports and India's share in world exports still remains very low. Despite the growth of newer exports different from the items like textiles and garments, leather products, and diamonds which traditionally dominated Indian exports, India's merchandise trade deficit has ballooned in periods of relatively higher growth and in 2008-09 stood at nearly 10% of India's GDP. Not all of this has been on account of oil imports, since the non-oil deficit alone in 2007-08 was 3.17% of GDP, larger than the aggregate deficit to GDP ratio at the time of the 1991 foreign exchange crisis. The trend in India's merchandise trade essentially reflects the fact that the manufacturing sector in the country in general has not been very competitive in the world market. Poor infrastructure and low productivity have meant that costs of industrial production in India tend to be high even with extremely low wages. India has however done relatively better in services exports, primarily in IT and IT-enabled services in which India has become the most important exporter amongst

developing countries. The ratio of services exports to total merchandise and service exports in the Indian case (36%) is significantly higher than the world average of around 20%.

Capital flows into India have also increased significantly after liberalization, though even here it has been a relatively more attractive developing country destination for portfolio flows than for FDI. It is because of these capital inflows that India managed to accumulate large foreign exchange reserves even though in most years its foreign currency expenditures have exceeded its earnings. While India has escaped any major currency crisis, exchange rate instability has been a problem. There have been periods of both sharp appreciation as well as depreciation of the rupee. Of late, there is also an increasing trend of Indian private capital being investing abroad mainly by companies but also by mutual funds.

4.8.2 Growth and its Composition

As regards the growth of aggregate output, as indicated earlier, Indian growth after 1975 was faster than in the two and a half decades before that. This transition of India to a higher growth path actually happened around 1980, which was however at least a decade before its own real participation in globalization began. Between 1950 and 1980, India's GDP growth rate averaged around 3-3.5% while after 1980 it was around 5.5-6%. In other words, the acceleration in growth pre-dates the extensive liberalization of the 1990s subsequent to which the trend was simply maintained with no significant further acceleration. A spurt in growth since 2002-03 from when GDP growth rates reached the 8-9% level has been presumed to mark a further upward shift in India's growth trend. However, the recent slowing down after the global economic crisis has put a question mark on this. From the viewpoint of development however, more important than the rates of growth has been the nature of growth under globalization.

Macro Economic Performance in Post 1990 Years

Year	Real GDP Growth	Year	Real GDP Growth
1991	.96	1999	6.5
1992	2.3	2000	6.1
1993	1.5	2001	4.0
1994	5.9	2002	6.2
1995	7.3	2003	5.5
1996	7.3	2004	8.0
1997	7.8		
1998	6.5		

Source: *Kulkarni,KG "Effect of Globalization on India's economic Growth", www.reser chindia.org/effectsofglobalizationon india.doc.*

India's growth in recent times has been dominated by the services sector, which has been the fastest growing sector and contributed the major part of the increase in output. This reflects the facts that in both domestic and external demand, the proportion of services has been increasing. Industrial growth has tended to fluctuate

as it used to in the past too and the industrial sector's share in output has tended to stagnate at a level far below that indicating complete industrialization of a country. The agricultural sector on the other hand has been the worst affected with agricultural growth rates being on an average lower than in the pre-liberalization era. In fact it is now officially acknowledged that India experienced an agrarian crisis since the mid-1990s. The main factors behind this have been the relative compression of rural development expenditures, the squeezing out of the agricultural sector in bank credit, and the increased exposure of the agricultural sector to volatility in global prices. These are the factors behind the spate of farmer suicides in India which continues unabated. This growth pattern marked by a robust growth of services at one end, a distressed agriculture on the other, and unstable industry in between, both produces as well as reflects what has come to be called "non-inclusive" growth.

4.8.3 Employment

The rapidly growing services sector in India has proved incapable of generating significant employment. In fact, just about a quarter of India's workforce is employed in this sector which accounts for over 55% of India's Net Domestic Product. Agriculture, whose share in Net Domestic Product has fallen below 20% still employs 57% of the workforce but simply cannot absorb any more. Industrial employment too has grown slowly. Within the industrial sector, employment in the organized sector has been falling and it is in unorganized industry that the incremental industrial workforce has been absorbed.

One implication of all of these has been that employment growth in India has been extremely slow in the post-liberalization period, which is a matter of concern particularly since there was already an existing backlog of unemployment. Employment growth has been particularly poor in the more rapidly growing segments of the economy. Thus while the organized sector has steadily increased its share in output from about 36% in 1991 to 43% by 2007-08, employment in that sector after initially increasing slowly fell after the late 1990s (Table 5) so that in 2006 it was the same as in 1991 even though the total labour-force had grown in between. In 1993-94, when the labour-force in India was 334 million, only 27.4 million or 8.1% were employed in the organized sector. By 2004-05, the labour-force in India had increased by another 85 million to reach a level of nearly 420 million. Organized sector employment over the same period however fell by nearly a million to 26.5 million which was just 6.4% of the labour-force. A large part of the decline in organized sector employment has been on account of the fall in public sector employment, but even private sector employment growth has been very insignificant.

Table 5: Organized Sector Employment (in Lakhs)

Sector	1991	1998	2006
Public Sector	190.58	194.18	181.88
Private Sector	76.77	87.48	88.05
Total	**267.35**	**281.66**	**269.93**

Source: Economic Survey

The implication of this is that the large majority of Indians either cannot find work or have to find low-income employment in the less dynamic segments of the economy. In 2004-05, nearly 34.74 million or 8.28% of the labour force was unemployed (on a Current Daily Status Basis), up from 20.27 million or 6.06% in 1993-94. However, in the absence of any social security mechanism, people in India cannot afford to remain unemployed for long and the sheer requirement of survival forces them into a variety of extremely low-paying work in the unorganized sector. But even the fortunate few entering the organized sector are not necessarily finding high-wage work. While some segments of the white-collar organized sector workforce have come to enjoy extremely high salaries after liberalization, this is not the case for everybody employed in that sector. In fact real wages of even the organized sector industrial workers have tended to stagnate after liberalization.

4.8.4 Poverty and Inequality

As per official estimates by the Planning Commission, poverty in India has come down after liberalization. What this means is that the *proportion* of the population with income levels below a stipulated poverty line has come down. This statement however needs to be further qualified in a number of ways.

Firstly, the pace of poverty reduction in the post-liberalization period has been slower than before. Thus, in the fourteen year period between 1973-74 and 1987-88, the proportion of those below the poverty line in the total population came down by 16 percentage points from 54.9% to 38.9%. In the longer seventeen year period since then, the reduction was to a smaller extent of 12.4 percentage points.

Table 6: Poverty Ratios and Number of Poor in India

	1973-74	1977-78	1983	1987-88	1993-94	2004-05
Rural (%)	56.4	53.1	45.7	39.1	37.3	28.3
Urban (%)	49	45.2	40.8	38.2	32.4	25.7
All India	**54.9**	**51.3**	**44.5**	**38.9**	**36**	**27.5**
Number (Million)	321	329	323	307	320	302

Source: Economic Survey

Secondly, the poverty line is a fixed one that does not change with the level of the per capita income. The only adjustment that is made over time is for the increase in prices. The poverty line today is therefore no different than it was in 1973-74, when real per capita income in India was a third of its current level, and the poverty ratio is therefore only a measure of the population below some absolute level of income. A reduction of poverty therefore can be accompanied by an increasing gap between the top and the bottom sections of the population.

Thirdly, the poverty line in India is pegged at a very low level and some consider destitution line to be a more appropriate description for it. In 2004-05, the all-India poverty line for rural areas was Rs. 356.30 per capita per month and Rs. 538.60 for urban areas. The significance of this lies in the fact that there may be very large variations in the income levels of even those above this line and one cannot treat them all as non-poor. Indeed, the National Commission on Enterprises in the Unorganized Sector (NCEUS) estimated that while 27% of the Indian

population in 2004-05 was below the official poverty line, as many as 77% of people lived on less than Rs. 20 a day.

Fourthly, the poverty line was first arrived at using a minimum nutrition norm – it was fixed at the minimum income-level at which the consumption of food was found to be adequate for meeting that norm. Since then however, consumption patterns have changed and the nutrition-intake associated with the same level of real income (income adjusted for price changes) is lower. It has therefore been argued by some that if a poverty line for today was to be constructed on the basis of the same nutritional norm, it would be higher than the official poverty line and more than 70% of the population would be below it. In fact, the average expenditure by Indians on foodgrains in the recent past, when the economy was growing at its fastest ever rates, was not only lower than it was at the begininning of the 1990s and way back in the early 1960s in some years it was at a level comparable to what it was during the two successive droughts in the mid-1960s (Figure 1). The expenditure story is also supported by the data on per capita availability of foodgrains which averaged 461.08 grams per day in 1961-65, 480.26 in 1987-91, and just 442.16 grams in 2003-07. These would be amongst the lowest levels of food consumption in the world.

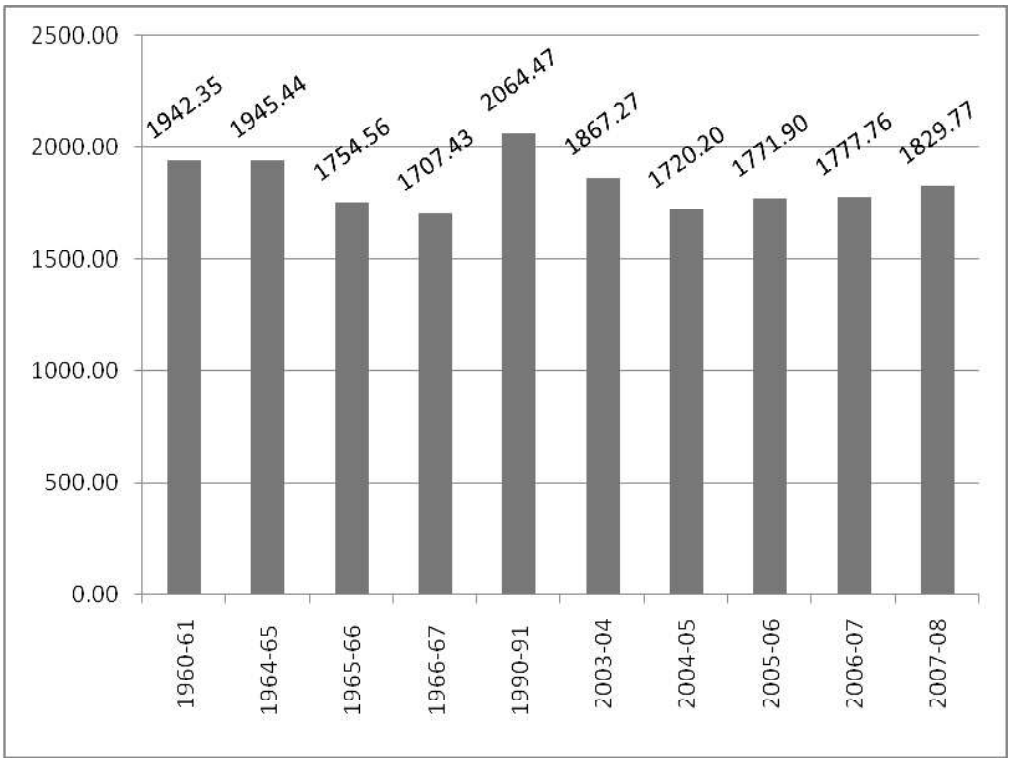

Figure 1: Per Capita Expenditure on Foodgrains at 1999-00 prices (Values in Rupees)

Source: Computed from CSO, National Accounts Statistics, 2009 and Back Series

All the above point towards the undisputed fact that income inequalities in India have grown sharply after 1991. Inequalities can however increase even when everyone experiences rising incomes but the pace of increase of the richer sections is greater. The nature of non-inclusive Indian growth under liberalization has however been one where the large majority which in any case had low incomes has experienced stagnating incomes while a small well-off minority has moved ahead rapidly by cornering the bulk of the benefits of growth. It is this pattern of distribution of the benefits of growth that explains the pattern of demand growth

in India. In a country where food intake levels and the penetration of manufactured consumer goods are very low, with a general increase in incomes one should see an absolute rise in expenditure on food and also a rise in the share of expenditure on manufactured goods before the consumption pattern shifts towards services. That we are witnessing instead not the first two but only a rising share of services in Indian consumption demand has to reflect the fact that income increases are concentrated at the upper end of the income distribution spectrum, where the demand for food and manufactured consumption goods are relatively saturated.

4.8.5 Growth of Private Sector

Moreover, the problem is not merely one of increasing inter-personal inequality. A significant part of the recent high growth of the Indian economy has been based on the rapid growth of the private corporate sector. This is indicated by the rapid rise in its share in GDP of the savings of the private corporate sector – that part of the profits of companies which is not paid out either as taxes or as dividends (Figure 2). It has grown many times faster than aggregate GDP – as compared to a 71% rise in the nominal value of the latter between 2003-04 and 2007-08, corporate savings increased by over 250%!Consequently, the share of corporate savings in GDP has more than doubled, from just above 4% in 2003-04 to 8.4% in 2007-08. Income-tax data on the other hand indicate that total private corporate taxable profits in 2007-08 touched nearly 14% of GDP, and over 50% of this was accounted for by less than 200 companies.

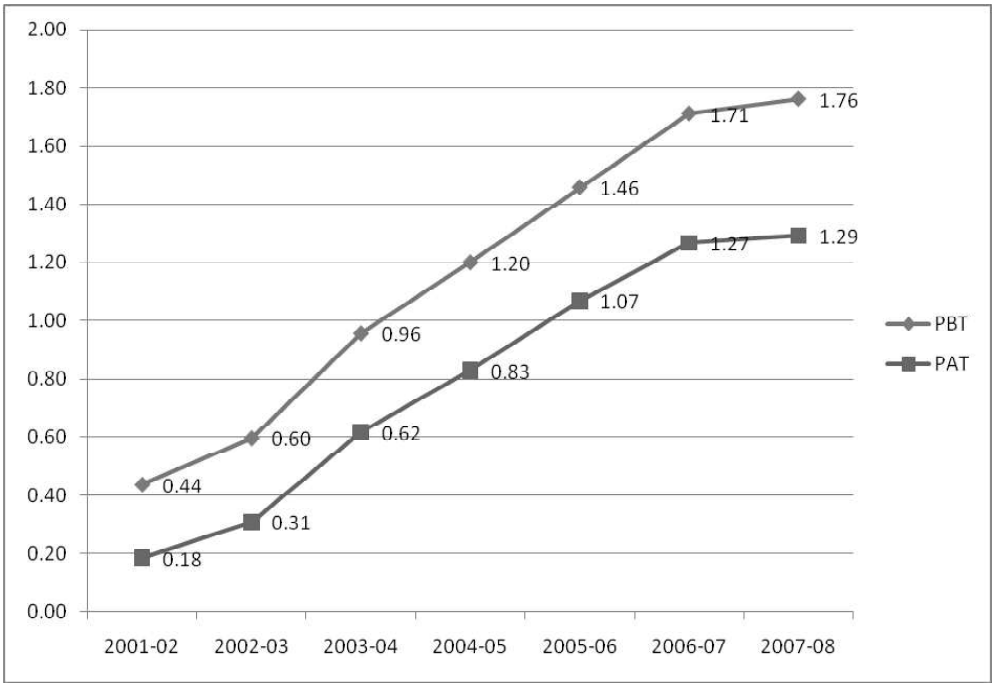

Figure 2: Gross Savings of the Private Corporate Sector (Joint-Stock Companies) as a Percentage of GDP at Market Prices

Source: Central Statistical Organisation, National Accounts Statistics, 2009 and Back Series

Not only are the incomes of very few linked to corporate growth, this period also witnessed unbalanced growth of incomes *within* the corporate sector. As Figure 3 starkly brings out the profits of private corporate sector companies have been growing much more rapidly than the wages and salaries being paid by them to their employees (the figure is based on a sample of companies which account for 70-80% of the corporate sector). From a level where profits before taxes were less than half the value of wages and salaries 2001-02, they have climbed in the

short space of a few years to become nearly double. Underlying this is the combination of the corporate sector holding employment at relatively low levels even while expanding output and the low wages and salaries of many employees even in the corporate sector.

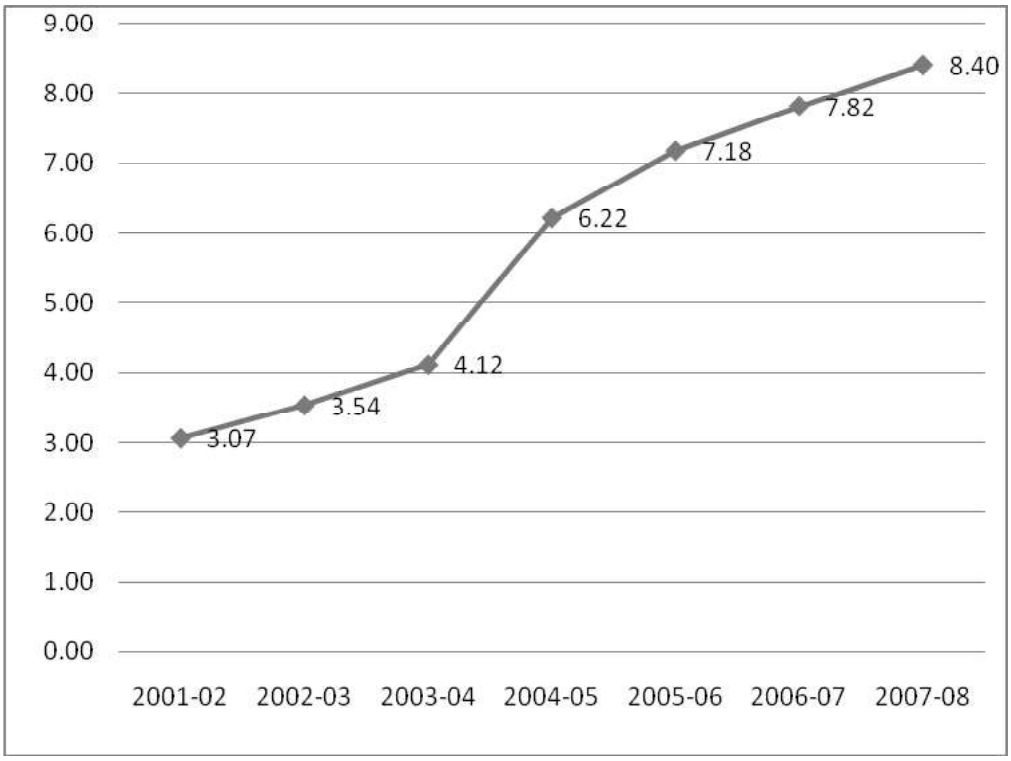

Figure 3: Ratio of Profit Before Tax (PAT) and Profit After Tax (PAT) to Wages and Salaries in Private Sector Companies

4.8.6 Growing Rural-Urban Divide

Another dimension of growing inequality in India has been the growing divide between urban and rural India. Per capita incomes in rural India, where more than 70% of the population still resides, have always been significantly lower than in urban India. But a very sharp decline in this ratio happened immediately after liberalization.

Table 7: Share of Rural India in Population and Net Domestic Product and Rural/Urban Per Capita NDP

Year	Share (%) of Rural India in:		Rural Per Capita NDP as % of Urban
	Population	NDP	
1970-71	80.22	62.35	40.88
1980-81	76.88	58.91	43.11
1993-94	73.51	54.27	42.76
1999-00	72.53	48.3	35.39

Source: CSO, National Accounts Statistics

The relative decline of the rural sector also exhibits itself in the sharp decline in the ratio of per capita consumption expenditure in rural India relative to urban levels (Figure 4). The average Indian living in the countryside now consumes

just about half of what his/her urban counterpart consumes, as compared to over 70% in 1977-78.

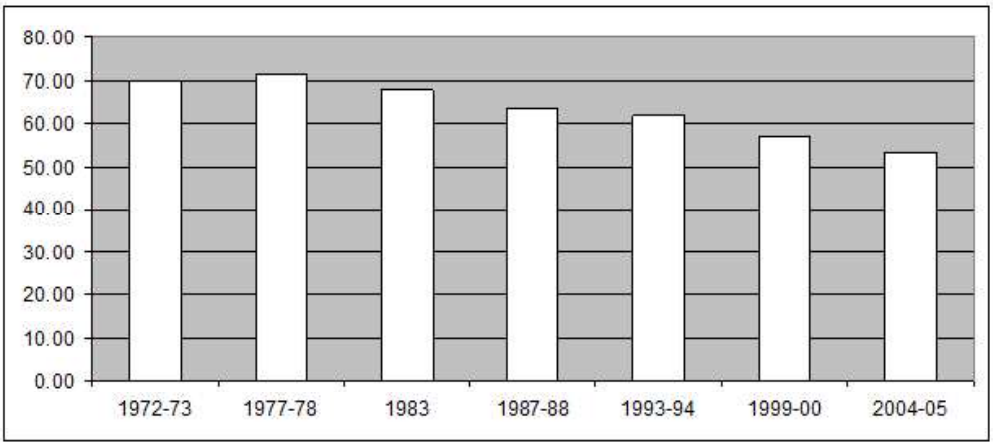

Figure 4: Average Per Capita Expenditure: Rural India as a Percentage of Urban India.

Source: NSSO Report No. 508: Levels and Patterns of Consumer Expenditure, 2004-05

4.8.7 Public Expenditure Stagnation

At the root of many of the problems confronting Indian development has been the inability to increase public expenditure levels, a direct consequence of the globalization of the Indian economy. As shown in Table 8, the ratio of public expenditure to GDP, which was in any case amongst the lowest in the world, has stagnated at levels attained before liberalization. In fact even during the recent period of very high growth, the period in which tax receipts to GDP ratios were the best, rather than an expansion of expenditure what one saw was a reduction of the fiscal deficit – to which the Government had committed itself through the FRBM Act.

Table 8: Receipts and Expenditure of Central and State Governments as a Percentage of GDP

Year	Total Revenue Receipts	Tax Receipts	Expenditure
1990-91	18.6	15.4	28.7
1997-98	17.8	14.3	25.8
2002-03	18.8	15	28.9
2007-08	22.3	18.5	27.9

Source: Economic Survey

One implication of the restraint on public expenditure has been that investment in the development of the country's infrastructure, including rural infrastructure, has suffered. This in turn has had adverse consequences for agriculture and rural development, industrial growth, the competitiveness of the Indian economy, and employment. Social sectors like health and education have also been badly hit. Even as public expenditure on these has stagnated, people have to spend more out of their own pockets for health and education services (Table 9).

Table 9: Government and Private Expenditure on Health and Education as a Percentage of GDP

Year	Government Expenditure (Central & State Governments)			Private Final Consumption Expenditure		
	Health	Education	Total	Health	Education	Total
1990-91	1.2	3.1	4.30	1.68	1.11	2.79
1997-98	1.1	2.8	3.90	1.95	1.11	3.06
2002-03	1.24	2.74	3.98	3.31	1.39	4.69
2007-08	1.41	2.87	4.28	3.22	1.33	4.55

Source: Economic Survey and CSO, National Accounts Statistics

4.8.8 The Indian Experience with Globalization: Growth sans Development?

How should then one describe India's experience with Globalization? India does not appear to belong to that group of developing countries where the pace of aggregate growth has been adversely affected by globalization. Yet, even with its significantly higher growth performance it has like other developing countries found it difficult to address its formidable development challenge as this growth has not positively touched the lives of the majority of Indians. It is this duality that underlies the controversy about the impact of globalization on India. Those who emphasize that growth is a necessary and condition for eliminating backwardness and believe growth has automatic trickle-down effects highlight the growth performance of India under liberalization. Others point out the limited impact of this growth on general well-being. This divide is deeper than might first appear. That Indian growth under liberalization has not been inclusive in nature is now officially accepted and transforming that is often highlighted as a major policy objective. The question however is, can the growth that has happened and its lack of inclusiveness be separated from each other? If the government has to keep taxes very low and restrict its spending, then it may be able to do precious little to change the economic outcomes spontaneously emerging except by enticing private capital. But if it is to depend on profit oriented domestic and foreign private capital to deliver growth by enticing it to invest, and keep Indian financial markets attractive to foreign portfolio investors, then it has to keep its taxes and expenditure low, and instead offer further concessions. This is a vicious circle from which escape is very difficult unless the policy space is enlarged and used to alter the pattern of growth. That however may not be possible without some restraints on the extent of integration with the global economy.

In this session you read about the globalization and its impact on various indicators of development and now answer the questions given in the Check Your Progress-3.

Check Your Progress 3

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What is the asymmetry between the shares of India's organized sector in output and employment?

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2) Is poverty in India disappearing?

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3) In what sense has Indian growth after liberalization been non-inclusive growth?

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4.9 LET US SUM UP

The period since the mid-1970s is what is usually called the period of Globalization or increasing integration between the world's economies. Developing countries also become a part of this process though they entered it with levels of economic attainment significantly lower than those of developed countries. Global economic performance under Globalization, measured in terms of both aggregate output growth as well in terms of meeting the challenge of development, has however proved to be much less impressive than the promise accompanying its rise as the dominant official ideology in the world. The central factor responsible for this has been the fact that both the ideology and the reality of Globalization have hamstrung governments from taking measures necessary for improved performance. India, which has been a late entrant into the globalization process, is an example of the fact that even if a developing country may be lucky to escape the fate of depressed growth it still cannot easily deliver development to its people. As the world ponders over the future of Globalization in the wake of the worst crisis since the Great Depression, which is itself a fall-out of the nature of contemporary Globalization, the development dimension of this question also needs to be focused on.

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4.11 CHECK YOUR PROGRESS-POSSIBLE ANSWERS

Check Your Progress - 1

1) What is meant by the increasing openness of an economy?

   An economy becomes more open when barriers to transactions across its borders are reduced. Specifically, increasing openness signifies the freeing

of inflows of products and capital into the economy from government controls and restraints.

2) What are the major components of contemporary Globalization?

The globalization of finance, markets, and production are the three main components of contemporary Globalization. The first refers to the integration of the financial markets of countries and the large movements of portfolio capital between them, the second to the integration of their product markets, and the third to the emergence of internally integrated and coordinated networks of production spread across countries.

3) Why does Globalization restrict the scope for State intervention in the economy?

In general, open economies are less autonomous and therefore less amenable to direction by their respective States. In contemporary Globalization specifically, the possibility of the migration of economic activity and capital to other countries restraints governments from intervening in ways disliked by private capital.

4) Does Globalization mean that nationality of individuals becomes irrelevant to the degree of economic success they achieve?

Since conditions obtaining in different countries are not the same, and the movement of people across borders remains highly restricted, it cannot be said that in the competition for economic success everyone starts with equally favourable or unfavourable initial circumstances irrespective of nationality.

Check Your Progress – 2

1) Has Globalization been accompanied by convergence between countries?

Globalization has not been accompanied by convergence between countries. Per capita incomes of many developing countries have grown slower than those of developed countries in the last three decades. Even in the case of developing countries with higher rates of growth, the gap between them and the developed countries continues to be immense.

2) What is the unevenness in the growth and trade performance of developing countries under Globalization?

Most developing countries in Latin America and Africa, and also West Asia, have relatively lost out in growth and trade during the era of Globalization. Some developing countries in East and South Asia have however done better, not only growing relatively faster than the rest of the world but also increasing their share in world exports.

Check Your Progress - 3

1) What is the asymmetry between the shares of India's organized sector in output and employment?

The asymmetry between the shares of India's organized sector in output and employment is that while its output growth is above average and its share in output is increasing, its share in employment is falling with as a result of stagnating levels of employment in that sector.

2) Is poverty in India disappearing?

Poverty in India cannot be said to be disappearing because the number of people below the poverty line are large and not declining rapidly and also because poverty understood in even a slightly broader sense continues to plague the overwhelming majority of Indians.

3) In what sense has Indian growth after liberalization been non-inclusive growth?

Indian growth after liberalization has been non-inclusive because the benefits of that growth have been heavily concentrated in a narrow spectrum of the population. For the rest, this growth has failed to provide adequate opportunities for employment and rising incomes so that the economic conditions of the majority have stagnated or worsened and not merely grown more slowly.

MDV-109: Development in India – An Overview

BLOCK 1	**DEVELOPMENT INITIATIVES AND PLANNING**
UNIT 1	Pre-Independent Development Initiatives
UNIT 2	Planning and Development Initiatives: Pre Liberalization Period
UNIT 3	Planning and Development Initiatives: Post Liberalization Period
UNIT 4	Globalization and Development in India
BLOCK 2	**RURAL DEVELOPMENT IN INDIA**
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BLOCK 2 RURAL DEVELOPMENT IN INDIA

Rural Development which is concerned with economic growth and social justice, improvement in the living standard of the rural people by providing adequate and quality social services and minimum basic needs becomes essential. As a discipline, it is multidisciplinary in nature representing an intersection of agricultural, social, behavioral, engineering, and management sciences. Rural development may mean any one of these, depending upon our focus. Rural development can also be defined as a process of developing and utilizing natural and human resources, technologies, infrastructural facilities, institutions and organizations, and government policies and programme to encourage and speed up economic growth in rural areas, to provide jobs, and to improve the quality of rural life towards self-sustenance.

Unit 1, **Rural Development in India,** focuses on basic elements of rural development, and it also spells out rural development perspectives in India. It also discusses the sectoral programmes of rural development and the emerging challenges of rural development.

Unit 2, **Agriculture and Rural Development**, describes how the development of agriculture is essential not only for promoting rural development but also for overall economic development of the country. It is also well known that the growth of agriculture is the key to eradicate rural poverty and ensure food security.

Unit 3, **Rural Industrialization,** the concept of rural industrialization encompasses facilitating avenues of employment in non-farm activities on a widely dispersed basis nearer to the place of living of the poor. The unit also discusses the relevance of rural industrialization.

Unit 4, **Rural Cooperatives and Banking,** it is well known that **c**ooperatives play a significant role in financing of rural development. A few important roles of rural cooperatives are sustained credit support for agriculture and allied activities, and they act as growth centers for the rural economy.

Unit 5, **Rural Poverty, Unemployment and Development Interventions,** unit discusses about poverty, unemployment and development initiatives taken by the government for tackling these problems.

UNIT 1 RURAL DEVELOPMENT: AN OVERVIEW

Structures

1.1 Introduction
1.2 Rural Development: Meaning And Dynamics
1.3 Basic Elements of Rural Development
1.4 Rural Development Perspectives in India
1.5 Sectoral Programmes of Rural Development in India
1.6 Emerging Issues in Rural Development
1.7 Let Us Sum Up
1.8 References and Selected Readings
1.9 Check Your Progress – Possible Answers

1.1 INTRODUCTION

The developing countries' populations are still largely rural - over 60 per cent in developing countries as a whole, and some 70 percent in Southeast Asia. The majority will undoubtedly still be rural till another twenty years according to an estimate. Population problems are deeply rooted in the rural and agricultural sectors of society. Virtually everywhere, rural fertility is higher than urban fertility. Rural migration is often the prime cause of excessively rapid urbanization. The majority of births in the developing countries, including those of Southeast Asia, continues to take place in rural areas, and will continue to be the case for another quarter century or so. Throughout that period and beyond, maternal and child mortality and other health issues will remain predominantly rural ones. For these few significant but obvious reasons, population dynamics in rural areas deserve much more attention in development policy and programmes than these have so far received.

Rural Development which is concerned with economic growth and social justice, improvement in the living standard of the rural people by providing adequate and quality social services and minimum basic needs becomes essential. The present strategy of rural development mainly focuses on poverty alleviation, better livelihood opportunities, provision of basic amenities and infrastructure facilities through innovative programmes of wage and self-employment. The above goals will be achieved by various programme support being implemented creating partnership with communities, non-governmental organizations, community based organizations, institutions, PRIs and industrial establishments, while the Department of Rural Development will provide logistic support both on technical and administrative side for programme implementation. Other aspects that will ultimately lead to transformation of rural life are also being emphasized simultaneously.

After reading this unit, you will be able to:

- Explain meaning and dynamics of rural development
- Describe basic elements of rural development

- Spell out rural development perspectives in India
- Discuss sectoral programmes of rural development in India
- Describe the emerging challenges of rural development

1.2 RURAL DEVELOPMENT: MEANING AND DYNAMICS

1.2.1 Meaning of Rural Development

The term 'rural development' is of focal interest and is widely acclaimed in both the developed and the developing countries of the world. There is however no universally acceptable definition of rural development and the term is used in different ways and in vastly divergent contexts. As a concept, it connotes over all development of rural areas (Rural areas are those which are not classified as urban areas. They are outside the jurisdiction of municipal corporations and committees and notified town area committees) with a view to improve the quality of life of rural people. In this sense, it is a comprehensive and multidimensional concept and encompasses the development of agriculture and allied activities - village and cottage industries and crafts, socio-economic infrastructure, community services and facilities, and above all, the human resources in rural areas. As a phenomenon, it is designed to improve the economic and social well-being of a specific group of people-the rural poor. As a discipline, it is multidisciplinary in nature representing an intersection of agricultural, social, behavioral, engineering, and management sciences (Kartar Singh, 1986). In the words of Robert Chambers, Rural Development is a strategy to enable a specific group of people, poor rural women and men, to gain for themselves and their children more of what they want and need. It involves helping the poorest among those who seek a livelihood in the rural areas to demand and control more of the benefits of rural development. The group includes small scale farmers, tenants, and the landless.

Thus rural development may mean any one of these, depending upon our focus. To avoid ineffective floundering among the myriad definitions, we shall define rural development as a process of developing and utilizing natural and human resources, technologies, infrastructural facilities, institutions and organizations, and government policies and programme to encourage and speed up economic growth in rural areas, to provide jobs, and to improve the quality of rural life towards self-sustenance. In addition to economic growth, this process typically involves changes in popular attitudes, and in many cases even in customs and beliefs. In a nutshell, the process of rural development must represent the entire gamut of change by which a social system moves away from a state of life perceived as 'unsatisfactory' towards a materially and spiritually better condition of life. The process of rural development may be compared with a train in which each coach pushes the one ahead of it and is in turn pushed by the one behind, but it takes a powerful engine to make the whole train move. The secret of success in development lies in identifying and, if needed, developing a suitable engine to attach to the train. There are no universally valid guidelines to identify appropriate engines of growth if at all they exist. It is a choice which is influenced by time, space, and culture (Kartar Singh, 1986).

1.2.2 Dynamics of Rural Development

The crucial element of the argument is that most poverty in the world is in rural areas, where reaching is not that easy and there is little knowledge about such

rural areas. There is no shortage of narratives about - or prescriptions on – rural development. Past narratives have included 'Community Development', 'the Green Revolution' and 'Integrated Rural Development'. Current narratives include 'a new, doubly-green revolution', 'sustainable agriculture', 'rural livelihoods', promotion of programmes that draws rural investments, growth of rural financial institutions and development of rural enterprises. Embedded in these narratives are the critical choices about rural development policy: state or market; growth or stability; agriculture or non-agriculture; high or low potential areas; expenditure on investment or consumption etc. Different narratives will apply in different places, but all need to be consistent with current thinking on development. Furthermore, the prescriptions currently on offer do not always capture the degree and pace of change in rural areas. Thus, new narratives are needed to deal with challenges such as globalisation, urbanisation, the 'de-agrarianisation' of rural space, the increasing diversity of rural environments, and the special problems of low potential areas - in particular, small-scale farming may be facing unprecedented and unmanageable pressures. There will also be area specific problems in poorly performing states and countries.

There are no universally accepted approaches to rural development. It is a choice influenced by time, space and culture. The term rural development connotes overall development of rural areas to improve the quality of life of rural people. In this sense, it is a comprehensive and multidimensional concept, and encompasses the development of agriculture and allied activities, village and cottage industries and crafts, socio-economic infrastructure, community services and facilities and, above all, human resources in rural areas. As a phenomenon, rural development is the end-result of interactions between various physical, technological, economic, social, cultural and institutional factors. As a strategy, it is designed to improve the economic and social well-being of a specific group of people – the rural poor. As a discipline, it is multi-disciplinary in nature, representing an intersection of agriculture, social, behavioural, engineering and management sciences. (Katar Singh 1999).

After reading this section, you will have gained an idea of he term, rural development. Now you should be able to answer the questions given in *Check Your Progress 1*.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) How would you define rural development?

.....

.....

.....

2) Discuss the dynamics of rural development.

.....

.....

.....

1.3 BASIC ELEMENTS OF RURAL DEVELOPMENT

"India lives in its villages" - Mahatma Gandhi.

Rural India accounts for roughly 70% of the population located in almost 6, 27,000 villages. There is a vast gap between rich & the poor and urban and rural population of India. Only 31% of the adult rural population has access to institutionalized credit. 64% to 97% of the rural population is in the clutches of informal channels like local moneylenders. Further, they do not even have the basic amenities like food, shelter, drinking water, sanitation, health, education and housing facilities. For providing quality life to rural populace and empowering this deprived segment of society, a holistic approach is necessary. Though the efforts are being made by the Central and State Governments through a variety of measures like *Bharath Nirman* etc., to reach this segment of the society, we are not able match the requirements of the rural populace. To bridge the gap in resources, Government has been inviting Banks to participate in these nation-building activities.

In the Indian context, rural development assumes greater significance as 72.22 per cent (according to the 2001 census) of its population still live in rural areas. Most of the people living in rural areas draw their livelihood from agriculture and allied sectors (60.41 % of total work force), and poverty mostly persists here (27.1 % in 1999-2000). At the time of independence around 83 per cent of the Indian population was living in rural areas. According to 2011 census the rural and urban population profile is presented in Table 1. Accordingly, from the very beginning, our planned strategy emphasized rural development and will continue to do so in future. Strategically, the focus of our planning was to improve the economic and social conditions of the underprivileged sections of rural society. Thus, economic growth with social justice became the proclaimed objective of the planning process under rural development. It began with an emphasis on agricultural production and consequently expanded to promote productive employment opportunities for rural masses, especially the poor by integrating production, infrastructure, human resource and institutional development measures.

The basic objectives of the rural development programmes have been alleviation of poverty and unemployment through creating basic social and economic infrastructure, self employment of rural poor and to provide wage employment to marginal farmers, landless labourers so as to discourage seasonal and permanent migration to urban areas. Under the decentralized planning process, rural development programmes have assumed greater significance as their planning and implementation has been transferred to Pachayati Raj Institutions (PRIs). Department of Rural Development is responsible for effective implementation of many Centrally Sponsored Schemes (CSS) of Rural Development Ministry and state sector schemes of similar and complementary nature. In all the Centrally Sponsored Schemes, the district wise physical and financial targets are decided by the Ministry of Rural Development, Government of India. The development of rural areas and improvement in the quality of life of the rural people has been the primary concern of the department. In order to correct the development imbalance and to accord due priority to rural areas, a number of initiatives have been taken

by the department for the creation of social and economic infrastructure in rural areas.

Table 1: State-wise Distribution of Population by Age-group (Rural/Urban) (Per Cent) (2011)

States	Rural							Urban						
	Below 10	10–19	20–39	40–59	60–79	80& above	All	Below 10	10–19	20–39	40–59	60–79	80 & above	All
Andhra Pradesh	15.8	18.3	34.6	21.9	8.9	0.7	100	15.5	16.6	36.1	24.7	6.7	0.4	100
Assam	21.2	21.9	34.0	16.9	5.6	0.5	100	15.4	17.3	38.8	22.0	6.1	0.5	100
Bihar	24.7	24.7	28.7	14.9	6.3	0.5	100	20.2	22.7	32.3	17.6	6.7	0.5	100
Chhattis garh	21.6	19.7	33.0	18.4	6.9	0.4	100	17.5	19.3	36.2	20.7	6.0	0.4	100
Delhi	20.7	20.7	37.3	15.7	4.9	0.5	100	17.9	19.1	38.3	18.7	5.5	0.5	100
Gujarat	18.8	20.3	32.7	19.6	8.0	0.7	100	16.8	17.5	36.9	21.0	7.1	0.7	100
Haryana	19.5	21.6	34.4	17.3	6.5	0.8	100	18.3	19.6	35.9	19.7	6.1	0.6	100
Himachal Pradesh	16.7	18.4	33.2	21.2	9.1	1.4	100	13.2	17.0	34.6	26.5	7.8	0.9	100
Jammu & Kashmir	16.8	21.2	35.7	18.4	7.2	0.9	100	12.3	16.5	38.2	23.1	8.9	0.8	100
Jharkhand	21.9	24.4	31.0	16.3	6.1	0.5	100	17.7	20.8	35.2	19.2	6.4	0.5	100
Karnataka	17.0	19.1	34.3	20.8	8.1	0.7	100	16.3	17.4	37.5	21.4	6.9	0.6	100
Kerala	15.1	15.8	30.9	25.6	11.1	1.5	100	14.8	15.5	30.9	26.5	11.2	1.2	100
Madhya Pradesh	21.4	22.8	32.0	16.6	6.6	0.5	100	18.1	20.3	35.5	19.1	6.4	0.5	100
Maharashtra	18.9	19.4	31.5	19.7	9.4	1.0	100	16.6	17.1	37.3	21.0	7.2	0.6	100
Odisha	18.1	20.0	32.7	19.7	8.7	0.8	100	15.4	18.1	36.2	22.2	7.4	0.7	100
Punjab	16.5	19.2	34.4	19.9	8.7	1.3	100	16.9	17.4	35.2	21.7	8.0	0.8	100
Rajasthan	21.6	23.9	31.9	15.5	6.6	0.7	100	18.1	20.5	35.3	18.8	6.7	0.7	100
Tamil Nadu	15.7	16.4	33.9	23.0	10.0	1.0	100	14.8	15.2	36.1	23.9	9.2	0.9	100
Uttar Pradesh	22.0	25.3	30.9	14.9	6.4	0.6	100	18.3	22.4	35.3	17.4	5.9	0.5	100
West Bengal	17.4	20.4	34.8	19.9	7.0	0.6	100	12.8	15.4	36.3	25.3	9.3	1.0	100
All-India	**19.8**	**21.7**	**32.4**	**18.1**	**7.5**	**0.7**	**100**	**16.5**	**18.2**	**36.1**	**21.2**	**7.3**	**0.7**	**100**

Source: *Sample Registration System (SRS) Statistical Report 2011, Census of India website (http://www.censusindia.gov.in/vital_statistics/SRS_Report/12SRS%20Statistical%20Report%20Table%20-%2020111.pdf, accesssed on 7 May 2013).*

Irrespective of the geographic location, culture, and historical stage of development of a society, there are at least three basic elements which are considered to constitute the 'true' meaning of development. First and foremost is life sustenance, this refers to the basic needs without which it would be impossible or very difficult to survive. These basic necessities include food, clothes, shelter, health care and security. When any of these are absent or in critically short supply,

we may state that a condition of 'absolute underdevelopment' exists. Provision of these 'life sustaining' requirements to everybody is a basic function of all economies whether they be capitalist, socialist, or mixed. In this sense, we may claim that economic growth (increased availability of basic necessities) is a necessary condition for the improvement of the 'quality of life' which is development.

The second element of development is self respect. This is true for every person and every nation seeks some basic form of self-respect, dignity or honour. Absence or denial of self-esteem indicates a lack of development. The next element is freedom; in this context freedom refers to political or ideological freedom and freedom from social servitude. As long as a society is bound by the servitude of men, to nature, ignorance, other men, institutions and dogmatic beliefs, it cannot claim to have achieved the goal of 'development'. Servitude in any form reflects a state of underdevelopment. The new economic view of development considers reduction or elimination of poverty, inequality and unemployment as an important index of development. Dudley Seers succinctly tackled the basic question of the meaning of development when he wrote: The questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development of the country concerned. If one or two of these central problems have been growing worse, especially all three, it would be strange to call the result 'development' even if per capita income gets doubled.

While economic progress is an essential component of development, it is not the only one, as development is not purely an economic phenomenon. In an ultimate sense, it must encompass more than the material and financial side of peoples lives. Development should, therefore, be perceived as a multidimensional process involving the reorganization and reorientations of entire economic and social systems. In addition to improvements in incomes and output, it involves radical changes in institutional, social and administrative structures, as well as in popular attitudes and, in many cases, even customs and beliefs. Finally, although development is usually defined in a national context, its widespread realization may necessitate fundamental modifications of the international economic, social and political systems as well. The Vedic prayer, *sarve sukhinaha santu, sarve santu niramayaha*, i.e, may everybody (in this universe) be happy and healthy, highlights the global and multidimensional nature of development.

All societies must have at least the following objectives irrespective of what dev elopement means to them.

1) To increase the availability and widen the distribution of basic life-sustaining articles such as food, clothes, shelter, health care and security.

2) To raise standards of living, including, in addition to higher purchasing power, the provision of more jobs, better education, and greater attention to cultural and humanistic values.

3) To expand the range of economic and social choice to individuals by freeing them from servitude and dependence.

1.4 RURAL DEVELOPMENT PERSPECTIVE IN INDIA

The rural development perspective and programs in India is guided and influenced by the initiatives of the Ministry of Rural Development, Government of India. In October 1974, the Department of Rural Development came into existence as a part of Ministry of Food and Agriculture. On 18th August 1979, the Department of Rural Development was elevated to the status of a new Ministry of Rural Reconstruction. It was renamed as Ministry of Rural Development on 23rd January 1982. In January 1985, the Ministry of Rural Development was again converted into a Department under the Ministry of Agriculture and Rural Development which was later rechristened as Ministry of Agriculture in September 1985. On July 5, 1991 the Department was upgraded as Ministry of Rural Development. Another Department viz. Department of Wasteland Development was created under this Ministry on 2nd July 1992. In March 1995, the Ministry was renamed as the Ministry of Rural Areas and Employment with three departments namely Department of Rural Employment and Poverty Alleviation, Rural Development and Wasteland Development.

Again, in 1999 Ministry of Rural Areas and Employment was renamed as Ministry of Rural Development. This Ministry has been acting as a catalyst effecting the change in rural areas through the implementation of wide spectrum of programmes which are aimed at poverty alleviation, employment generation, infrastructure development and social security. Over the years, with the experience gained, in the implementation of the programmes and in response to the felt needs of the poor, several programmes have been modified and new programmes have been introduced. The Ministry's main objective is to alleviate rural poverty and ensure improved quality of life for the rural population especially those below the poverty line. These objectives are achieved through formulation, development and implementation of programmes relating to various spheres of rural life and activities, from income generation to environmental replenishment.

In order to ensure that the fruits of economic reform are shared by all sections of societies five elements of social and economic infrastructure, critical to the quality of life in rural areas, were identified. These are health, education, drinking water, housing and roads. To impart greater momentum to the efforts in these sectors the Government launched the Pradhan Mantri Gramdoya Yojana (PMGY) and the Ministry of Rural Development was entrusted with the responsibility of implementing drinking water, housing and rural roads component of PMGY.

During the Ninth Plan period, several anti-poverty Programmes have been restructured to enhance the efficiency of the Programmes for providing increased benefits to the rural poor. Self Employment Programmes were revamped by merging the Integrated Rural Development Programme (IRDP), the Development of Women and Children in Rural Areas (DWCRA), the Supply of Improved Tool-Kits to Rural Artisans (SITRA), the Training of Rural Youth for Self Employment (TRYSEM), the Ganga Kalyan Yojana (GKY) and the Million Wells Scheme (MWS) into a holistic self-employment scheme called Swarnjayanti Gram Swarozgar Yojana (SGSY).

Keeping in view the needs and aspirations of the local people, Panchayati Raj Institutions (PRIs) have been involved in the programme implementation and

these institutions constitute the core of decentralized development of planning and its implementation. The Ministry vigorously pursue with the State Governments for expeditious devolution of requisite administrative and financial powers to PRIs as envisaged under 73rd Amendment Act of the Constitution of India. On 25th December 2002, under Drinking Water Sector, a new initiative 'Swajal Dhara' empowering the Panchayats to formulate, implement, operate and maintain drinking water Projects was launched. In order to further involve PRIs in the development process, a new initiative 'Hariyali' was launched by Hon'ble Prime Minister on 27th January, 2003. Hariyali was launched to strengthen and involve Panchayati Raj Institutions in the implementation of watershed development programmes namely IWDP, DPAP and DDP.

The empowerment of rural women is crucial for the development of rural India, a women's component is introduced in the programmes for poverty alleviation to ensure flow of adequate funds to this section. The Constitutional Amendment (73rd), Act 1992 provides for reservation of selective posts for women. The Constitution has placed enormous responsibility on the Panchayats to formulate and execute various programmes of economic development and social justice, and a number of Centrally Sponsored Schemes are being implemented through Panchayats. Thus, women Members and Chairpersons of Panchayats, who are basically new entrants in Panchayats, have to acquire the required skill and be given appropriate orientation to assume their rightful roles as leaders and decision makers. Imparting training to elected representatives of PRIs is primarily the responsibility of the State Governments/Union territory Administrations. Ministry of Rural Development also extends some financial assistance to the States/UTs with a view to improve the quality of training programmes and to catalyze capacity building initiatives for the elected members and functionaries of PRIs.

The Eleventh Plan saw injection of huge resources from the Union Budget to the rural and farm sector. This thrust formed the substance of the Bharat Nirman Programme. The Mahatma Gandhi National Rural Employment Guarantee Act has provided a major foundational support. Department of Drinking Water and Sanitation has been separated from the Ministry of Rural Development from 13th July, 2011 and renamed as Ministry of Drinking Water and Sanitation.

The following major programmes are being operated by the Ministry of Rural Development in rural areas,

- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) for providing wage employment,
- National Rural Livelihoods Mission (NRLM) for self employment and skill development,
- Housing for All : Pradhan Mantri Awaas Yojana - Grameen (PMAY-G) for providing housing to BPL households,
- Pradhan Mantri Gram Sadak Yojana (PMGSY) for construction of quality roads,
- National Social Assistance Programme (NSAP) for social pension,
- Shyama Prasad Mukherjee RURBAN Mission,
- Integrated Watershed Management Programme (IWMP) for improving the productivity of the land.

In addition, the Ministry also has schemes for capacity development of rural functionaries; Information, Education and Communication; and Monitoring and Evaluation.

1.5 SECTORAL PROGRAMMES OF RURAL DEVELOPMENT IN INDIA

India is a country of villages and about 50% of the villages have very poor socio-economic conditions. Since the dawn of independence, concerted efforts have been made to ameliorate the living standard of rural masses. So, rural development as an integrated concept of growth and poverty elimination has been of paramount concern in all the consequent five year plans. Rural Development (RD) programmes comprise the following:

- Provision of basic infrastructure facilities in the rural areas e.g. schools, health facilities, roads, drinking water, electrification etc.
- Improving agricultural productivity in the rural areas.
- Provision of social services like health and education for socio-economic development.
- Implementing schemes for the promotion of rural industry increasing agriculture productivity, providing rural employment etc.
- Assistance to individual families and Self Help Groups (SHG) living below poverty line by providing productive resources through credit and subsidy.

During the plan periods, there have been shifting strategies for rural development. The First Plan (1951-56) was a period when community development was taken as a method and national extension services as the agency for rural development. Co-operative farming with local participation was the focus of the Second Plan (1956-61) strategy. The Third Plan (1961-66) was the period of re-strengthening the Panchayati Raj System through a democratic decentralized mechanism. Special Area Programmes were started for the development of backward areas in the Fourth Plan (1969-74). In the Fifth Plan (1974-79), the concept of minimum needs programme was introduced to eradicate poverty in rural areas. There was a paradigm shift in the strategy for rural development in the Sixth Plan (1980-85). The emphasis was on strengthening the socio-economic infrastructure in rural areas, and initiatives were taken to alleviate disparities through the Integrated Rural Development Programme (IRDP). During the Seventh Plan (1985-90), a new strategy was chalked out to create skill-based employment opportunities under different schemes. Special programmes for income generation through creation of assets, endowments and land reforms were formulated for participation by the people at the grassroots level.

The focus of the Eighth Plan (1992-97) was to build up rural infrastructure through participation of the people. Priorities were given to rural roads, minor irrigation, soil conservation and social forestry. Strategic changes were made in the Ninth Plan (1997- 2002) to promote the process of nation-building through decentralized planning. Greater role of private sector was also ensured in the development process. The Ninth Plan laid stress on a genuine thrust towards decentralization and people's participation in the planning process through institutional reforms. It emphasized strengthening of the panchayati raj and civil society groups for promoting transparency, accountability and responsibility in the development

process. The role of the government, in general, had to shift, from being the provider, to the facilitator of development processes by creating right types of institutional infrastructure and an environment conducive to broad-based economic development.

The thrust of the Tenth Plan (2002-2007) had set a target for reduction of poverty and creation of high quality gainful employment during the Plan period. Effective implementation of anti-poverty programmes and the challenge to provide employment opportunities led to enhanced incomes. This became more important in view of the fact that substantial additions to labour force were experienced during the next five years. Target of constructing 2.83 lakhs houses was fixed. Against this target, 3.10 lakh houses were constructed under Indira Awas Yojana. During Tenth Plan period 2.11 lakh families have been benefited under Swarna Jayanti Gram Swarojgar Yojana. Out of this, 1.23 lakh beneficiaries i.e. about 58% are from SC/ST category. Enlargement of self and wage-employment programmes and their effective delivery were the highlights of the period rural development programmes. The renewed emphasis on rural development is also visible in the commensurate progressive increase in the allocation of resources for implementation of poverty alleviation programmes. For the Tenth Five Year Plan, the allocation of funds for rural development programmes had been enhanced to Rs. 76,774 crore as against Rs. 42,874 crore in Ninth Plan.

The Eleventh Plan (2007-2012) targeted rapid and inclusive growth as its priority. Growth is a pre-requisite for development as it provides the basis for expanding incomes and employment necessary for social uplift. Table 2 gives State-wise share of non-agriculture in total employment in rural India. The main emphasis is on the Social sector and delivery of services therein. Education, in particular, has been accorded utmost priority during the 11th Five Year Plan period. Adequate provision has been made for the state share in continuing Centrally Sponsored Schemes like Swarna Jayanti Gram Swarozgar Yojana (SAGSY), India Awas Yojana (IAY), Integrated Waste Land Development Programme (IWDP), Drought Prone Area Programme (DPAP), Mid Day Meal Scheme, DRDA Administration and National Rural Employment Guarantee Scheme (NREGS).

Table 2: State-wise Share of Non-agriculture in Total Employment (Rural) (Per Cent) (1993–94, 1999–2000, 2004–05 and 2009–10)

States	1993–94	1999–2000	2004–05	2009–10
Andhra Pradesh	20.7	21.2	28.2	31.3
Arunachal Pradesh	13.6	16.6	18.1	24.3
Assam	20.8	32.3	25.7	29.5
Bihar	15.7	19.4	22.1	33.1
Chhattisgarh	-	-	13.8	15.1
Delhi	89.7	92.5	92.8	100.0
Goa	54.6	71.3	64.7	76.1
Gujarat	21.3	20.2	22.7	21.7
Haryana	28.1	31.5	35.9	40.2
Himachal Pradesh	19.7	26.4	30.4	37.1
Jammu & Kashmir	24.2	23.7	36.1	40.3

Jharkhand	-	-	30.0	45.2
Karnataka	18.8	17.9	19.0	24.3
Kerala	43.6	51.7	58.0	64.3
Madhya Pradesh	10.2	12.9	17.5	17.6
Maharashtra	17.4	17.4	20.0	20.6
Manipur	36.2	24.7	30.7	46.6
Meghalaya	14.0	13.5	18.2	29.3
Mizoram	11.1	14.5	12.6	19.4
Nagaland	25.1	20.3	20.7	25.9
Odisha	19.1	21.8	31.0	32.4
Punjab	25.3	27.4	33.1	38.2
Rajasthan	20.1	22.3	27.1	36.7
Sikkim	41.4	39.2	39.5	46.1
Tamil Nadu	29.5	32.1	34.6	36.3
Tripura	52.4	54.3	56.8	69.4
Uttar Pradesh	20.0	23.8	27.2	33.1
Uttarakhand	-	-	21.6	30.5
West Bengal	36.7	36.4	37.3	43.7
All-India	**21.6**	**23.7**	**27.3**	**32.1**

Note: All data pertain to usually working persons in the Principal Status (PS) and Subsidiary Status (SS) taken together.

Some of the major sectors where a number of developmental programmes have been initiated by the Government of India are broadly classified under following nine areas as mentioned below are:

1) Rural Poverty Alleviation and Employment
2) Rural Housing
3) Rural Roads
4) Rural Sanitation
5) Rural Education
6) Rural drinking Water
7) Rural Energy
8) Rural Food Security
9) Rural Health

1.5.1 Rural Poverty Alleviation and Employment

Some of programmes launched for alleviation of rural poverty and creation of employment in India can be broadly categorized as: (a) Area Development Programmes; (b) Integrated Development Programmes; (c) Wage Employment Programme and (d) Self employment programme

a) Area Development Programme

Drought Prone Area Development Programme (DPAP)

The DPAP was launched in 1973 with the objective to develop adequate infrastructure and bring about integrated area development; and to increase productivity and employment opportunities. The thrust areas of the programme are (i) water management; (ii) soil and moisture conservation; (iii) afforstation; (iv) livestock development; (v) promotion of draught resistant crops; (vi) diversification of agriculture and (vii) pasture development.

Command Area Development Programme (CADP)

The CADP was launched in 1974-75 with the main objective of improving the utilization of created irrigation; potential and optimising agricultural productivity. The programme enhanced the irrigation facility and productivity in various states. It had helped to ameliorate poverty and create employment opportunity in rural areas.

Hill Areas Development Programme (HADP)

The HADP was launched in 1975 with two main objectives (i) eco restoration, eco development and eco preservation; and (ii) economic upliftment of the tribals. The activities undertaken under the scheme are development of land use plan' conserve soil and water to increase productivity of land by using vegetative methods and changing cropping pattern; promotion of non conventional energy sources; and economic upliftments of tribals in isolated locations and settlements. The programme basically aimed poverty reduction and employment generation among the people residing in hilly areas.

Desert Development Programme (DDP)

The DDP was launched in 1975. The main objective of the programme was to combat draughts and desertification and to raise the livelihood conditions of the people living in those areas. The activities undertaken were restoration of ecological balance, soil and water conservation, stabilize sand dunes and take care of livestock and people. The programme strived to improve the economic condition of the people through the creation, widening and equitable distribution of resources and increased employment opportunities.

Watershed Development Programmes Under DPAP and DDP

The Drought Prone Areas Programme (DPAP), Desert Development Prograamme (DDP) and Integrated Wasteland Development Programme (IWDP) are being implemented on watershed basis and aim at drought proofing and controlling desertification by regeneration of depleted natural resource base. All these three programmes were brought under the Guidelines for Watershed Development with effect from 1.4.1995.

b) Integrated Development Programme

Some of the important integrated development programmes initiated by the government of India for the development of rural areas are as follows.

Small Farmers Development Agency (SFDA) / Marginal Farmers and Agricultural Laborers Development Agencies (MFALDA)

These two agencies were set up in 1971. The main thrust of the SFDA was to identify small farmers and make them available various facilities i.e. arrangement for irrigation; credit facilities for digging wells and tube-wells; make availability of improved seeds, fertilizers and machinery for land leveling; provide facilities of storage, transportation, processing and marketing of their product; render other essential services like Credit, Training and other raw materials. The main thrust of the SFDA was to prepare appropriate plans to improve the economic condition of poor.

The MFALDA had emphasis on identify marginal farmers and agricultural laborers; formulate economic programme for providing them gainful employment; providing facilities for the production, processing, storage and marketing of their products; make provision of adequate institutional, financial and administrative arrangement for the economic well-being of these poor group of farmers. The various activities promoted under this programme are poultry farming, animal husbandry, agro-industries, art and crafts, carpentry, shoe making, pottery, embroidery and similar kind of vocational employment generating activities.

20 Point Programme

The first 20 Point Programme was announced in July, 1975 and the second in revised form in July, 1982. The main objectives of the programme was ensuring social justice, relieving unemployment and eradicating poverty. In 1986, the Government again restructured the programme and with the stated goal to "remove poverty and create further employment."

Some of the major thrust areas to contain poverty were:

- Effective implementation of poverty eradication programme in every village.
- Dovetail wage employment programme with programmes for areas development and human resource development and create national and community assets like school buildings, roads, tanks and fodder reserves.
- Correlate various rural development programmes to improve productivity, production and expand rural employment.
- Promote handlooms, handicrafts, village and small industries and improve skills for self-employment.

Integrated Rural Development Programme (IRDP)

The IRDP programme was launched in 1980. The main purpose of the scheme was instead of multiplicity of programmes operated through multiplicity agencies for the upliftment of rural poor, as single integrated programme was suggested. The main objective is to enable the selected families to cross the poverty line through a strategy of productive assets endowment. The programme aims at making the family economically viable and self sustaining. The thrust areas of the programme are as follows:

- Raise the production and productivity in agriculture and allied sector by providing access to inputs like water, improved seeds and fertilizers to the rural poor.
- Diversification of agriculture through animal husbandry, dairying, forestry, fishery, sericulture etc.
- Promotion of post harvesting technology and agro processing industries.

The programme aims at integrated development of primary secondary and tertiary sectors. In the primary sector programmes for agriculture, animal husbandry, fisheries and forestry development will be identified. The secondary sector will focus on the programmes for village and cottage industries, skill formation and supporting service. While the tertiary sector be developed by creating facilities for organized marketing, processing and allied activities for observing increasing number of local people.

c) Wage Employment Programme

National Rural Employment Programme (NREP)

The NREP was launched in 1980 as a centrally sponsored scheme on 50:50 sharing basis between the centre and the states. The three main objectives of the scheme were

- generating additional gainful employment
- creating durable community assets
- improving overall quality of life in rural areas

All type of work which aims at creating durable community assets such as village road, ponds, water bodies etc., were undertaken in the programme. The identified works based on the felt needs of the rural community are passed in the Gram Sabha. Later on these projects are implemented through the village panchayats.

Rural Landless Employment Guarantee Programme (RLEGP)

RLEGP was launched in the year 1983. The main goal of the programme was to generate additional employment in rural areas particularly for the landless workers. The programme was a central scheme, fully funded by the Central Government. The programme like the NREP also aimed at improving the quality of life of the people living in rural areas and to create productive and durable assets for strengthening rural infrastructure.

Food for Work Programme (FFWP)

FFWP was launched in the year 1977. The aim was to generate additional gainful employment in rural areas, create durable community assets, strengthen social and rural infrastructure and to raise standard of living. The wages were paid in the form of food grains and government surplus stocks were used for the purpose of ensuring food grain supply. Some of the important objectives of the programme are:

- To provide supplementary resources along with other aids to the rural poor of the backward districts
- To provide supplementary wage employment to the poor rural populace of the backward districts
- To provide security pertaining to food to the rural poor of the backward districts
- To facilitate the creation of common economic and social assets for the rural areas

Jawahar Rozgar Yojana (JRY)

JRY was launched in 1989 by merging the two scheme such as NREP and RLEGP. The JRY aims to alleviate poverty through creating supplementary employment opportunities for the rural poor during agricultural slack periods. The other objectives of the scheme are creation of social assets such as roads, public forests, school building etc. The fund under JRY is shared between the Centre and the states on 80:20 ratio.

Employment Assurance Scheme (EAS)

The EAS was launched in 1993-94 for creating additional employment in rural areas for rural poor. EAS is quite similar to JRY except than as assurance of 100 days employment (unskilled manual work) on minimum wage upto two members of a family in the age group of 18 to 60 years to all those rural poor who seek employment in the lean agro season.

Sampoorna Grameen Rozgar Yojana (SGRY)

SGRY was launched in 2001 by merging two schemes such as EAS and JGSY (Jawahar Gra Samridhi Yojana) with the objective of providing additional wage employment and food security to rural poor. Special emphasis was given on women, scheduled castes, scheduled tribes and parents of children withdrawn from hazardous occupations. The wages under the scheme shall be partly in food grains and partly in cash. The programme aims at creation of durable community assets. Under the programme 50% of the funds and food grains was made available in Zilla Praishad and Intermediate Panchayats in the ratio of 40:60 for implementation and other 50% of funds and food grains is available to village panchayat for implementation. The programme was implemented as a centrally sponsored scheme on cost sharing basis between the centre and the states in the ratio of 75%25 of the cash component of the programme. Food grains is supplied free of cost to the state by the centre.

The National Rural Employment Guarantee Scheme

The NREGS was launched in 2004 in 200 backward districts and later on extended to the entire district in the country in 2008. The National Rural Employment Grantee Act (NREGS) (herein after referred as NREGS) was enacted in 2005 aims at to provide a minimum guaranteed wage employment of 100 days in every financial year to rural households with unemployed adult members prepared to do unskilled manual work. The scheme is a strategic attempt to fight the conundrums of poverty and unemployment, which are intrinsically interlinked. The NREGS indirectly aims at making employment as a human right.

It is pertinent to note here that three articles of the constitution of India have bearing on the right to work and these are listed in the Directive Principles of State Policy. Those are: (i) Article 39 envisage that the state to direct its policy towards securing for all its citizens, men and women, the right to an adequate means of livelihood. Article 41 enjoins the state to make effective provision for securing the right to work, to education and to public assistance in case of unemployment, old age, sickness and disablement and in any other of undeserved want, all within the economic capacity of the state. Article 43 direct the state to secure to all its citizens, work, living wage conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities. Unemployment is a cause of poverty.

Development of Women and Children in Rural Areas (DWCRA)

The DWCRA was launched during 1982-83 in a sub scheme of IRDP. The primary objective of the scheme is to provide self employment opportunities to the women members of the rural families below the poverty line. A distinct feature of DWCRA is that it is a group strategy as against the family as a Unit of assistance under IRDP. Under DWCRA, a group of women consisting of 10-15 women encouraged to take up economic activities suited to their skill, aptitude and local conditions. In addition to the benefits of loan subsidy of IRDP to individual member; each group of women under DWCRA is given a lump sum grant of Rs.15,000/- as 'revolving fund' for the purchase of raw materials and meet other revolving expenses.

d) Self Employment Programme

Training of Rural Youth for Self Employment (TRYSEM)

The TRYSEM was launched as a centrally sponsored scheme in 1979. The main aim of the scheme is to generate employment opportunities for the unemployed educated youth. The main thrust of the scheme is to equip the rural youth in the age group of 18-35 years with necessary skills and technology to take up vocational self employment activities in agriculture and allied activities, industry services and business. The training is imparted to these youth through local servicing and industrial units, master craftsman, artisans and skilled workers. The provision of tool kits and subsidy was there for these youth.

Support for Training and Employment (STEP)

Under the programme marginalized and asset-less women are provided training in new techonologies in agriculture, dairying, horticulture, fishries handcrafts, handlooms, etc. The women were deived into gropus ad provided with necessary infrastructure, managerial and marketing support for productive activities on sustainable basis.

Swarnajayanthi Gram Swarozgar Yojana (SGSY)

The magnitude of poverty and disparities that existed between the various social groups necessitated planned state intervention to provide succour and relief particularly to the disadvantaged and marginalised groups such as SC/ST, women etc. Keeping this in view and having regard to the positive aspects as well as deficiencies, the earlier self employment programmes like TRYSEM, SITRA, GKY, DWCRA, IRDP and MWS were merged and a new self employment programme viz., SGSY was launched w.e.f.1-4-1999.

The SGSY is conceived as a holistic programme of micro enterprises covering all aspects of self employment and establishing effective linkages between the various components viz., organization of the rural poor into Self Help Groups (SHGs), their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing etc. The main objective of the programme is to bring the existing poor families above the poverty line. Among the rural poor, special emphasis will be given for the welfare of SCs/STs, women and disabled. The programme lays emphasis on organization of poor into Self Help Groups (SHGs) and their capacity building.

Sampoorna Grameen Rozgar Yojana (SGRY)

Creation of sustained employment opportunities for securing a minimum level of employment and income for the rural poor necessitated continuous need for special employment programmes. Keeping the above aim and to strengthen the need based infrastructure at the village level to boost the rural economy the erstwhile wage employment programmes JGSY and EAS were merged and a new scheme namely SGRY was launched from 15th August 2001. The main objective of the new programme is to provide additional wage employment in the rural areas as food security by creation of durable community social and economic assets and infrastructure development in rural areas. Towards this end the SGRY envisages distribution of food grains @ 5 kg per man day to the workers as part wages. While the cash component will be shared by the Centre and States in the ratio of 75:25, the Central Government will supply the food grains free of cost to the States.

1.5.2 Rural Housing

The aim of the Government is to provide a dwelling for each family giving special emphasis to rural poor and deprived. With this background rural housing programmes was initiated.

Indira Awaas Yojana

It was initiated with a view to meeting the housing needs of the rural poor; Indira Awaas Yojana (IAY) was launched in May 1985 as a subscheme of Jawahar Rozgar Yojana. It is being implemented as an independent scheme since 1 January 1996. It aims at helping below poverty line rural households belonging to SCs/ STs, free bonded labourers, widows of next of kin of defence personnel, ex-servicemen and retired members of the paramilitary forces and also non SC/ST rural poor by providing them with grant-in-aid for construction of new dwelling units and upgradation of existing unserviceable kutcha houses. 3% of funds are reserved for the benefit of disabled poor below the poverty line in rural areas. The assistance ceiling for each house in plain area is fixed at Rs. 20,000/- and for hill/ difficult areas Rs. 22,000. In order to enable fire proof RCC roofed houses to be provided, the State Government provides additionally Rs. 12,000 per house as additional cost apart from its usual matching share to the Central grant. The expenditure towards provision of RCC roofing is met under Adi-dravida Welfare head. Therefore, the unit cost including sanitary latrine under this scheme is Rs. 32,000/- in normal terrain and Rs. 34,000 in difficult terrain. 80% of the IAY funds is earmarked for construction new houses and 20% is towards upgradation of unserviceable kutcha houses at the rate of Rs. 10,000/- per unit. The funds under IAY are shared between Centre and States in the ratio of 75:25.

Credit cum Subsidy Scheme

The Credit-cum-Subsidy Scheme has been conceived for rural households having an annual income upto Rs. 32,000/-. Subsidy upto Rs. 10,000/- and loan up to Rs. 40,000/- from commercial or co-op. banks is provided to eligible households for construction of houses.

Innovative Stream for Rural House and Habitat Development Scheme

This scheme intends to popularize low cost technology and usage of locally available materials in construction of buildings in rural areas. Innovative

technology adopted for the rural house type design in the scheme are:

- Rat-trap bond brick work, hollow blocks and soil stabilized cement mortar for construction of walls.
- Filler slab roofing using Mangalore tiles as filler material for roofing.
- Ferro cement / pre cast RCC doors, window, frame and shelter and
- Brick baf with plastering for flooring.

Under this scheme free houses are constructed for the rural poor. Infrastructure facilities such as drinking water, drainage, street formation etc., are provided by dovetailing funds under other ongoing schemes in the habitations developed under this scheme. This scheme is fully funded by the Government of India.

Samagra Awaas Yojana

This is a comprehensive Housing Scheme with a view to ensuring integrated provision of shelter, sanitation and drinking water. This is being implemented in one block each off 25 districts of 24 States and one UT. The role of PRIs in implementation of this scheme is:

- The Zila Parishad, the Block Samiti and the Gram Panchayat will be fully involved in the implementation of this Scheme.
- The special IEC funds of Rs. 5 lakh per district and habitat development funds of Rs. 20 lakh will be routed through DRDAs. DRDAs/ZPs and Public Health Department will be the main implementing agencies.

Pradhan Mantri Gramodaya Yojana (PMGY) (Rural Shelter Component)

This scheme has been introduced by the Government of India under additional Central assistance for providing shelter in the rural areas to supplement the efforts in the sphere of rural housing considering the magnitude of the task. The guidelines of Indira Awaas Yojana are applied for this scheme also. 60% of the total allocation is earmarked for SC/ST beneficiaries.

1.5.3 Rural Road

In order to improve rural connectivity and communication, a special programme called as the *Pradhan Mantri Gram Sadak Yojana* (PMGSY) was launched in 2000-2001.

Pradhan Manthri Gram Sadak Yojana (PMGSY)

The Pradhan Mantri Gram Sadak Yojana (PMGSY) is a Government of India Scheme introduced in the year 2000-2001 with the objective of providing road connectivity through good all weather roads to all unconnected rural habitations having population above 1000 by 2003 and all unconnected habitations having population of 500 and above by end of Tenth Plan period (2007). Under this programme the approved works are grouped into packages costing more than Rs. 1 crore but less than Rs. 5 crores and executed through tender system. The guidelines stipulate that district master plans would be prepared. A District Rural Road Plan is prepared for each district indicating the habitations in each block with the existing status of road connectivity. The scheme will be fully funded by the Government of India.

1.5.4 Rural Sanitation

To provide more and more sanitation facilities to rural population and generate awareness about health education and eradicate manual scavenging, the Total Sanitation Campaign scheme under RCRSP will be continued during the Tenth Five Year Plan period. The Total Sanitation Campaign envisages a demand driven approach with greater public participation and more emphasis given for IEC activities to create awareness among the rural masses. The project would be implemented in 24 months spread over 3 years in select districts with the ultimate objective of covering 80% rural population under sanitation. The expenditure on this scheme is shared by the Central and State Government on 80:20 basis. An outlay of Rs. 19.15 crores has been provided under the Tenth plan.

Integrated Rural Sanitation and Water Supply Project with DANIDA Assistance

This scheme aims to improve the health and sanitary condition in the project area villages through integrated approach to provide safe drinking water and sanitation through participatory and demand driven approach. This programme is being implemented with DANIDA assistance. Water supply works, individual household latrines and institutional latrines are taken up in the project area. The outlay provided is Rs. 16.27 crores.

Central Rural Sanitation Programme (CRSP)

This programme aims at improving the general quality of life in rural areas; accelerating coverage in rural areas; generating demand through awareness creation and health education; and controlling incidence of water sanitation related diseases. The role of PRIs in implementation of this scheme is:

- Total Sanitation Campain (TSC) is a community based programme where Panchayati Raj Institutons are in the forefront.
- As per TSC Guidelines, the implementation at the district level is to be done by the District Panchayats. Panchayats at block and village level are to be fully involved for implementation of the programme.
- Where District Panchayat is not in a position to implement the programme, it is being implemented by District Water & Sanitation Mission which is chaired by Chairperson of District Panchayat and the Village Committees are chaired by the Chairpersons of Gram Panchayats. In the later case, the Village Water & Sanitation Mission are part of the Gram Panchayat.

1.5.5 Rural Education

The Rural Education Programme is an effort of the government to assist the rural youth, adult and women from poor rural communities to access education. It provides them with a support and opportunity to enable them to read and write. It aims to develop confident rural population, with capacity and sound values.

Sarva Shiksha Abhiyan

Sarva Shiksha Abhiyan is an effort to universalise elementary education by community-ownership of the school system. It is a response to the demand for quality basic education all over the country. The SSA programme is also an

attempt to provide an opportunity for improving human capabilities to all children, through provision of community-owned quality education in a mission mode. The broad objectives of the programme are:

- A programme with a clear time frame for universal elementary education.
- A response to the demand for quality basic education all over the country.
- An opportunity for promoting social justice through basic education.
- An effort at effectively involving the Panchayati Raj Institutions, School Management Committees, Village and Urban Slum level Education Committees, Parents' Teachers' Associations, Mother Teacher Associations, Tribal Autonomous Councils and other grass root level structures in the management of elementary schools.
- An expression of political will for universal elementary education across the country.
- A partnership between the Central, State and the local governments.
- An opportunity for States to develop their own vision of elementary education

The Sarva Shiksha Abhiyan is to provide useful and relevant elementary education for all children in the 6 to 14 age group by 2010. There is also another goal to bridge social, regional and gender gaps, with the active participation of the community in the management of schools. Useful and relevant education signifies a quest for an education system that is not alienating and that draws on community solidarity. Its aim is to allow children to learn about and master their natural environment in a manner that allows the fullest harnessing of their human potential both spiritually and materially. This quest must also be a process of value based learning that allows children an opportunity to work for each other's well being rather than to permit mere selfish pursuits.

Sarva Shiksha Abhiyan realizes the importance of Early Childhood Care and Education and looks at the 0-14 age as a continuum. All efforts to support pre-school learning in ICDS centres or special pre-school centres in non ICDS areas will be made to supplement the efforts being made by the Department of Women and Child Development.

1.5.6 Rural Drinking Water

To provide safe drinking water to rural population is the sole objective of this programme. Provision of safe drinking water in the rural areas is the responsibility of the States. Funds are being provided for provision of the facility in the State budgets right from the First Five Year Plan period.

The Accelerated Rural Water Supply Programme (ARWSP)

It was introduced in 1972-73 by the Government of India (GOI), to assist the States and Union Territories to accelerate the pace of coverage of drinking water supply. To ensure maximum inflow of scientific and technical input into the rural water supply sector to improve the performance, cost effectiveness of the on-going programmes and ensure adequate supply of safe drinking water, the entire programme was given a Mission approach. The Technology Mission on drinking water and related water management was launched in 1986. It was also called the National Drinking Water Mission (NDWM) and was one of the five Societal Missions launched by the Government of India. The NDWM was renamed Rajiv

Gandhi National Drinking Water mission (RGNDWM) in 1991. It was realised that the objective of supplying safe water would not be achieved unless the sanitary aspects of water and the issue of sanitation are addressed together. The Centrally Sponsored Rural Sanitation Programme (CRSP) WAS launched in 1986 with the overall objective of improving the quality of life of the rural people.

Rajiv Gandhi National Drinking Water Mission

The programme was launched in 2005 with the objective of bringing the remaining 66000 uncovered habitations with the supply of safe drinking water. It was also envisaged that Bharat Nirman should cover all habitations, which are partially covered, have slipped back after being covered and where quality has been affected. It is envisaged that the two programmes, the ARWSP and the CRSP, implemented simultaneously would help break the vicious circle of disease, morbidity and poor health, resulting from water borne diseases and insanitary conditions. Accelerated Rural Water Supply Programme (ARWSP). This programme aims at providing safe and adequate drinking water facilities to the rural population by supplementing the efforts made by the State Governments/ UTs under the State Sector Minimum Needs Programme (MNP). Keeping in view the different kinds of problems arising while providing potable water in the rural areas, 56 Mini-Missions (pilot projects) were identified covering all States/ UTs. These pilot projects helped to evolve models that are replicable and can be incorporated in the on-going programmes

Swajaldhara

This programme aims at providing Community-based Rural Drinking Water Supply. The key elements of these programmes are namely, (i) demand-driven and community participation approach, (ii) panchayats / communities to plan, implement, operate, maintain and manage all drinking water schemes, (iii) partial capital cost sharing by the communities upfront in cash, (iv) full ownership of drinking water assets with Gram Panchayats and (v) full Operation and Maintenance by the users/ Panchayats. The roles of PRIs in implementation of this scheme are:

- Gram Panchayat shall convene a Gram Sabha Meeting where the Drinking Water Supply Scheme of People's choice including design and cost etc. must be finalized. Gram Panchayats are to undertake procurement of materials/ services for execution of schemes and supervise the scheme execution.

- A resolution must be passed in the Gram Panchayat meeting calling for users/ beneficiaries to contribute 10% of the capital expenditure. However, GP can remit towards community contribution from its tax revenue (Not from Government Grants) with the approval of Gram Sabha.

- Gram Panchayat will decide whether the Panchayat wants to execute Scheme on its own or wants the State Government Agency to undertake the execution.

- After completion of such schemes, the Gram Panchayat will take over the Schemes for Operation & Maintenance (O&M).

- Panchayat must decide on the user charges from the community so that adequate funds available with Panchayat to undertake O&M.

1.5.7 Rural Energy

Rural Development *per se* has so far not figured in the stated Energy Policy. Rural electrification is mainly perceived in the context of energy requirements to meet the irrigation needs of agriculture as part of the overall food security policy. Therefore, Rural Electrification Priority was to provide assistance for transmitting energy to agricultural pump sets to increase the productivity of land. Household electrification came as a secondary or incidental issue. The whole concept of rural energy in the past was to provide one connection to a village which was primarily used to electrify agricultural pump sets. The Government of India changed the definition of village electrification recently to state that a village is considered as electrified if it provides electricity/power to all the habitations in the village. They consider the village as electrified if at least 10 to 20% of the inhabitants in the villages are provided with energy for lighting. Consequently, the emphasis is not on energy and its use for rural development, but availability of electricity for certain segment of households, in the villages and hamle s. ***Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)*** Rajiv Gandhi Grameen Vidyutikar n Yojana(RGGVY)was

aunched in April 2005 by merging all ongoing schemes. Under the programme, 90 grant is provided by Govt. of India and 10% as loan by Rural Electrification orporation (REC) to the State Governments. Rural Electrification Corporation (REC) is the nodal agency for the programme. The National Common Minimum Pr gramme has made a commitment to develop our renewable energy potential. These pr grammes commit us to

omplete rural electrification within

the next 5 years. The success of these programmes depends on our ability o combine investments in power generation through thermal, hydro and nucle r energy sources with investments in renewable energy. I t is proposed to see that diesel be replaced by bio-fuels in agricultural pump-sets and tractors. Fo cooking, lighting and motive power we must tap a variety of bio-energy technologies including the hi-tech biomass gasification route. The Ministry f Non-conventional Energy Sources has been entrusted to accelerate the develo ment and deployment of frontier technologies like hydrogen and fuel cells. **1.5.8 ural Food Security** India's malnutrition figures are not coming down despite a nu ber of government programmes, according to few studies including one by World Food Programme. The research points out the need for a revamped public distrib tion system and greater public investment to address the wants of rural populati n. High economic growth rates have failed to improve food security in India leaving the country facing a crisis in its rural economy, according to the re ort by the World Food Programme and the M S Swaminathan Research Foundation (MSSRF). The report says that the number of undernourished people is rising, reversing gains made in the 1990s. Slowing growth in food production, rising un mployment and declining purchasing power of the poor in India are combining to weaken the rural economy.

It also examines the effectiveness of some of the important food-based interventions like the Public Distribution System (PDS), the Integrated Child Development Services (ICDS), and the Mid Day Meal Scheme (MDMS), and recommends measures for improved performance. "There is a need to create a universal PDS

with uniform prices affordable to the poor and the allocation should be based on the number of consumption units in the household," remarked Professor Venkatesh Athreya who coordinated this research. At the global level, the South Asian region is home to more chronically food insecure people than any other region in the world and India ranks 94th in the Global Hunger Index of 119 countries. While famines and starvation deaths remain the popular representation of the contemporary problem of hunger, one of the most significant yet understated and perhaps less visible area of concern today is that of chronic or persistent food and nutrition insecurity.

On the composite index of food insecurity of rural India, states like Jharkhand and Chhattisgarh are found in the 'very high' level of food insecurity, followed by Madhya Pradesh, Bihar and Gujarat. The better performers include Himachal Pradesh, Kerala, Punjab and Jammu and Kashmir. Andhra Pradesh, Madhya Pradesh, Bihar, Gujarat, Karnataka, Orissa and Maharashtra perform poorly. Even economically developed states like Gujarat, Maharashtra, Andhra Pradesh and Karnataka find themselves in the category of high food insecurity - a reflection perhaps of the manifestation of the agrarian crisis in the states and its consequent negative impact on the health and well-being of the rural population.

Public Distribution System

India's Public Distribution System (PDS) with a network of 4.78 Lakh Fair Price Shops (FPS) is perhaps the largest retail system of its type in the world. Since 1951 public distribution of food grains has been retained as deliberate social policy by India with the objectives of:

i) Providing food grains and other essential items to vulnerable sections of the society at reasonable (subsidized) prices

ii) To put an indirect check on the open market prices of various items and

iii) To attempt socialization in the matter of distribution of essential commodities PDS is an important constituent of the strategy for poverty eradication and is intended to serve as a safety net for the poor whose number is more than 33 Crores and are nutritionally at risk. PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government has taken the responsibility for procurement, storage, transportation and bulk allocation of food grains, etc.

The PDS system today supports over 40 Crore Indians below the poverty line with monthly supply of subsidized food grains. The system also provides gainful employment for 4.78 Lakh Fair Price Shops Owners, their employees and hired labour who work at the FCI and state warehousing godowns. PDS also has become a cornerstone of government development policy and is tied to implementation of most rural development programs. PDS is also a key driver of public sentiment and is an important and very visible metric of government performance. One of the main problems with this system is the inefficiency in the targeting of beneficiaries and the resulting leakage of subsidies. Several opportunities to manipulate the system exist with widespread collusion across the supply chain. The Planning Commission had the following to say on the PDS system in its 2005 report. *"For every Rs 4 spent on the PDS, only Rs 1 reaches the poor" and "57% of the PDS food grain does not reach the intended people "*

Annpurna

The Annapurna Scheme aims at providing food security to meet the requirement of those senior citizens who though eligible have remained uncovered under the National Old Age Pension Scheme. The role of PRIs in implementation of this scheme is:

- The Panchayats identifies the Beneficiaries and communicate the same to Collector/CEO.
- The Gram Sabhas are required to select the Beneficiaries for the Scheme and the lists of beneficiaries so selected by Gram Sabha will be displayed by the Gram Panchayats.
- The Gram Panchayats distribute the Entitlement Cards to the Beneficiaries in Gram Sabha Meetings.
- The Gram Panchayats will give wide publicity to the Scheme and will also be responsible for dissemination of information in regard to the procedure for securing benefits under the Scheme.

1.5.9 Rural Health

Recognizing the importance of Health in the process of economic and social development and improving the quality of life of our citizens, the Government of India has resolved to launch the National Rural Health Mission to carry out necessary architectural correction in the basic health care delivery system. The Mission adopts a synergistic approach by relating health to determinants of good health viz. segments of nutrition, sanitation, hygiene and safe drinking water. It also aims at mainstreaming the Indian systems of medicine to facilitate health care. The National Rural Health Mission (2005-12) seeks to provide effective healthcare to rural population throughout the country with special focus

on 18 states, which have weak public health indicators and/or weak infrastructure. The goals of the mission are:

- Reduction in Infant Mortality Rate (IMR) and Maternal Mortality Ratio (MMR)
- Universal access to public health services such as Women's health, child health, water, sanitation & hygiene, immunization, and Nutrition.
- Prevention and control of communicable and non-communicable diseases, including locally endemic diseases.
- Access to integrated comprehensive primary healthcare.
- Population stabilization, gender and demographic balance.
- Revitalize local health traditions and mainstream AYUSH.

Accredited Social Health Activist (ASHA)

One of the key components of the National Rural Health Mission is to provide every village in the country with a trained female community health activist – 'ASHA' or Accredited Social Health Activist. Selected from the village itself and accountable to it, the ASHA will be trained to work as an interface between the community and the public health system. Following are the key components of ASHA:

- ASHA must primarily be a woman resident of the village – married/ widowed/ divorced, preferably in the age group of 25 to 45 years.
- She should be a literate woman with formal education up to class eight. This may be relaxed only if no suitable person with this qualification is available.
- ASHA will be chosen through a rigorous process of selection involving various community groups, self-help groups, *Anganwadi* Institutions, the Block Nodal officer, District Nodal officer, the village Health Committee and the Gram Sabha.

After reading this section, you will have gained an idea about the various sectoral development programmes. Now you should be able to answer the questions given in *Check Your Progress 2*.

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Enumerate the various sectors emphasized by the Government of India for the development of rural areas?

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2) Discuss the various programmes under rural housing.

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1.6 EMERGING ISSUES IN RURAL DEVELOPMENT

Rural poverty in context

The livelihoods of people living in rural areas are strongly dependent on the natural resources of water, soil, and forests, as they earn their living from farming, forestry, mining, tourism, or related service industries. Rural populations include a wide range of people, from wealthy land owners to subsistence farmers, landless labourers, women-headed households and minority groups pushed onto cheap, marginal land. The majority of the world's poorest people lives in rural areas and have little in reserve when droughts, floods or plagues of pests destroy crops and livestock, seasonal factors mean there is no work, or international financial

fluctuations drastically reduce income for the same physically demanding workload. Rural people tend to suffer from poorer health, have higher illiteracy rates and earn less than city dwellers.

The extent of rural poverty and its weight in global poverty needs no great discussion. The forthcoming IFAD Rural Poverty Report 2001 claims that three quarters of the 1.2 billion people living below $US 1 per day are rural; and the Report estimates that by 2020, 60 per cent of the world's poor will still be rural. However, livelihoods are more diverse, with at least 45% of income derived from non-agricultural sources, and often 80%. Non-farm income is sometimes agriculture-dependent, but often not: long distance migration, usually to cities, contributes an increasing share of household income.

Rural development should be central to poverty reduction. Three quarters of the 1.2 billion people surviving on less than one dollar a day live and work in rural areas. Rural people are twice as likely to be poor as urban counterparts. However, rural development faces a loss of confidence: funding has been falling, and governments and donors are scrambling to rethink policy. Caroline Ashley has nicely summarized the emerging issues in rural development as indicated in the box 1.

Box 1: Emerging issues in rural development

1) **The paradox**: the majority of the rural poor still live in rural areas, and yet donor support for agricultural and other rural development has slumped.

2) **A diminishing urban-rural divide**: rural and urban livelihoods are inter-dependent, and there is rarely a sharp geographical divide between rural and peri-urban. Rural development strategies must take account of the urban links and context.

3) **Diversified livelihoods.** There are few full-time farmers now, as households pursue multi-functional and multi-spatial livelihoods: support to the non-farm rural economy and to migration is as important as agricultural support.

4) **Small-holder farming in less-favored areas faces new challenges**: more households consist of part time farmers, work smaller plots and are headed by the elderly, young and women, so face severe credit and input constraints; access to subsidies and extension services has diminished; market changes increase the need for specialist techniques, quality control, information-intensive technologies and marketing involving high transaction costs – factors which provide larger farms with economies of scale. Targeted assistance is needed where small-scale farming can be competitive; otherwise small farmers need good exits from farming.

5) **Reverse state compression:** a strong state is needed to underpin the market and enable private sector development. Public interventions are needed to increase access to new opportunities (agricultural or non farm) specifically by the poor, and to establish the institutional framework for effective market development.

6) **Technological targeting:** production increases based on the seed-fertiliser model of the Green Revolution have slowed. New technologies are likely to be more crop and region specific, and information-intensive. Technical change is biased against the poor. Policies to target technologies need to be location specific. Public intervention is particularly required in developing technologies and information channels appropriate to poor farmers.

7) **Rethinking institutional capacity and governance:** many recommended measures for rural development cannot be effective without significant capacity building and institutional support. In some areas, decentralisation should be promoted to reinforce positive trends for increased accountability. But in some areas, states are dysfunctional (eg conflict zones), or crippled (high cancer incidence e.g. Punjab), and second best solutions would be more effective than attempts at business as usual.

8) **Growing divergence between low and high potential areas**: less favored (low potential) areas have very different needs to (high potential) areas where modernisation is already underway. They generally still need agriculture-based development, are least likely to gain from globalisation opportunities, and will generate lower returns because of their inherent disadvantages (remoteness, poor soils etc). Policy must adapt to context.

9) **Rural risks and vulnerability:** the rural poor face new risks due to increasing natural disasters and rapid economic change. External support for risk-mitigation and coping strategies is generally insufficient. Public and private roles in supporting insurance and risk-coping need to be strengthened, which in turn depends on the fiscal burden being addressed.

10) **Preventing and managing conflict:** conflict has a debilitating impact on rural livelihoods, and increasing levels of conflict threaten the achievement of poverty reduction targets. Donors will need to escape from the conceptual and programmatic constraints of a linear approach to relief and development.

11) **Aid modalities:** as a topic, rural development fits well with ideas about the Comprehensive Development Framework and with Poverty Reduction Strategy Papers. However, it does not sit so well with Sector Wide Approaches, which are hard to implement in the agricultural sector. There will be real problems in reaching the rural poor in poorly performing countries.

Source: Caroline Ashley, ODI

1.7 LET US SUM UP

Rural Development which is concerned with economic growth and social justice, improvement in the living standard of the rural people by providing adequate and quality social services and minimum basic needs becomes essential. The present strategy of rural development mainly focuses on poverty alleviation, better livelihood opportunities, provision of basic amenities and infrastructure facilities

through innovative programmes of wage and self-employment. The above goals will be achieved by various programme support being implemented creating partnership with communities, non-governmental organizations, community based organizations, institutions, PRIs and industrial establishments, while the Department of Rural Development will provide logistic support both on technical and administrative side for programme implementation. Although the subsequent plan periods have addressed different components of rural development, the Eleventh Plan (2007-2012) has targeted rapid and inclusive growth as its priority. The main emphasis is on the Social sector and delivery of services therein. Education, in particular, has been accorded utmost priority during the 11th Five Year Plan period. Adequate provision has been made for the state share in continuing Centrally Sponsored Schemes like *Swarna Jayanti Gram Swarozgar Yojana* (SAGSY), *India Awas Yojana* (IAY), Integrated Waste Land Development Programme (IWDP), Drought Prone Area Programme (DPAP), Mid Day Meal Scheme, DRDA Administration and National Rural Employment Guarantee Scheme (NREGS).

1.8 REFERENCES AND SELECTED READINGS

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1.9 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress 1

1) How would you define rural development?

Answer: The over all development of rural areas (Rural areas are those which are not classified as urban areas. They are outside the jurisdiction of municipal corporations and committees and notified town area committees) with a view to improve the quality of life of rural people. In this sense, it is a comprehensive and multidimensional concept and encompasses the development of agriculture and allied activities - village and cottage industries and crafts, socio-economic infrastructure, community services and facilities, and above all, the human resources in rural areas.

2) Discuss the dynamics of rural development.

Answer: Past narratives of rural development have included 'Community

Development', 'the Green Revolution' and 'Integrated Rural Development'. Current narratives include 'a new, doubly-green revolution', 'sustainable agriculture', 'rural livelihoods', promotion of programmes that draws rural investments, growth of rural financial institutions and development of rural enterprises. Embedded in these narratives are the critical choices about rural development policy: state or market; growth or stability; agriculture or non-agriculture; high or low potential areas; expenditure on investment or consumption etc. Different narratives will apply in different places, but all need to be consistent with current thinking on development. All these are the dynamics of rural development.

Check Your Progress 2

1) Enumerate the various sectors emphasized by the Government of India for the development of rural areas?

Answer: Broadly the following sectors have been emphasized by the Government of India for the development of rural areas:

i) Rural Poverty Alleviation and Employment; ii) Rural Housing; iii) Rural Road; iv) Rural Sanitation; v) Rural Education; vi) Rural drinking Water; vii) Rural Energy; viii) Rural Food Security; ix) Rural Health

2) Discuss the various programmes under rural housing.

Answer: The rural housing programmes were initiated for providing various kinds of support for construction of rural shelter and housing facilities. Following three are the programmes under rural housing:

Indira Awaas Yojana:- It was initiated with a view to meeting the housing needs of the rural poor; It aims at helping below poverty line rural households belonging to SCs/STs, free bonded labourers, widows of next of kin of defense personnel, ex-servicemen and retired members of the paramilitary forces and also non SC/ST rural poor by providing them with grant-in-aid for construction of new dwelling units and up gradation of existing unserviceable *kutcha* houses.

Credit cum Subsidy Scheme:- The Credit-cum-Subsidy Scheme has been conceived for rural households having an annual income up to Rs. 32,000/- . Subsidy up to Rs. 10,000/- and loan up to Rs. 40,000/- from commercial or co-op. banks is provided to eligible households for construction of houses.

Innovative Stream for Rural House and Habitat Development Scheme:- This scheme intends to popularize low cost technology and usage of locally available materials in construction of buildings in rural areas. Innovative technology is adopted for the rural house type design in the scheme.

Samagra Awaas Yojana:- This is a comprehensive Housing Scheme with a view to ensuring integrated provision of shelter, sanitation and drinking water. This is being implemented in one block each off 25 districts of 24 States and one UT.

UNIT 2 AGRICULTURE AND RURAL ECONOMY

Structure

2.1 Introduction
2.2 Role of Agriculture in Indian Economy
2.3 Trends in Agricultural Growth in India
2.4 Land Reforms and Agriculture Development
2.5 Agricultural Inputs- Water, Seed and Fertilizers
2.6 National Agricultural Policy
2.7 Let Us Sum Up
2.8 Further Suggested Readings or References
2.9 Check Your Progress-Possible Answers

2.1 INTRODUCTION

India is primarily an agrarian economy. Most of its population (72%) stays in rural areas. Agriculture is the major source of their livelihood. Other allied activities like dairy, fishery, goatery, piggery and poultry provide supplemental income to rural households. Development of agriculture is essential not only for promoting rural development but also for overall economic development of the country. Growth of agriculture is the key to eradicate rural poverty and ensure food security.

After studying this unit, you should be able to:

- Discuss the importance of agriculture sector in economic development of India
- Describe the trends in agricultural growth rate in crop yield in India
- Critically examine the objectives, features and effectiveness of various land reform measures undertaken by the Government
- Describe the role of agricultural inputs such as irrigation, seed and fertilizers increasing agricultural productivity and government programmes to enhance their use
- Assess the National Agricultural Policy 2000 highlighting its merits and demerits

2.2 ROLE OF AGRICULTURE IN INDIAN ECONOMY

As you know Agriculture plays an important role in the development of Indian economy. Still the Indian economy particularly the rural economy is pre-dominantly agricultural. Some of the contributions of agriculture to the development of Indian economy are described below:

i) Contribution to National Income

Agriculture sector forms the backbone of the Indian economy. The contribution of agriculture to national income is nearly 24 per cent. Over the years, the share of agriculture in national income shows a declining trend. It has been decreasing from 56.5% in 1950-51 to 52.1% in 1960-61, 45.7% in 1970-71, 39.6% in 1980-81, 33% in 1990-91, 24.2% in 2000-01.

ii) Source of Livelihood

While the share of agriculture in national income has been substantially declining, the percentage of work force engaged in agriculture has exhibited a marginal decrease. Data furnished by Census of India reveals that in 1961, as high as 75.9% of main workers were engaged in agriculture, which declined to 69% in 1981 and 59.9% in 2001 (Table 2.1). In advanced countries like United Kingdom and United States, only 2 to 3 per cent of working population is engaged in agriculture. In France, the proportion is about 7% and in Australia about 6%. Only in backward and less developed countries, agriculture is the major source of livelihood for a significant proportion of working population. However, the agricultural labour force in India is gradually declining. It has been declined by 30.57 million from the year 2004-05 to 2011-12 (Table-2.1).

Table 2.1: Employment of Main Workers in Agriculture

(in million)

	1951		2001	
	Total	**Percentage**	**Total**	**Percentage**
Total Population	361	100	1027	100
Rural Population	299	83	742	72
Cultivators	70	50	128	32
Agricultural Labourers	27	20	107	27
Other Workers	43	30	167	41
Total Working Population	140	100	402	100

Table 2.2: Agriculture Labour (Million)

State	Agricultural labour (Million)		Reduction(Million)
	2004-05	**2011-12**	
Uttar Pradesh	43.30	34.83	8.47
Karnataka	17.60	12.91	4.69
West Bengal	15.50	11.79	3.71
Bihar	21.30	17.67	3.63
Rajasthan	17.40	13.83	3.56
Others	143.83	137.31	6.52
Total	**258.93**	**228.36**	**30.57**

Source: http://ficci.in/spdocument/20550/FICCI-agri-Report%2009-03-2015.pdf

iii) Role in Industrial Development

The linkage between industrial and agricultural sector is well recognized by the economists. The role of agriculture is highlighted as (i) supplier of wage goods to the industrial sector, (ii) provider of raw materials to agro-based industries like sugar, textiles, jute etc., and (iii) generator of agricultural income that creates demand for industrial products.

Many of our small scale and cottage industries like handloom weaving, oil crushing, rice husking etc. depend upon agriculture for their raw materials. Together, these industries account for 50% income generated in the manufacturing sector in India. In recent years, the importance of food processing industries is being increasingly recognized both for generation of income and creation of employment.

Empirial findings by researchers indicate that a unit increase in agricultural output would have a positive effect on both industrial production and national income. Estimate by Rangarajan (1982) shows that a one per cent increase in agricultural output tends to raise industrial production by 0.5 per cent and augment national income by 0.7 per cent.

iv) Role of Agriculture in International Trade

Agriculture plays a very important role in Indian exports. Agricultural products like tea, sugar, oilseeds, tobacco, spices etc. constitute the main items of exports of India. The tenth plan estimates that agriculture contributes 14.7% of total export earnings. This has great significance for economic development as increased exports help the country to pay for the increased imports of machinery and raw materials.

v) Other Contributions

Importance of agriculture in the national economy is ascertained by its various roles in economic activities. Agriculture is the main support for India's road and railway transport. Railways and roadways secure bulk of their business from movement of agricultural goods. Internal trade is mostly in agricultural products. Agricultural growth and rising farm income has direct impact on poverty eradication, employment creation, and containing inflation.

Thus, agricultural development is central to the rapid economic development of India. Without agricultural development, Indian economy cannot prosper. Agricultural development should either precede or go hand in hand with industrial development to attain overall economic development of the country.

2.3 TRENDS IN AGRICULTURAL GROWTH IN INDIA

With the introduction of economic planning in 1950-51 and with the special emphasis on agricultural development, particularly after 1965:

i) There was steady increase in area under cultivation;

ii) There was a steady rise in average yield per hectare;

iii) There was increase in production of food grains

However, agricultural production is vulnerable to several climatic factors like occurrence of drought, flood, storm, cyclone etc. As nearly sixty per cent cropped area is rainfed, agricultural production is still a gamble in monsoon. Variability in quantum and timing of rainfall makes agricultural production uncertain. There are wide variations in agricultural production from year to year. For analysing the trend in agricultural growth, the post-independence period can conveniently be divided into pre green revolution and post green revolution period. In India Green Revolution refers to a distinct rise in agricultural production achieved since 1965 due to adoption of new agricultural strategy including use of irrigation, high yielding varieties of seeds and chemical fertilisers.

Table 2.3: Annual Growth Rate in Yield of Principal Crops since Independence

	Yield Rate per Hectare			Annual Growth Rate (%)	
	1949-50	1964-65	2000-01	1949-50 to 1964-65	1964-65 to 2001-02
1. All Food grains			1.4	2.4	
Rice (Quintals)	7.1	10.8	20.9	2.1	1.8
Wheat (Quintals)	6.6	9.1	27.7	1.3	3.2
Coarse Cereals (Qtls)	4.3	5.1	10.8	1.3	2.2
Pulses (Qtls)	5.1	5.2	6.1	0.2	0.1
2. All Non-food grains				0.9	1.6
Oilseeds (Qtls)	5.2	5.6	8.6	0.1	1.2
Sugarcane (Tonnes)	34	47	67	1.0	1.2
Cotton (Kgs)	95	122	189	2.0	1.5
Potato (Qtls)	66	84	180	1.6	3.1

Source: Economic Survey, 2002-03

During the pre-green revolution period, rice recorded the most impressive increase in yield rate from 7 quintals per hectare in 1949-50 to nearly 11 quintals by 1964-65. The annual rate of growth was 2.1 per cent. The growth rate of yield in case of wheat was 1.3 per cent per year, which was modest as compared to rice. Among the non-foodgrains, cotton and sugarcane recorded modest growth rate during this period.

During the post-green revolution period, wheat exhibited the most spectacular growth rate in yield (3.2% per annum). Potato too recorded an impressive growth rate of 3.1 per cent per year. Yield rate of wheat increased from 6.6 quintals in 1949-50 to as high as 27.7 quintals in 2000-01. On the other hand pulses recorded a growth rate of as low as 0.1 per cent per year and oilseeds a mere 1.2 per cent per year. This shows that the green revolution or the new agricultural strategy was effective in the case of cereal crops only mainly rice and wheat but not in other crops.

It is seen that gradually over the period of time, the contribution of agriculture to GDP has been declining. It has declined from 23.2 percent to 13.9 from the year 1999-00 to 2013-14.

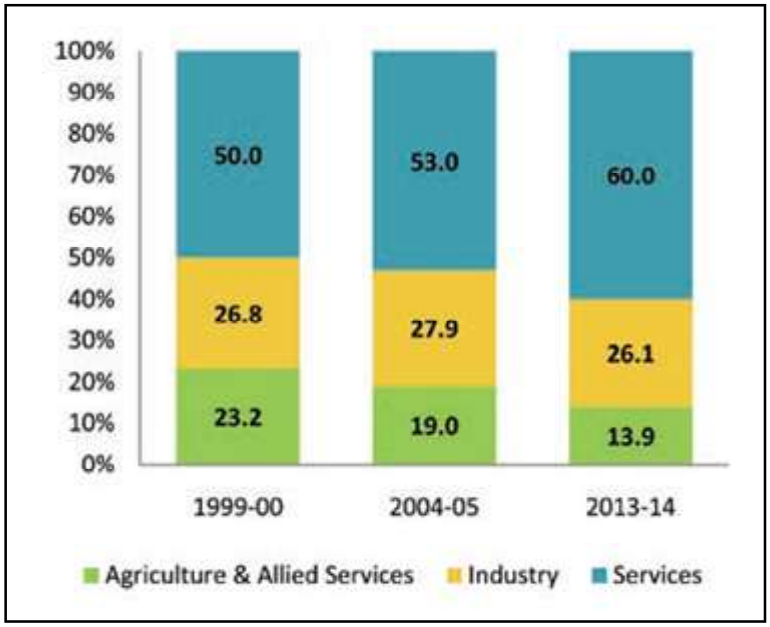

Figure-1: Contribution of Agriculture Sector to GDP

Source: Planning Commission, FCCI Research

2.4 LAND REFORMS AND AGRICULTURE DEVELOPMENT

Productivity of agriculture mainly depends on two types of factors: institutional and technological. Institutional factors refer to the land ownership and operation pattern that affect the incentive structure for agricultural production. These include size of land holding, extent of tenancy, terms and conditions of tenancy etc. The technological factors refer to the use of yield increasing agricultural inputs and methods of production such as irrigation, high yielding varieties of seeds, chemical fertiliser, improved agricultural implements like tractors, harvester, transplanter etc. To enhance agricultural productivity institutional as well as technological changes are necessary. The institutional changes that have been brought about in land ownership and operation pattern by various government measures are popularly known as land reforms.

2.4.1 Objectives of Land Reforms

Land reforms constitute an integral part of the scheme of agricultural development and rural reconstruction since the inception of economic planning in the country. As envisaged in the second five year plan, the objective of land reform was to create conditions for evolving as speedily as possible the agrarian economy with high levels of efficiency and productivity and to establish an egalitarian society and eliminate social inequalities. There are two major objectives of land reforms; (i) social justice (ii) economic efficiency. Social justice objective aims at eliminating all elements of exploitation and social injustice within the agrarian system so as to ensure equality of tenurial status and opportunity to all sections of rural population. Economic efficiency relates to organisational restructuring that optimise agricultural production. To achieve the twin objectives of efficiency

and equity in land use, the following land reform measures were undertaken by the Government:

i) abolition of intermediaries

ii) tenancy reforms, i.e. regulation of rent, security of tenure for tenants and conferment of ownership on them

iii) ceiling and floor on land holdings

iv) agrarian reorganisation including consolidation of holdings and prevention of sub-division and fragmentation

v) organisation of cooperative farms

Basically land reform measures aim at alleviating rural poverty in the following manner:

i) By distributing land among the landless by taking possession of surplus land from large land holders;

ii) By providing security of tenure and ownership rights to tenants and sharecroppers and by regulating rent payable by them to landlords;

iii) By protecting the interest of tribals in land and preventing non-tribals to encroach upon tribal lands;

iv) By promoting consolidation of holding to improve the size of operational holdings thereby paving the way to raise productivity;

v) By development of public lands thereby providing better access to the rural poor to obtain fuel wood and fodder;

vi) By providing access to women to land and other productive assets;

vii) By protecting homestead rights of the rural poor on lands owned by them and providing them with house sites to enable them to construct residential houses.

2.4.2 The Abolition of Intermediaries

Before independence the different types of land tenure systems prevalent in India can be grouped under three broad heads: Zamindari, Mahalwari and Ryotwari.

i) Zamindari Land Tenure

Under the zamindari system, which was introduced by Lord Cornwallis in 1793 in Bengal, the revenue collectors, who were the intermediaries between the actual cultivators and the government were conferred ownership rights on land. The actual cultivators became tenants, cultivating land on rent from the zamindars. The system was introduced by the East India Company to create a privileged and loyal class and avoid the hassle of collecting revenue from numerous small farmers. The zamindari system prevailed in Bengal, North Madras, Banaras, Orissa etc. The British Government explained that the zamindars represented the most enlightened section of the rural population and the conferment of tenurial rights could result in improvements on land and better agriculture. But these expectations were not fulfilled. With growing population and decaying village industries

under the British rule, the demand for land increased and the landlords charged excessive rents from the tenants. Thus, between the state and the actual tiller there grew an intermediary who was interested in land only to the extent of extraction of exorbitant rent. The landlords did not take any interest in improvement in agriculture and most of them were absentee landlords. The zamindars are known for their extravagance and conspicuous consumption. Thus, the rent extracted from the cultivators by the parasite landlords did not result in capital formation and there was stagnation in agriculture.

ii) Mahalwari Tenure

Under the mahalwari land tenure system, the village lands were held jointly by the village communities, the members of which were jointly and severally responsible for payment of land revenue. The system was first introduced in Agra and Oudh and later on in Punjab. The system is the product of Muslim tradition and development, particularly in Punjab. A certain sum is assessed as land revenue for the whole village for which the entire body of co-sharers are jointly and severally responsible. The village *lumberdar* collected revenue for which he received panchortra, i.e., 5 per cent as commission.

iii) Ryotwari Tenure

Under the Ryotwari tenure, land may be held in single independent holdings. The individual holders were directly responsible to the state for the payment of land revenue. The first ryotwari settlement was made in Madras in 1972. It was the product of Hindu tradition. This form of tenure was prevalent in Bombay, Berar and Central India. The ryot is at liberty to sub-let his land and enjoys a permanent right of tenancy so long as he pays the assessment of land revenue. Some elements of zamindari tenure appeared in this system, as the peasants could sublet their land.

The co-existence of zamindari, mahalwari and ryotwari land tenure systems led to an intermixing of characteristics. The three systems gravitated towards the tendencies of the zamindari system. Sub-letting, rack renting became a common characteristic even in ryotwari areas. Thus, on the eve of independence, on the one extreme there were landless labourers and tenants-at-will and on the other, were big landlords owning huge estates.

2.4.3 Abolition of Intermediaries Measures

The zamindari system was the product of British rule and proved harmful to agricultural development. Immediately, after attaining freedom, a strong voice was raised against the exploitative zamindari land tenure system. The system was considered economically inefficient, politically inexpedient and socially undesirable. The abolition of intermediaries started in 1948 with the enactment of legislation in Madras. Legislation was passed in all the states. As a result of conferment of rights, about 30 lakh tenants and sharecroppers acquired ownership rights over a total cultivated area of 62 lakh acres throughout the country.

2.4.4 Tenancy Reforms

Under the zamindari and ryotwari systems tenancy cultivation has been quite common in India. The small land holders or landless labourers having insufficient

land lease in land from zamindars to earn their livelihood. Sometimes tenants holding land from an intermediary may sub-let land. Broadly speaking, the tenants are grouped under three categories (i) Occupancy or permanent tenants, (ii) Tenants-at-will, and (iii) Sub-tenants. The rights of the occupancy tenants are permanent and heritable. They enjoy fixity of tenure which makes them the virtual owners of land. The only difference between the occupancy tenant and peasant proprietor is that the former is required to pay rent to the landlord and the latter to pay land revenue to the state.

The position of tenants-at-will and that of sub-tenants was extremely weak. They were subject to ruthless exploitation. Frequent enhancement of rent, eviction of tenants on minor pretexts, extractions and beggar were some of the popular ways of exploitation. Rents were extremely high. Fifty percent of the produce was the normal rent under sharecropping, which could be increased to two thirds on several occasions. This situation of exorbitant rent coupled with insecurity f tenure necessitated tenancy reforms. *Tenancy Reform Measures* Under the tenancy system, the land-poor tenants were exploited in several ways by the landlord class. Exorbitant rent and insecurity of tenure were the two major problems. The tenants took no interest to improve agriculture. Arthur Young rightly pointed out 'Give a man the secure possession of black rock, and he will turn it into a garden, give him a nine years lease of a garden, he will convert it into a desert'. In order to increase efficiency in agricultural production and reduce exploitation of tenants, tenancy reforms became inevitable in different parts of the country. The main tenancy reform measures are as follows:

i) Regulation of Rent

Before independence the rent for the use of land was as high as 50% to 70% of the gross produce. Besides, the tenant used to render certain free unpaid services to the landlord (begar). In most cases rent was paid in kind and not in cash. In the first Five Year Plan, it was laid down that rent should not exceed 20% to 25% of the produce of land. As a result most of the state governments enacted legislation regulating the rent payment by the tenant. In Gujarat, Maharashtra and Rajasthan, the rent was fixed 1/6 of the total produce, while in states like Orissa and Assam the rate varies from 20% to 25%. In Punjab and Haryana it is 1/3 of the gross produce. In Tamil Nadu it varies from 33.3% to 40%.

Owing to the weak position of tenants and the prevalence of widespread land hunger, the laws regulating rents are observed more in its breach than its compliance. As most of the tenants are poor, it is difficult for them to take the protection of law. The legal process is a costly affair and the tenant does not have the resources to go to court of law for redressal of his grievances.

ii) Security of Tenure

Without security of tenure, the tenant does not take any interest in any land improvement measures and fixed investment in land. Therefore, there is a need to grant security of tenure for providing incentives to the tenant to optimise production. The states have enacted legislation in the following manner

a) All tenants have been given full security of tenure, without giving the owners the right of personal cultivation. Uttar Pradesh, West Bengal and Delhi belong to this category.

b) Owners have been given the right to resume a limited area (not more than a family holding in any case) subject, however, to the condition that a minimum area is left with the tenant. Gujarat, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Himachal Pradesh, Assam and Punjab have enacted this type of legislation.

c) A limit has been fixed on the extent of land which a land-owner may resume, but the tenant is not entitled to retain minimum area for cultivation in all cases. Jammu and Kashmir, Manipur, Tripura and West Bengal belong to this category.

iii) Conferment of Ownership Rights to Tenants

In order to give practical shape to the slogan 'land to the tiller', many states enacted laws to give the tenants cultivating the non-resumable land, a right to purchase the land that they cultivated. The provisions for purchase of land differed from state to state. In some states e.g., in erstwhile Bombay, Madhya Pradesh, Rajasthan, U.P., West Bengal, Delhi, Andhra Pradesh, ownership of non-resumable land was straightaway transferred to the tenants and they were asked to pay the compensation to the land owners. In some other states like Punjab and Bihar, however, it was left to the discretion of the tenant to purchase the land.

There is considerable inter-state variation in the compensation scheme as well. In some states like Assam, Bombay, Madhya Pradesh, Manipur and Tripura, compensation was fixed as a multiple of land revenue. In a few other states, e.g., Andhra, Kerala, Rajasthan and Karnataka, the compensation was fixed as a multiple of rent. In states like Orissa and Punjab, it was based on the average market price of the land. In West Bengal and U.P. it was computed based on net income derived from the use of land.

The implementation of tenancy reform measures is quite disappointing due to several loopholes in the tenancy laws. The shortcomings of tenancy reform measures are as follows:

i) The tenancy reform laws have not been implemented in full spirit. Many officials themselves were land owners and they misinterpreted the laws in favour of the land owners.

ii) The legal processes to enable cultivators to become owners were rigid and complex. The poor tenants did not have the resources to move to the court of law.

iii) To get ownership right on tenanted land, the tenant was required to prove his continuous use of land for cultivation purpose. The tenants found it difficult to prove this claim.

iv) The landowners evicted the tenants on the ground of resumption of land for self cultivation.

2.4.5 Ceiling on Land Holdings

Land reform measures in India stipulated that beyond a certain specified limit, excess land belonging to the landlords would be taken over by the state and allotted to small farmers to make their land holdings economically viable or to landless labourers to provide them means of livelihood. D.R.Gadgil justifying a ceiling on land owned by an individual observed that :

"Among all resources, the supply of land is the most limited and the claimants for its possession are extremely numerous. It is, therefore, obviously unjust to allow the exploitation of any large surface of land by single individual unless other overwhelming reasons make this highly desirable. Moreover, in the context of the current socio-political climate, redistribution of land would rather appear to be imperative".

Objectives of Ceiling:

1) To reduce inequality in land ownership
2) To create self-employment
3) To transfer land to the tiller
4) To eliminate exploitation and create opportunities for all

Exemption from Ceiling

The following types of land have been exempted from the purview of ceiling legislation:

1) Tea, coffee and rubber plantation
2) Sugarcane farms operated by sugar factories
3) Orchards and specialised farms engaged in cattle breeding, dairying and wool raising etc.
4) Efficiently managed farms on which heavy investment had been made and whose break up was likely to lead to a fall in production.

Policy on Ceiling on Holdings

In July 1972, in the conference of Chief Ministers, the following guidelines were issued for implementation of ceiling on land:

1) Unit of application should be the family as a whole for determining land holding.
2) In case the family size exceeds five, additional land may be allowed for each member in a way that in no case, it may exceed twice the ceiling limit.
3) The ceiling for a family of five may be fixed within the range of 10 to 18 acres of irrigated land and 54 acres of dry unirrigated land.
4) Each major child is to be treated as a separate unit.
5) Exemption in favour of mechanised and well managed farms should be withdrawn.
6) Ceiling may be fixed according to crops grown in the area.

The progress of the implementation of ceiling on land holdings is very poor. In early sixties, out of 30 lakh acres of land, only 21 lakh acres have been distributed among the tenants and landless labourers. In 1972, 60 lakh acres have been declared surplus under the revised land ceiling and 20.05 lakh acres has been distributed among 14.5 lakh eligible families of landless agricultural workers.

In spite of the above achievement, the progress is not satisfactory for the following reasons:

1) Delay in adoption of legislation and malafide transfers and resumption for personal cultivation.
2) Vague and ambiguous definition of a family.
3) Time lag between passing an act and its implementation.
4) Range of ceiling varied from state to state.
5) Lack of political will.
6) Law of exemption and compensation has been highly abused and lacks universal applicability.

2.4.6 Consolidation of Land Holdings

Sub-division and fragmentation of land holdings are major reasons for low agricultural productivity in India. Sub-division of land takes place when ancestral land is divided among the heirs according to Hindu law of inheritance. Fragmentation refers to scattering of land of a household in different places. Consolidation of holding aims at bringing together the landholding of a household in a compact block. In India, consolidation of holding has been adopted to restrict sub-division and fragmentation. It promotes efficiency and economy in cultivation. To get the benefits of large scale farming, it was essential to consolidate the scattered plots in compact block. In pre-independence period, legislation for consolidation of holding was made in 1905 for consolidation on voluntary basis. Later on, similar measures were enacted in Punjab under the Co-operative Societies Act 1912 and United Provinces in 1925-26. During the period 1920-40, many provinces like Central Province, Bihar, Jammu and Kashmir also made efforts to consolidate holdings. After independence, compulsory consolidation was replaced by voluntary consolidation in almost all states. The National Commission on Agriculture also recommended that consolidation of ownership land holding should be made compulsory in all areas of the country. Consolidation of land holding enables proper supervision of crops, enlargement of size of holding, better irrigation facility and increases agricultural production. By the end of the 6th five-year plan, laws for consolidation of holding had been passed in many of the states.

Consolidation has been completed in Punjab, Haryana, Bihar, Gujarat, Himachal Pradesh and Jammu and Kashmir. Work is in progress in states like Madhya Pradesh, Orissa and Maharashtra. Only 35% of the total cultivated area in India is consolidated. The consolidation work has not made much headway in many states due to lack of cooperation of farmers. The small farmers fear that they may not get a fair deal at the hands of the authorities responsible for consolidation of holding. Sometimes fragmentation of holdings saves the farmer from complete ruin due to flood, storm and other natural calamities by spreading risk.

2.4.7 Co-operative Farming

Co-operative farming refers to an organisation of cultivators of land on the basis of common efforts for common interests. According to Nijalingappa Committee, it is a voluntary organisation of the farmers in which the manpower, land and other means of production are pooled in order to put them into a better and fuller utilisation. Planning Commission of India considers co-operative farming as unification of land and joint management. The following are the important features of co-operative farming:

Features of Co-operative Farming

1) The land is cultivated as one single unit.
2) The holdings of all member farmers are pooled.
3) Each member remains the owner of the land but the right of cultivation is surrendered by him to society.
4) Supervision and control over management of the farm strictly remains in the hands of the society.
5) The society is responsible for the sale of total produce.
6) Each member gets share of profit in accordance to his land.

2.4.8 Problems in Implementation of Land Reform Programmes

The principal reasons for slow progress in implementation of land reform measures are (i) lack of political will, (ii) absence of pressure from below as the poor peasants are passive, unorganised and inarticulate, (iii) apathetic attitude of the bureaucracy, (iv) absence of up-to-date land records, (v) legal hurdles in the way of implementation.

Giving an overall assessment of the land reform measures, the Sixth Plan (1980-85) mentions 'If the progress of land reforms has been less than satisfactory, it has not been due to flaws in policy but to indifferent implementation. Often the necessary determination has been lacking to effectively undertaking action, particularly in the matter of implementation of ceiling laws, consolidation of holdings and in not so vigorously pursuing concealed tenancies and having them vested with tenancy/occupancy rights as enjoined under the law."

2.4.9 Suggestions for Improvement

The following suggestions are made for improving the implementation of land reform programmes.

1) Distribution of Ceiling Surplus Land

Excess land taken over from big landholders should be distributed expeditiously to marginal farmers and landless labourers. To assist the land reform beneficiaries, there is a strong need to link them to various employment and poverty alleviation programmes for timely supply of inputs and investments.

2) Computerisation of Land Records

Priority should be given to preparation, maintenance and computerisation of

land records. All tenants including sharecroppers should be identified and their rights should be recorded and permanent heritable rights should be conferred on them on the lines of "Operation Barga" implemented by the West Bengal Government in a mission mode. Certified extract of the record should be issued in the form of updated 'Farmers' Passbook'.

3) Redefinition of Personal Cultivation

The definition of personal cultivation should give stress on the following points that the person claiming to be in cultivation; (a) He must cultivate his own land by his own labour or by the labour of any member of his family; (b) He or member of his family should reside for the greater part of the year in the locality where the land is located; and (c) Cultivation should be the main source of his income.

4) Restriction on Conversion of Agricultural Land

There should be restriction on transfer of agricultural to a non-agriculturist.

5) Liberalising Leasing of Land

Leasing of land should not be banned. Cultivation of land on lease provided source of livelihood to the land-poor households. The terms and conditions of tenancy should be regulated and tenancy contracts should be recorded.

6) Awareness Creation about Land Acts

In order to popularise the laws relating to land reforms, there should be comprehensive publicity of such laws among the rural people. These laws should be published in regional languages and be distributed to rural people by Block Development Officials. This sort of publicity would arouse consciousness of the farmers about their rights and duties related to land reform measures.

7) Legal Support

The poor peasants may be provided legal aid up to the level of Supreme Court. The Lok Adalats should be empowered to dispose of land reform litigations along with prompt disposal of cases by rural courts i.e. Nyaya Panchayat/Rural Nyayalaya.

In these sessions you read about the role of agriculture in development, and the land reform in India and now answer the questions given in Check Your Progress-1

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Discuss the importance of agriculture in economic development of India.

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2) Give a critical assessment of tenancy reform measures in India.

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2.5 AGRICULTURAL INPUTS- WATER, SEED AND FERTILIZER

Agricultural productivity can be increased by institutional restructuring and use of improved inputs or methods of production. The green revolution that took place in India during mid 1960s was primarily due to use of irrigation, chemical fertilisers and high yielding varieties of seeds. Therefore, this strategy was popularly known as seed-water-fertiliser technology. Various aspects with respect to use of yield enhancing inputs like irrigation, better seeds and fertilisers are discussed in the following sections.

2.5.1 Irrigation

Water is a critical input required for agricultural production. In areas where rainfall is abundant and well-distributed over the years, there is no problem of water. But in arid and semi-arid areas where rainfall is scanty and uncertain, irrigation is highly essential for crop production. As Indian agriculture is dependent on monsoon, the quantum and timing of rainfall is quite uncertain. There are large spatial and temporal variations in rainfall. Uncertainty and deficient rainfall calls for irrigation for cultivation of crops. Irrigation is nothing but artificial application of water for plant growth. Use of irrigation enables the use of other yield stimulating inputs like high yielding varieties of seeds, chemical fertiliser and farm yard manure. Irrigation enhances agricultural production by increasing yield rate, raising the number of crops raised in a year and diversifying the cropping pattern in favour of cash and remunerative crops. These three effects are otherwise called as (i) Pure yield effect, (ii) Intensity effect (iii) Cropping pattern effect.

i) Investment in Irrigation

From the very inception of planning and during subsequent Five Year Plans, huge investments have been made in irrigation projects to increase agricultural production and to make India self sufficient in food grain production. During the 50 years since independence, the Government of India had invested nearly Rs.231, 400 crore (at 1996-97 prices) on major, medium and minor irrigation projects. As a result, the country's irrigation potential has increased from 22.6 million hectares in the pre-plan period during 1950-51 to 89 million hectares at the end of 1996-97. India has the largest irrigated area in the world. This has significantly contributed to enhance agricultural production from 51 million tonnes in 1950-51 to 203 million tonnes in 2001-02.

ii) Sources of Irrigation

Irrigation water is provided from varied sources such as canal, well, tube well, tanks etc. Since the inception of first five year plan in 1951, considerable emphasis has been placed on development of canal irrigation. Canal irrigated area has increased from 8.3 million hectares in 1950-51 to 17.1 million hectares in 1996-97. However, its relative importance has decreased from 40% to 32% (Table 2.3).

Area irrigated by well and tube well has increased from 6 million hectares to 31 million hectares during 1950-51 to 1996-97. During this period, the percentage of well irrigated area has increased substantially from 29% to 56%. The growth of well irrigation has been at the expense of tank irrigation and irrigation from other sources. The share of tanks in total irrigated area has declined from 17% in 1950-51 to 6% in 1996-97 (Refer to Table 2.3).

As a consequence of irrigation development the percentage of cropped area under irrigation has increased from 17% to 39% during 1950-51 to 1999-2000.

Table 2.3: Area Irrigated by Source in India

	1950-51		1996-1997	
Sources of Irrigation	**Area (million ha)**	**Percentage**	**Area (million ha)**	**Percentage**
Canals	8.3	40	17.4	31.7
Wells & tube wells	6.0	29	30.8	55.9
Tanks	3.6	17	3.3	5.9
Other sources	3.0	14	3.6	6.4
Total	20.9	100	55.1	100.0

Source: Statistical outline of India, 2000-01

iii) Irrigation Potential

The planning commission of India has adopted the following classification of irrigation schemes on the basis of area irrigated:

a) Major Irrigation Schemes: Those with culturable command area (CCA) more than 10,000 hectares.

b) Medium Schemes: Those with culturable command area (CCA) between 2000 and 10,000 hectares.

c) Minor Schemes: Those with culturable command area (CCA) upto 2000 hectares.

During the initial year of first five year plan i.e. 1951, the irrigation potential created through major and medium schemes was about 10 million hectares and from minor irrigation works was 13 million hectares. By 1999-2000, the total irrigation potential created increased to 94 million ha. Recently the Ministry of Water Resources has estimated that India's ultimate irrigation potential from major and medium schemes would be 59 million ha and minor works would contribute 81 million ha adding up to a total of 140 million ha.

Unfortunately, the irrigation potential created over the years has not been fully utilised. The gap between the potential created and actually utilised has widened over the years. Nearly 10 per cent of potential created has been remaining unutilised. The reasons for non-utilisation of created irrigation potential are: (i) delay in the construction of field channels, drains, land levelling/shaping, (ii) cultivation of water intensive crops by farmers, (iii) excess use of water by the farmers in the head reach of canal, (iv) conveyance loss of water due to seepage (v) siltation (vi) lack of proper operation and maintenance of irrigation physical structures.

In order to narrow the gap between potential created and its utilisation, the Government of India started the Command Area Development (CAD) Programme during 1970s. The basic objective of CAD programme is to maximise productivity in the irrigation command area through an integrated approach through on farm development (OFD) works. OFD works include construction of field channels and field drains, land levelling, land shaping, introduction of rotational water supply to ensure equitable and assured distribution of water to individual land holdings. CAD programme also aims at promoting farmers participation in irrigation management. The CAD programme has not been successful in achieving equity and efficiency in irrigation use.

For optimal utilisation of irrigation, recently emphasis is laid on minor irrigation schemes using ground water sources. Minor irrigation works are relatively less capital intensive and do not take long period to complete construction. Controlled irrigation is possible in case of minor irrigation. Minor irrigations works are usually taken up by private individuals. Thus expansion of minor irrigation depends on farmer's perception of profitability, easy and cheap availability of facilities such as electricity, diesel, construction material, credit etc. Government is required to provide necessary support for promotion of minor irrigation schemes on private initiative.

iv) Irrigation Development Programmes

The Government of India has taken up irrigation potential creation through public funding and is assisting farmers to create potential on their own farms. Substantial irrigation potential has been created through major and medium irrigation schemes. The total irrigation potential in the country has increased from 81.1 million ha in 1991-92 to 102.77 million ha by 2007. Important government programmes under implementation are as follows:

a) Accelerated Irrigation Benefit Scheme

The Central Government initiated the Accelerated Irrigation Benefit Programme (AIBP) from 1996-97 for extending assistance for the completion of incomplete irrigation schemes. Under this programme, projects approved by the Planning Commission are eligible for assistance. Further, the assistance, which was entirely a loan from the Centre in the beginning, was modified by inclusion of a grant component with effect from 2004-05. AIBP guidelines were further modified in December 2006 to provide enhanced assistance at 90 per cent of the project cost as grant to special category States, Drought Prone Area

Programme (DPAP) States/tribal areas/flood-prone areas and Koraput-Balangir-Kalahandi (KBK) districts of Orissa. Under the AIBP, Rs 34,784 crore of Central Loan Assistance (CLA)/grant has been released up to 2009. An additional irrigation potential of 56 lakh ha has been created under the AIBP up to 2009. As on March 31, 2009, 268 projects have been covered under the AIBP and 109 completed.

b) Rural Infrastructure Development Fund

National Bank for Agriculture and Rural Development (NABARD) has set up Rural Infrastructure Development Fund (RIDF) under which loans are granted to states for speedy completion of minor irrigation projects.

c) Participatory Irrigation Management Programme

During the last two decades India has undertaken path breaking reform measures in irrigation sector to ensure efficiency in water use, equity in water distribution and sustainability of the irrigation systems. Until 1990s major and medium irrigation projects in India had remained state owned, state funded managed by a government department by a hierarchical bureaucracy in a top down manner without any participation of farmers. Recently emphasis has been laid on participation of farmers in all aspects of planning, development and management of water resources. Many states in India have implemented Participatory Irrigation Management (PIM) mostly under economic restructuring programme with financial assistance from international development organisations like World Bank, Department for International Development (DFID), UK, Asian Development Bank, and European Commission. Farmers have been organised to form Water Users' Associations (WUAs) to take over the responsibility of operation and maintenance, distribution of water among water users and collection of water charges. Though thousands of WUAs have been formed across India, their functional efficiency is questionable. The implementation of PIM in India has been observed to be beset with many difficulties due to heterogeneity of farmers, capture of power by rural elites, political interference, half-hearted support of irrigation bureaucracy, physical system inefficiency, inadequate capacity building and lack of enough incentives.

2.5.2 Seeds

Seeds are considered as the carriers of new technology for crop production and higher crop yields. Improved seeds are a critical input for sustained growth of agriculture. In India, more than four-fifths of the farmers rely on farm-saved seeds leading to a low seed replacement rate. Production of quality seeds and distribution of new improved plant varieties constitute an important component of Government's agricultural policy.

A number of high yielding varieties (HYV) of rice and wheat, hybrids of maize, jowar and bajra have been introduced. The HYV programme was started in 1966. By 1997-98 a total of 70 million ha of land was covered by HYV.

The organised seed sector particularly for food crops and cereals is dominated by the public sector. The Government is putting emphasis on (i) research in

evolving better seeds suitable to Indian condition, (ii) larger production and better distribution of quality seeds, (iii) provision of adequate credit facilities to enable even the poorest farmers to purchase and use quality seeds, and (iv) expansion of irrigation, fertiliser and pesticides which are necessary for efficient use of quality seeds.

With the introduction of HYV programme, the need for increasing production of quality seeds has increased considerably. The Government set up National Seeds Corporation (NSC) in 1963 and the State Farms Corporation of India (SFCI) in 1969, to produce and supply quality seeds. There are also private firms who multiply foundation seeds and certify quality seeds under the prescribed quality control arrangements.

Government Seed Policy and Programme

The Indian Seed Programme includes the participation of Central and State Governments, the Indian Council of Agricultural Research (ICAR), the State Agricultural Universities, the cooperative and private sectors. There are 15 State Seed Corporations besides two national-level corporations, namely National Seeds Corporation and State Farms Corporation of India. The Ministry of Agriculture is implementing the Central-sector Development and Strengthening of Infra tructure Facilities for Production and Distribution of Quality Seeds scheme. The aim of the scheme is to make quality seeds of various crops available to armers timely and at affordable price. Under this scheme, the seed component of th Prime Minister's Relief Package is being implemented in 31 suicide-affected distri ts of Maharash

a, Andhra Pradesh, Karnataka and Kerala, to supply certified seeds at 50 per ent of seed cost. During the year 2008-09, Rs. 445.81 crore was released und r the Prime Minister's Relief Package. The scheme is being implemented on all-ndia basis from the year 2005-06. The major thrusts under the scheme are on i proving quality of farm saved seeds through Seed Village Programmes to enhanc seed replacement rate, boosting seed production in the private sector and elping public sector seed companies to contribute to enhancing seed production. Some of the remarkable achievements under the scheme during 2008-09 were tha more than 25,000 seed villages were organized across the country; certified/ quality seed production increased from 194.31 lakh quintals during 2006-07 to 250.35 lakh quintals during 2008-09; 52 seed infrastructure development proposals were sanctioned for boosting seed production in the private sector; and financial sanctions were given for establishing tissue culture facilities in Orissa (banana) and Maharashtra (pomegranate). Further, Biotech Consortium of India Limited (BCIL) was engaged as an expert agency to undertake public awareness programmes in nine BT cotton- growing States at State capital, district and tehsil levels. The BCIL has been provided financial assistance of Rs. 26.65 lakh during the year 2008-09. The Protection of Plant Varieties and Farmers' Rights (PPV&FR) Authority was established in November 2005 at the National Agricultural Science Complex (NASC), New Delhi. NASC has been mandated to implement provisions of the PPV&FR Act 2001. Fourteen crops, namely rice, wheat, maize, sorghum, pearl millet, chick pea, pigeon pea, green gram, black gram, lentil, field pea, kidney bean, cotton and jute were notified for the purpose of registration under the Act. There are plans to extend its operations and coverage to forestry and aromatic and medicinal plants.

Considering the vital importance of the seeds sector in promoting agricultural growth, it is proposed to replace the existing Seeds Act 1966 by suitable legislation. The new Act is expected to (i) create a facilitative climate for growth of the seed industry, (ii) enhance seed replacement rates for various crops, (iii) boost the export of seeds and encourage import of useful germ plasm and (iv) create a conducive atmosphere for application of frontier sciences in varietal development and for enhanced investment in research and development (R&D).

2.5.3 Fertilisers

Chemical fertilisers have played a significant role in the development of the agricultural sector. With fast growing population and limited land resources, the use of fertilisers will play the key role in increasing agricultural productivity. The new agricultural strategy that was adopted during 1966 to boost agricultural production was based on increased use of fertilisers. The per hectare consumption of fertilizers in nutrients terms increased from 105.5 kg in 2005-06 to 128.6 kg in 2008-09. However, improving the marginal productivity of soil still remains a challenge. This requires increased NPK application and application of proper nutrients, based on soil analysis. The application of quantum of fertiliser is quite low in comparison to international figures. The reasons for low use of fertilisers are as follows:

i) Absence of assured supply of water in many parts of India acts as a hindrance to increase use of fertilisers. Availability of water is a pre-condition for use of chemical fertilisers.

ii) As a majority of cropped area in India is rainfed, consumption in these areas is low.

d) Government provides a lot of subsidy on fertilisers, which is a drain on national resources. Most of the subsidy on fertiliser is cornered by the large farmers. Government is gradually reducing subsidy, which has resulted in significant increase in price of fertilisers.

e) Government imports fertilisers to meet domestic demand. As there has been a sharp increase in international prices of fertilisers, Government is encouraging use of organic manure, which is environment friendly.

Government Measures

The Government has taken a number of measures to improve fertilizer application in the country. A new scheme, the National Project on Management of Soil Health & Fertility (NPMSF), has been introduced in 2008-09 with a view to setting up of 500 new Soil Testing Laboratories (STLs) and 250 Mobile Soil Testing Laboratories (MSTLs) and strengthening of the existing State STLs for micronutrient analysis. In order to ensure adequate availability of fertilizers of standard quality to farmers and to regulate trade, quality and distribution in the country, fertilizers have been declared an essential commodity as per the Fertilizer Control Order (FCO) 1985 promulgated under Section 3 of the Essential Commodity Act 1955. The procedure for incorporation of new products has been liberalised and simplified to encourage manufacture and use of fortified fertilizers. Eight fertilisers have been specified as fortified fertilisers in FCO 1985. To encourage balanced use of fertilisers, a new concept of customized fertilisers has been introduced. These fertilisers are soil specific and crop specific. Organic

fertilisers, namely city-based compost and vermin compost, and bio-fertilisers, namely rhizobium, azotobacter, azospirillum and phosphate solubilising bacteria, have been recognized and incorporated in FCO 1985. In spite of several measures undertaken by the Government, the use of fertiliser is considered very low in India. It is necessary to promote increased use of proper fertilisers in accordance with soil characteristics through improved delivery services to increase agricultural yield.

In these sessions you read about the role of agricultural input in agriculture development and now answer the questions given in Check Your Progress-2

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Describe the government measures to develop irrigation in India.

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2.6 NATIONAL AGRICULTURAL POLICY (2000)

In the post liberalisation period especially during the nineties the growth rate of agriculture was very low hovering around only 2% per annum. This became a matter of great

ncern to the Government of India. The Government declared the National Ag icultural Policy in 2000 to accelerate agricultural growth. The Policy aims to achieve the following objectives:

i) A growth rate of 4 per cent per annum in the agriculture sector;

ii) Growth that is based on efficient use of resources and conservation of our soil, water and bio-diversity;

iii) Growth with equity i.e. growth which is widespread across regions and farmers;

(iv) Growth that is demand driven and caters to domestic markets and maximises benefits from exports of agricultural products in the face of challenges from economic liberalisation and globalisation;

v) Growth that is sustainable technologically, environmentally and economically.

2.6.1 Sustainable Agriculture

The policy supports technically sound, economically viable, environmentally non-degrading, and socially acceptable use of country's natural resources to promote sustainable agriculture. For this purpose the following measures are suggested:

i) To contain biotic pressures on land and to control indiscriminate diversion of agricultural lands for non-agricultural uses

ii) To use unutilised wastelands for agriculture and afforestation

iii) To increase cropping intensity through multi-cropping and inter-cropping

iv) To vigorously pursue a long-term perspective plan for sustainable rainfed agriculture through watershed approach for development of two-third of India's cropped area, which is dependent on rains.

v) To emphasise rational use of surface and ground water, so that the receding ground water levels in certain areas due to over-exploitation of available water resources can be checked. To use better technologies like drip and sprinkler irrigation system so as to make more economic and efficient use of water.

vi) Involvement of farmers and landless labourers will be sought in the development of pastures/forestry programmes on public wasteland by giving financial incentives and entitlement of trees and pastures.

2.6.2 Food and Nutritional Security

Special efforts will be made to enhance the productivity and production of crops to meet the increasing demand for food generated by growing population and raw materials for expanding agro-based industries. Special attention will be given to development of new crop varieties, particularly food crops, with high nutritional value.

A major thrust will be given to development of rainfed agriculture, horticulture, floriculture, roots and tubers plantation crops, aromatic and medicinal plants, bee-keeping and sericulture for augmenting food supply, exports and generating employment in rural areas.

Development of animal husbandry, poultry, dairy and aquaculture will receive high priority for diversifying agriculture, increasing animal protein availability in food basket and for generating exportable surpluses.

Cultivation of fodder crops and fodder trees will be encouraged to meet the growing need for feed and fodder requirements. The involvement of cooperatives and the private sector will be encouraged for the development of animal husbandry, poultry and dairy.

2.6.3 Generation and Transfer of Technology

The Government will encourage application of biotechnology, remote sensing technologies, pre and post harvest technologies, energy saving technologies and technology for environmental protection.

The Government will endeavour to move towards a regime of financial sustainability of extension services in a phased manner, a more realistic cost recovery of extension services and inputs, while simultaneously safeguarding the interests of the poor and vulnerable groups.

The Government will take measures to empower women and build their capabilities and improve their access to inputs, technology and other farming resources.

2.6.4 Incentives for Agriculture

The Government will take steps to improve the terms of trade for agriculture with manufacturing sector.

Consequent upon removal of quantitative restrictions on trade in inputs as per WTO Agreement on Agriculture, in order to protect the interest of farmers, continuous monitoring of international prices will be undertaken and appropriate tariff protection will be provided.

The structure of taxes on food grains, other commercial crops and excise duty on farm machinery and implements, fertiliser etc. will be reviewed and rationalised.

2.6.5 Investments in Agriculture

The policy admits that there has been a decline in public sector investment in the agriculture sector. Public investment for narrowing regional imbalances and accelerating development of supportive infrastructure will be stepped up.

Besides this, private sector investment in agriculture will also be encouraged, more particularly in areas like agricultural research, human resource development, post-harvest management and marketing.

For setting up agro-processing units, collaboration between the producer cooperatives and corporate sector will be encouraged.

2.6.6 Institutional Structure

The approach to rural development and land reforms will focus on the following areas:

i) Consolidation of holdings all over the country on the pattern of north western states

ii) Redistribution of ceiling surplus lands and wastelands among the landless farmers and unemployed youth

iii) Tenancy reforms to recognise the rights of the tenants and sharecroppers

iv) Development of lease markets for increasing the size of holdings by making legal provisions for giving private land on lease for cultivation and agri-business

v) Updating and improvement of land records, computerisation and issue of land pass-books to farmers.

vi) Recognition of women's rights in land.

Private participation will be promoted through contract farming and land leasing arrangements to allow accelerated technology transfer, capital inflow and assured markets for crop production, especially of oilseeds, cotton and horticultural crops

2.6.7 Risk Management

The National Agriculture Policy envisages National Agriculture Insurance scheme covering all farmers and all crops through out the country. Efforts are being made to provide a package insurance policy for the farmers, right from sowing of the crops to post-harvest operations, including marketing fluctuations in the prices of agricultural produce.

2.6.8 Critical Review of the New Agricultural Policy

The New Agricultural Policy promises Green Revolution, White Revolution (milk and dairy products) and Blue Revolution (aquaculture). It has, therefore, been described as a policy of promising Rainbow Revolution.

Firstly, the new agricultural policy has fixed up unrealistic targets of agricultural growth rate. During the nineties, the growth rate of agricultural production averaged 2.1 per cent and that of food grains production averaged 1.8 per cent per annum, which was just equal to the growth rate of population. The goal of attaining 4 per cent growth in agriculture seems a distant dream. Attainment of food security is also difficult to achieve. The New Policy does not specify the targets in input use, public investment, so that the objectives can be achieved.

Secondly, the New Agricultural Policy talks of widespread development of agriculture. But it does not identify the agriculturally backward states, which are lagging behind in utilising their potential. It would have been better had the policy recommended special package for investment in infrastructure in those areas to achieve balanced regional agricultural development.

Thirdly, the policy emphasises on private investment to increase production. The large farmers can make investment in the form of tube well, agricultural implements, land improvement. But the small farmers who constitute the major segment of Indian farmers are not able to make private investment and depend on public investment for agricultural production. Moreover, in backward underdeveloped areas, a big push in the form of public investment in rural infrastructures is necessary to accelerate agricultural growth. The new policy lacks such focus on public investment and does not commit any thing on this matter.

Fourthly, the policy intends to encourage commercialised or capitalist farming by promoting contract farming. The policy does not specify any regulating mechanism to control adverse effects of contract farming on eco-system and employment.

Fifthly, in India agriculture is a state subject. The national agricultural policy only gives the guidelines which may not be binding on states. It would have been better, had the Centre specifically mentioned its contribution in different programmes it intends the states to undertake to promote agriculture. Central contribution in rural development programmes will provide incentives to states to take up such programmes.

In these sessions you read about the measures to be taken for the improvement of agriculture and National Agriculture Policy now answer the questions given in Check Your Progress-3

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Describe the measures undertaken by Government of India to increase use of quality seeds.

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2) Critically examine the National Agricultural Policy, 2000.

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2.7 LET US SUM UP

The role of agriculture in the development of rural economy is immensely important. It contributes to the national income, serves as a source of livelihood and forms a positive linkage with the growth of industrial sector and international trade. The trend of agricultural growth in India has been an upward graph in terms of steady increase in area under cultivation; average yield per hectare and production of food grains. Productivity of agriculture mainly depends on two types of factors: institutional and technological. Institutional factors refer to the land ownership and operation pattern that affect the incentive structure for agricultural production. These include size of land holding, extent of tenancy, terms and conditions of tenancy etc. The technological factors refer to the use of yield increasing agricultural inputs and methods of production such as irrigation, high yielding varieties of seeds, chemical fertiliser, improved agricultural implements like tractors, harvester, transplanter etc. To enhance agricultural productivity institutional as well as technological changes are necessary. Further on, the agricultural productivity can be increased by institutional restructuring and use of improved inputs or methods of production. The green revolution that took place in India during mid 1960s was primarily due to use of irrigation, chemical fertilisers and high yielding varieties of seeds. Therefore, this strategy was popularly known as seed-water-fertiliser technology. Eventually, the Government of India announced National Agricultural Policy in 2000 to accelerate agricultural growth.

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2.9 CHECK YOUR PROGRESS- POSSIBLE ANSWERS

Check Your Progress 1

1) Discuss the importance of agriculture in economic development of India.

Answer. The importance of agriculture in economic development in of India can be assessed in the following ways:

i) Contribution to National Income

ii) Source of Livelihood

iii) Role in Industrial Development

iv) Role of Agriculture in International Trade

v) Other Contributions

2) Give a critical assessment of tenancy reform measures in India.

Answer. The shortcomings of tenancy reform measures are as follows:

i) The tenancy reform laws have not been implemented in full spirit. Many officials themselves were land owners and they misinterpreted the laws in favour of the land owners.

ii) The legal processes to enable cultivators to become owners were rigid and complex. The poor tenants did not have the resources to move to the court of law.

iii) To get ownership right on tenanted land, the tenant was required to prove his continuous use of land for cultivation purpose. The tenants found it difficult to prove this claim.

iv) The landowners evicted the tenants on the ground of resumption of land for self cultivation.

3) The main tenancy reform measures are as follows:

i) Regulation of Rent

ii) Security of Tenure

iii) Conferment of Ownership Rights to Tenants

Check Your Progress 2

1) Describe the government measures to develop irrigation in India.

Answer. Important government programmes under implementation are as follows.

a) Accelerated Irrigation Benefit Scheme

The Central Government initiated the Accelerated Irrigation Benefit Programme (AIBP) from 1996-97 for extending assistance for the completion of incomplete irrigation schemes. Under this programme, projects approved by the Planning Commission are eligible for assistance. Further, the assistance, which was entirely a loan from the Centre in the beginning, was modified by inclusion of a grant component with effect from 2004-05. AIBP guidelines were further modified in December 2006 to provide enhanced assistance at 90 per cent of the project cost as grant to special category States, Drought Prone Area Programme (DPAP) States/tribal areas/ flood-prone areas and Koraput-Balangir-Kalahandi (KBK) districts of Orissa.

b) Rural Infrastructure Development Fund

National Bank for Agriculture and Rural Development (NABARD) has set up Rural Infrastructure Development Fund (RIDF) under which loans are granted to states for speedy completion of minor irrigation projects.

c) Participatory Irrigation Management Programme

During the last two decades India has undertaken path breaking reform measures in irrigation sector to ensure efficiency in water use, equity in water distribution and sustainability of the irrigation systems. Until 1990s major and medium irrigation projects in India had remained state owned, state funded managed by a government department by a hierarchical bureaucracy in a top down manner without any participation of farmers. Recently emphasis has been laid on participation of farmers in all aspects of planning, development and management of water resources.

Check Your Progress 3

1) Describe the measures undertaken by Government of India to increase use of quality seeds.

Answer. The Various measures undertaken by Government of India to increase use of quality seeds are as follows:

The Indian Seed Programme includes the participation of Central and State Governments, the Indian Council of Agricultural Research (ICAR), the State Agricultural Universities, the cooperative and private sectors. There are 15 State Seed Corporations besides two national-level corporations, namely National Seeds Corporation and State Farms Corporation of India. The Ministry of Agriculture is implementing the Central-sector Development and Strengthening of Infrastructure Facilities for Production and Distribution of Quality Seeds scheme. The Protection of Plant Varieties and Farmers' Rights (PPV&FR) Authority was established in November 2005 at the National Agricultural Science Complex (NASC), New Delhi. NASC has been mandated to implement provisions of the PPV&FR Act 2001. Fourteen crops, namely rice, wheat, maize, sorghum, pearl millet, chick pea, pigeon pea, green gram, black gram, lentil, field pea, kidney bean, cotton and jute were notified for the purpose of registration under the Act. There are plans to extend its operations and coverage to forestry and aromatic and medicinal plants.

Considering the vital importance of the seeds sector in promoting agricultural growth, it is proposed to replace the existing Seeds Act 1966 by suitable legislation. The new Act is expected to (i) create a facilitative climate for growth of the seed industry, (ii) enhance seed replacement rates for various crops, (iii) boost the export of seeds and encourage import of useful germ plasm and (iv) create a conducive atmosphere for application of frontier sciences in varietal development and for enhanced investment in research and development (R&D).

2) Critically examine the National Agricultural Policy, 2000.

The New Agricultural Policy promises Green Revolution, White Revolution (milk and dairy products) and Blue Revolution (aquaculture). It has, therefore, been described as a policy of promising Rainbow Revolution.

Firstly, the new agricultural policy has fixed up unrealistic targets of agricultural growth rate. During the nineties, the growth rate of agricultural production averaged 2.1 per cent and that of food grains production averaged 1.8 per cent per annum, which was just equal to the growth rate of population. The goal of attaining 4 per cent growth in agriculture seems a distant dream.

Secondly, the New Agricultural Policy talks of widespread development of agriculture. But it does not identify the agriculturally backward states, which are lagging behind in utilising their potential.

Thirdly, the policy emphasises on private investment to increase production. The large farmers can make investment in the form of tube well, agricultural implements, land improvement. But the small farmers who constitute the major

segment of Indian farmers are not able to make private investment and depend on public investment for agricultural production.

Fourthly, the policy intends to encourage commercialised or capitalist farming by promoting contract farming. The policy does not specify any regulating mechanism to control adverse effects of contract farming on eco-system and employment.

Fifthly, in India agriculture is a state subject. The national agricultural policy only gives the guidelines which may not be binding on states. It would have been better, had the Centre specifically mentioned its contribution in different programmes it intends the states to undertake to promote agriculture.

UNIT 3 RURAL INDUSTRIALIZATION

Structure

3.1 Introduction

3.2 Rural Industrialization: Meaning and Significance

3.3 Role of Industries in Rural Economy

3.4 Features of Rural Industries

3.5 Types of Rural Industries

3.6 Challenges of Rural Industrialization

3.7 Measures to Promote Rural Industries

3.8 Let Us Sum Up

3.9 Key Words

3.10 References and Selected Readings

3.11 Check Your Progress- Possible Answers

3.1 INTRODUCTION

One of the central problems impinging significantly on rural development is the shrinking employment opportunities in rural areas. Seasonal unemployment, partial unemployment, artisans who are at the margins because the technology they use has become obsolete is common in Indian villages. Finding jobs to match the skills of the people is one enormous task for any government. Agriculture is widely found to be non-remunerative. This has accelerated migration to urban areas in a big way, worsening the situation of urban poverty.

A recent challenge to development in rural areas is distress departure from agriculture. The paradox is that commercial exploitation of resources in rural areas is systematically done by corporate interests. The dearth of access to information, knowledge and technology make rural people to stand away and watch their resources such as land, sand, soil, water, vegetation, herbs, trees etc. being exploited by profiteering interests. The unlettered or semi-literate rural people wind up their business in villages, and get set to depart to urban centres in search of employment in the cities.

Commencing from the mid-1950s, one of the best strategies that India has been adopting for employment generation, especially in rural areas is rural industrialization. There are several concepts, models, and experiments that are successful in rural industrialization and in mass employment generation in several parts of the country. They are also known as non-agricultural sub-sector.

After studying this unit, you should be able to:

- explain the significance of rural industrialization
- role of rural industries in development
- features and types of rural industries in India.

3.2 RURAL INDUSTRIALISATION: MEANING AND SIGNIFICANCE

3.2.1 Meaning

Industries are places that manufacture goods or articles for the consumption of the masses. Industries generate employment for the society. Industries contribute to the economic development of a nation. Rural industries are non-farm activities that depend on rural resources, and are primarily meant for employment generation through effective utilization of locally available resources, human power and technologies that are native or home-grown. These are by nature small-scale. These are usually based in villages. Hence, they are popularly addressed as: small-scale industries / village industries / rural industries. Since employment generation is one of the essential objectives of rural industries, they usually work with the philosophy of production by masses-as opposed to mainstream industries where goods are mass produced. It aims at reducing unemployment levels, and enhancing the individual and household incomes. Since the scale of activities is small, the financial requirement is also usually small. According to T M Dak, the concept of "rural industries" itself lacks uniform and accepted definition, is used interchangeably with such terms as, "artisan industries" etc.

The Planning Commission first used the term "rural industries" when it recommended a rural industries projects programme in the year 1962. In a report on Village and Small industries sector, the Planning Commission (1988) defined rural industries in the following lines, "The term 'rural industries' connotes such types of industries as khadi, Village industries, handloom,handicraft,sericulture,coir and tiny and service industries situated in rural areas".

Thus, rural industrialization includes economic activities outside agriculture, carried out in villages and varying in size from households to small factories. Some examples of these activities are cottage, tiny, village and small-scale manufacturing and processing industries; and services of various kinds. Household industries have declined over time, whereas small scale, non-household industries have expanded. Cottage enterprises – based on part-time family labour – are relatively less efficient than small-scale, fulltime and specialised rural industries.

The term rural used as prefix to industrialization is to indicate a need for clear conditionality and connectivity between industrialization processes and a distinct section of society. Industrialization is a process of producing goods and services using certain specific inputs, technologies and manufacturing procedures. Rural industry, in the traditional sense, is construed as the economic activity characterised with features like ease of entry, reliance on indigenous sources, small scale operation, adopted technology and skills acquired outside the formal schooling system. However, this segment suffers from technological obsolescence, low productivity, inefficiency, inconsistent quality, drudgery and dependence upon nature's clemency. Arrival of new technologies as a fall out of globalization and scaling up production calls for innovation or improvisation in technologies used in rural industries as well.

In effect time has come for us to think of 'Rural Industrialization' as an endeavour requiring innovation, distinct from state sponsored small scale industrialization

to serve both rural and semi-rural areas. The concept of Rural Industrialization encompasses facilitating avenues of employment in non-farm activities on a widely dispersed basis nearer to the place of living of the poor. It is also felt that a shift in income distribution in favour of the poor would require increased production of articles of mass consumption and wage goods, which can be produced through Village Industries (VI) or Small Scale Industries (SSI). Application of technology and being able to draw the attention of the potential consumers has become imperative for products from rural industries as well. According to Chuta and Sethuraman, rural industrialisation is an employment oriented development strategy necessarily implying greater emphasis on small scale activities. These not only offered greater employment and income opportunities for the rural poor in particular but also facilitate their participation in development.

3.2.2 Significance of Rural Industrialization

In most developing countries – including India – the rural labour force has been growing rapidly but employment opportunities have been dwindling. As the land available for expansion of agriculture becomes increasingly scarce, opportunities for non-farm employment must expand, if worsening rural poverty is to be checked. Given the expected growth and composition of large-scale urban industries, they are unlikely to be able to absorb the rising tide of workers migrating from the countryside to the cities. We must slow down the process of the urban spread, with its high social and environmental costs, such as congestion, pollution, skyrocketing land costs etc. Therefore, diversion of manpower becomes imperative from agriculture sector to industry and service sectors. Since employment in the service sector, particularly in rural areas is limited, the development of industrial sector, especially in rural segment is essential.

The rural industrialization is considered as a vehicle for the generation of productive employment and income for the generation of productive employment and income for the rural poor. The significance of rural industrialization can be attributed due to following factors:

i) They can slow down urban migration and thereby ease the problems of urbanization.

ii) They lead to improvement in environment by reducing the concentration of industrial units in big cities.

iii) They can increase rural income and generate nonfarm employment to the farmers.

iv) They can reduce both skilled and unskilled unemployment.

v) They can promote balanced industrialization by avoiding excessive industrial concentration.

vi) They are based on the local needs and can better meet the local consumption needs.

Thus the decentralization of industries to rural areas is one of the best possible development strategies for thickly populated country like India.

3.2.3 Objectives of Development of Village and Small Industries

According to one of the Five year plan, the objectives of the development of village and small industries are:

i) to assist in the growth and widespread dispersal of industries;

ii) to increase the levels of earnings of artisans;

iii) to sustain and create avenues of self-employment;

iv) to ensure regular supply of goods and services through use of local skills and resources;

v) to develop entrepreneurship in combination with improved methods of production through appropriate training and package of incentives;

vi) to preserve craftsmanship and art heritage of the country.

In this session you read about the role of industry in development, now answer the questions given in Check Your Progress 1.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What is the meaning of the term Rural Industrialization

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2) What is the significance of Rural Industrialization for India?

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3.3 ROLE OF RURAL INDUSTRIES IN DEVELOPMENT

In India, cottage and village industries have been an important occupation of the landless and other poor people in villages for ages. It is an important source of income and employment opportunities for them. As a matter of fact, agriculture and rural industries are complementary to each other. This sector has the second largest share of employment after agriculture. It touches the lives of the weaker and unorganised sections of the society, with more than half of those employed being women, minorities and the marginalised. Fifty seven per cent of the micro and small enterprises (MSEs) units are owner-run enterprises with one person. They account for 32 per cent of the workforce and 29 per cent of the value added in non-agricultural private unincorporated enterprises.

This sector contributes to over 40 per cent to the gross turnover in the manufacturing sector, about 45 per cent of the manufacturing exports and about 35 per cent of the total exports.

India has a very large spectrum of industrial activities surviving in the villages in spite of severe competition from the highly industrialized urban society. 'Traditional', as they are called, these artisans sustain with their handed down technologies, with slight improvements not keeping pace with changes in that the sector or market demand. The Government of India through various formal institutions and budget allocations supports rural industrialization activities. These aim at supporting rural industrialization, creating enabling environment to arrest rural to urban migration, and employment generation at the local level. This would eventually enhance the individual and household incomes leading to poverty reduction.

3.3.1 Role of village Small industries in India's export

The VSI sector contributes to about one-third of India's export earnings despite getting only an insignificant share of the plan allocations. It is ironic that despite its tremendous export potential, promotion of exports has not figured in our five year documents as an objective of development of this sector. This does not, however, mean that there have not been any measures to promote exports of this sector. Organisations like the Handicrafts and Handlooms exports Corporation and Central Industries Corporation are evidences of government efforts to encourage exports of VSI products. However, the fact remains that our five year plans have not visualised contribution to exports as an important objective of the development of the village and small industries despite their impressive export potential.

Between 2000-01 to 2004-05, the small enterprises sector registered continuous growth in the number of units, production, employment and export. The performance of SSI is given in the Table:1

Table 1: Status of Industrial Units, Employment and Exports

Year	No. of units (lakh)			Employment (lakh)	Exports (Rs. Crore)
	Regd.	Unregd	Total		
2000-01	13.10	88.0	101.10 (4.1)	239.09 (4.4)	239.09 (4.4)
2001-02	13.75	91.46	105.21 (4.1)	249.09 (4.2)	249.09 (4.2)
2002-03	14.68	94.81	109.49 (4.1)	260.13 (4.4)	260.13 (4.4)
2003-04	15.54	98.41	113.95 (4.1)	271,36 (8.6)	271.36 (4.3)
2004-05	16.57	102.02	118.59 (4.1)	2,51,511 (10.0)	282.91 (4.3)

Note: Figures in parenthesis indicate percentage growth over previous years

(**Source:** Economic Survey 2005-06, GOI)

3.4 FEATURES OF RURAL INDUSTRIES

Given its enormous diversity and the constantly evolving context, the content of rural industrialization remains a difficult task. The best evidence for this is the migration of rural populace to urban areas in search of employment in construction industries, hotels and restaurants etc. Some of the distinguishing features and major advantages of rural industry are narrated below:

i) The Village, Khadi and small industries assume special significance owing to its high employment potential which becomes immensely important for an economy like India which is characterised with abundant labour supply and concomitant unemployment and underemployment .Today nearly 40 million people are employed in these industries on full time or part time basis. This figure is much more than the total people employed in organised manufacturing and mining sectors.

ii) These industries also provide employment in the off-season while agriculture provides only seasonal employment. The Village and cottage industries help people meet their employment issues in the off-season.

iii) The Village, khadi and cottage industries employs the people falling under special categories like women, old aged, children, physically disadvantaged, etc.Alongside it creates part time opportunities for people who are working somewhere else on full time basis in order to make additional income.

iv) Most of these industries are located within the household premises which poses as an advantage for the employed people.

v) The Village and cottage industries are a boon for labour-abundant and capital –scarce economy like India. The capital-output and capital-labour ratios are comparatively very low. That is, the amount of capital investment required per unit of employment and the capital investment required per unit of output are comparatively very low.

vi) Because of the low capital-output ratio and low gestation period they promote non-inflationary growth.

vii) Khadi and village industries have been found to be of particular help to the weaker sections of the society.

viii) These industries promote economising of resource utilisation and resource conservation. Techniques that are easily adaptable are adopted to ensure maximum utilisation of locally available raw materials. At times, there is usage of nonconventional raw materials whereby there is conversion of waste into wealth.

ix) These industries help in reducing the regional economic imbalances as these industries can develop in almost all areas including backward, tribal, hilly and inaccessible areas.

x) These industries help in increasing employment opportunities and income henceforth increasing the pace of rural development.

xi) As compared to the large industries, the small industries have received more of attention owing to the ecological issues they create.

xii) There is no creation of energy crisis and foreign exchange crisis as the khadi and village industries donot use or use only very little electric power or oil.

Box -1: Gandhigram (Tamil Nadu) and Rural Industrialization

Gandhigram in Tamil Nadu is one of the unique experiments initiated by Dr.T.S. Soundram and Dr.G. Ramachandran ardent disciples of Mahatma Gandhi. It was started in 1947. Today it is known as a conglomeration of small-scale and village industries. Gandhigram is promoting to rural industrialization through rural technology dissemination, and rural employment generation. It has been involved in a wide range of non-farm employment generation activities, stretching from production of khadi fabric, soaps, shampoo, food products etc to Siddha and Ayurvedic medicines to technology innovations such as bio-gas, smokeless chulhas, new methodologies for rural credit etc. Gandhigram conceptualizes rural industrialization as a strategy to serve rural transformation. Further the activities of Gandhigram serve the logic of upgrading artisans to either serve a niche market or adapt to emerging capitalist-industry milieu. The attempt is towards articulating systems which would be sustainable.

Gandhigram has received National Award as the best institution in Rural Industrialization from the Prime Minister of India in 2003. There was again an award from the President of India in 2005.

3.5 TYPES OF RURAL INDUSTRIES

On the basis of scale and primary function, there are four groups of industries which can be expanded or developed in the rural areas in Eighth plan:

1) **Traditional Village Industries**: It comprises of Khadi, leather tanning, wood work, artisan industries, cotton cloth, both handloom and power loom and fabrics, handicrafts, coir, sericulture and wool development, etc.

2) **Heavy Industry**: There is a growing demand and scope as shown in the latest Survey of Rural Consumer Expenditure on the item of heavy industries. These include: (a) fertilizer plants which will use bio-mass (b) pesticides using biological inputs, (c) Mini-steel plants, (d) ancillary engineering that can meet the demand or medium and large farms-like ploughs, threshers etc.

3) **Medium Group Industries**: (a) Mini-cement plant which can use molasses or coal as energy and can meet the rural construction works, (b) minor paper plant, etc.

4) **Light Industries** : (a) Animal feed and fodder industries, (b) the growing building and construction programme to meet the house demand of rural area, industries producing building materials like hinges, screens, doors and windows frames and roofing materials, (c) improved agricultural implements and machinery using the steel and iron produced in the rural areas.

In this session you read about the features of industry, now answer the questions given in Check Your Progress 2.

Check Your Progress

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) The core of rural industrialisation is said to be connectivity or linkage. How do you substantiate this statement?

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2) List out the categories of rural industries followed in the Khadi & Village Industries Commission.

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3.6 CHALLENGES OF RURAL INDUSTRIALIZATION

Some of the challenges of rural industrialization are as follows:

i) **Multiplicity of Technology**- The dualism in technology is posing a great challenge to rural industrialization. For example, on the first hand we have hands spinning and on the other hand, there is presence of power spinning, handloom and powerloom. This diversity is found in many rural industries such as food processing, construction, leather goods, carpentry, blacksmith, paper making, food preservation and processing. Therefore, reservation of certain areas exclusively for SSIs (Small scale Industries) is required and some protection mechanism issues such as quality standards, production capacities, price subsidy and so on- may be taken into consideration.

ii) **Type and nature of employment**- The nature of employment requirement varies from one type of rural industries to that of the other. They include self-employment, wage-employment, wage-cum self-employment etc. Therefore, while establishing rural industries, the pattern of employment has to be taken into consideration. According to a study conducted by Algappan shows that employment pattern in rural industries located in Keerapalayam panchayat concluded that wage cum self-employment pattern of wage payment proved to be effective.

iii) **Managerial and Entrepreneurial skills in Rural Entrepreneurs**- There is a general lack of managerial and entrepreneurial skill in the rural ind stries. The entrepreneurial acumen among the decentralized industrial zation unit is lacking because of lack of technical manpower at the grassroots. The village artisans and entrepreneurs need to be enlightened on various skills of management.

iv) **Access to credit**- Access to institutional credit is always a problem for small entrepreneurs. Most of the rural industries are starved of financial resources. With the globalization there is a shift in credit system towards the urban entrepreneur and real estate market keeping the rural entrepreneurs in credit crunch.

v) **Marketing infrastructure**- Marketing of the products produced by the rural entrepreneurs is a big problem. As long as rural products donot enter the normal supply chain, their products cannot enjoy a good market. Therefore, rural industrialization would be a total fiasco sans sound rural marketing infrastructure. Chelloppan has urged the government to patronize the products produced by selfhelp mechanism and this would serve as a headache balm to give an eternal relief to rural enterprises.

vi) **Defining rural industries**- Defining rural industries in the context of globalization is the need of the hour. The definition given for tiny industry in 1979 is not suit for institutional village industries. Although total investments in these industries have risen, yet the percapita investment has not risen. T.S Papola favoured redefinition of small, medium, cottage and tiny industries.

vii) **Role clarity**- The role of central and the state government must be clear with regards to the small scale and cottage industries. Under the Centrally sponsored scheme, the Central government take up certain industries like coir, sericulture, khadi and handicraft. However, the implementation part is left to the state government. In other words, Central government provided funds, fiscal concession and policy support to these industries, while the state government takes care of implementation. However, it is seen that state governments still consider it as duty of central government to promote it. As a result, there is confusion in role clarity between centre and state government.

These are a few important challenges of rural industrialization.

3.7 MEASURES TO PROMOTE RURAL INDUSTRIES

The growth of the small scale industries is encouraged by number of promotional measures provided by the government which include the following:

a) Market protection provided by the reservation of items for exclusive production in the small scale sector. Over the years there has been a significant increase in the list of reserved items and it stood at 847 at the end of December 1987.

b) Preference given to the small scale sector in government procurement. Under this programme more than 400 items have been reserved for exclusive

purchase from small scale sector while a limited number of items (13 in December 1987) are reserved for purchase up to 75 percent and a number of items (28 in December 1987) for purchase up to 50 percent.

c) Infrastructural support provided through industrial estates, District Industries Centres (DIC), Small Industries Service Institutes and other specialised institutes which provide technical assistance, testing facilities, etc.

d) rrangements for supply of scarce raw materials.

e) Concessional finance by banks and other financial institutions.

f) Policy of promoting ancillarisation.

3.7.1 Formal Arrangements for Promotion of Rural Industrialization

There are several institutions of the government that support promotion of rural industrialization. The Ministry of Micro, Small and Medium Enterprises encompasses many such organisations. The notable among are: KVIC, National Small Industries Corporation Limited (NSIC), Coir Board and so on. Besides these, there are other organisations such as the Council for Advancement of People's Action and Rural Technologies (CAPART), National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and commercial banks that support rural industrialization.

The Ministry Of Micro, Small and Medium Enterprises" (MSME for short) supports rural industrialization starting from 'how to start / set up an enterprise to marketing assistance. The popular schemes of the MSME include the following:

- **Entrepreneurship/skill development**: This is one of the key elements for promotion of MSEs particularly the first generation entrepreneurs.
- **Technology Up-gradation:** MSME implements various schemes for MSEs to face the challenges of Globalisation, through technology up gradation.
- **Access to Credit:** Ensures better flow of credit to MSEs by minimizing the risk perception of financial institutions and banks through various schemes.
- **Cluster Development Programme:** For holistic development of selected MSEs clusters through value chain and supply chain management on co-operative basis.
- **Marketing Assistance:** Support to Micro, Small & Medium Enterprises through various programmes/schemes.

3.7.2 Khadi and Village Industries Commission (KVIC)

The objective of establishing the Khadi and Village Industries Commission (KVIC) was to provide financial and technical assistance to the implementing agencies whether they be the State KVI Boards, Registered Institutions, Cooperatives or individuals. KVIC usually supports village industries through KVIBs and some of the KVIC directly aided institutions recognised by the KVIC. Besides financial, technological and marketing support, KVIC also has training and research centres

to offer assistance for rural industries. The popular schemes of the KVIC can be listed as follows:

- PMEGP – Prime Minister's Employment Generation Programme
- PCBI - Schemes under Polymer and Chemical based industries
- MBI – Schemes under Mineral based Industries
- SFURTI – Scheme of Fund for Regeneration of Traditional Industries
- HMPF – Scheme for Handmade Paper and Fibre Industry
- REGP – Rural Employment Generation Programme
- PRODIP – Product Development, Design Intervention Promotion Package
- ISEC – Interest Subsidy Eligibility Certification
- Publicity – Support for conducting thematic seminars, school level competitions and debates.

Box 4: Scheme of Assistance under REGP

S.No.	Industry/ Activity	Products/Schemes
1.	**Fruit and Vegetable Processing Industry**	Manufacturing of Jam, Jelly, Pickles, Preserves/murabba, squashes, juices, marmalade, Synthetic fruit beverages, RTS beverages, sun-dried mango papad, kismis/resin, canned/ tinned products, tomato puree, sauces, ketchup, petha, potato wafers/chips of potato/banana/ jackfruit/tapioca, etc. different types of pickles like sweet pickles, mixed pickles, etc. bottled/canned fresh fruits/vegetables, Awla murabba, mushroom products, Cashewnut processing and its products, tamarind processing, tamarind paste manufacturing, etc.
2.	**Milk Based Industry**	Manufacturing of Ghee, Curd/Yogurt, Butter-milk, Milk sweets, Tonned-milk, Cheese, Paneer, Ice-Cream, etc.
3.	**Processing of Cereals and Pulses Industry**	Processing of Rice, Wheat, Pulses, Cereals, Poha/beaten rice, Murmura, Bakery products, Papad, Masala, Daliya, Noodles, Popcorn, Organic food, etc.
4.	**Village Oil Industry**	Various edible oils like Groundnut oil, Ginglee oil, Sunflower oil, Mustard Oil, Palm oil, Oil cake, Menthol, etc.
5.	**Palm Gur Industry**	Neera, Palm Candy/Palm Chocolate, Palm Sugar, Palm products like, Palm brush, Broom, Fancy articles, etc
6.	**Gur and Khandsari Industry**	Manufacturing of Gur and Khandsari, Chikki making, Rasvanthi, Indian Sweets, Cane Juice.

3.7.3 National Small Industries Corporation Limited

The National Small Industries Corporation Limited (NSIC) was established in 1955, for facilitating small enterprises. It is involved in:

- Bank credit facilitation for small industries

- Export credit insurance
- Raw Material assistance
- Export assistance
- Bill Discounting Scheme
- Organising Exhibitions (both domestic and international)
- Providing Informediary Service

The 'Infomediary Service' of the NSIC is something special that NSIC has initiated with the objective of being able to connect the rural entrepreneurs to global business if they exhibited the potential to stretch. Therefore, keeping in mind the information needs of small industries NSIC has launched "Infomediary Services". A one-stop, one-window bouquet of aids that will provide information on business, technology and finance, and also exhibit the core competence of Indian SMEs in terms of price and quality-internationally, as well as domestically.

NSIC's Infomediary Services use a professionally managed human resource (HR) base and modern technology for dissemination of vital information-websites, sector-specific newsletters (both print and electronic), and e-mails. Potential beneficiaries would be entrepreneurs-both existing and aspiring-R&D labs, SME seeking business collaboration and co-production opportunities, joint ventures, exporters and importers, and those looking for technology transfer.

3.7.4 Recent Initiatives of the Government for Rural Industrialization

In order to give a further boost to this sector, several policy initiatives have been taken by the Government of India, including a scheme of integrated infrastructural development, concessional rate of excise duty to non-registered units, quality certification scheme to acquire ISO 9000, raising project outlay from Rs.30 lakh to Rs.50 lakh in the single window scheme, and adequate and timely supply of credit as per the Nayak Committee (1992) recommendations. Besides the investment limits for small-scale industry (SSI)units has been increased from Rs.60 lakh to Rs.3 crore, for the tiny sector from Rs.5 lakh to Rs.25 lakh and the composite loan limit for SSI units from Rs.50,000 to Rs.2 lakhs.

In this session you read about the challenges of rural industrialization and measures to promote rural industrialization, now answer the questions given in Check Your Progress 3.

Check Your Progress 3

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What are the main problems that rural industries need to address in the Indian context?

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3.8 LET US SUM UP

Rural industrialisation is significant given the shift taking place from rural to urban areas in search of wage employment in the cities. The non-remunerative nature of agriculture causes distress departure from agriculture. The Government of India assists the farmers to make agricultural farming viable and remunerative, while at the same time, it also has the strategy of taking out the excessive crowd in agriculture through promotion of rural industrialization. There are several institutions of the government that support rural industrialization in India from raw material sourcing to marketing assistance. In the era of globalization and free-market economy in India several of the rural industries also have their prime place especially in rural areas, and catering to the specific sections of urban consumers.

3.9 KEY WORDS

Non-farm : Pursuits other than agriculture / occupations one pursues outside agriculture.

Technology : New machines, equipment, and ways of doing things that are based on modern knowledge about science.

Subsidy : Money that is paid by a government or organisation to make prices lower, reduce the cost of producing goods etc.

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3.11 CHECK YOUR PROGRESS- POSSIBLE ANSWERS

Check Your Progress 1

1) What is the meaning of the term Rural Industrialization?

The term rural used as prefix to industrialization is to indicate a need for

clear conditionality and connectivity between industrialization processes and a distinct section of society. Industrialization is a process of producing goods and services using certain specific inputs, technologies and manufacturing procedures. Rural industry, in the traditional sense, is construed as the economic activity characterised with features like ease of entry, reliance on indigenous sources, small scale operation, adopted technology and skills acquired outside the formal schooling system.

As the land available for expansion of agriculture becomes increasingly scarce, opportunities for non-farm employment through rural industrialization must expand, if deepening rural poverty is to be avoided.

2) What is the significance of Rural Industrialisation in India?

In most developing countries – including India – the rural labour force has been growing rapidly but employment opportunities have been dwindling. As the land available for expansion of agriculture becomes increasingly scarce, opportunities for non-farm employment must expand, if deepening rural poverty is to be avoided.

Check Your Progress 2

1) The core of rural industrialisation is said to be connectivity or linkage. How do you substantiate this statement?

'Rural Industrialisation' process highlights the linkage between rural social needs, technology choice, production and distribution processes, and control. This connectivity will have to go beyond mere products and markets. It has to encompass the inherent relationship between basic inputs, capital, skills, vocations, training, products, markets, services, infrastructure etc. while promoting the well-being of the rural community.

2) List out the categories of rural industries followed in the Khadi & Village Industries Commission.

i) Mineral-based industries

ii) Forest-based industries

iii) Agro-based industries

iv) Polymer and chemical based industries

v) Engineering and non-conventional energy based industries

vi) Textile industry other than khadi

vii) Service industry

Check Your Progress 3

1) What are the main problems that rural industries need to address in the Indian context?

Two significant problems that rural industries have to overcome are: (i) addressing the problems of technology obsolescence; and (ii) marketing. India today is driven by market forces and competitive business enterprises run by the MNCs. The tiny, village and cottage industries also have to survive amidst the gigantic MNCs that have target and lure rural consumers as well. The challenge now is whether respect for native-products and local-sentiments would sell; or vigorously advertised MNC products would sell?

UNIT 4 RURAL COOPERATIVES AND BANKING

Structure

4.1 Introduction
4.2 Rural Cooperatives: Need and Significance
4.3 Cooperative Credit Delivery System: Nature and Structure
4.4 Rural Banking System: Concept and Structure
4.5 Non Institutional Credit Agencies: Nature and Functioning
4.6 Issues and Challenges of Cooperative Banking
4.7 Steps Needed for Promotion of Rural Cooperatives and Banking
4.8 Let Us Sum Up
4.9 References and Selected Readings
4.10 Check Your Progress- Possible Answers

4.1 INTRODUCTION

Indian economy is predominantly a rural economy. Around 70 per cent of its population lives in rural areas. Hence, strengthening of rural economy is the corner stone of India's economic development. Rural economy is again predominantly agricultural economy, which has under its fold agriculture, allied sector activities and agro-industries. Economic backwardness, gambling of monsoon, over dependence of ever increasing population etc., make the farming increasingly a difficult proposition. The farmers, therefore, have to resort to borrowings for meeting their cultivation expenses. It is this fact, which made 'credit' (popularly known as 'loans') most significant development input. A number of formal and informal agencies are providing this critical input to the rural masses. Among these, the formal agencies consisting of cooperatives, commercial banks and Regional Rural Banks are playing a significant role in rural development particularly the agriculture sector.

Adequate and timely credit is an indispensable and viable instrument which creates employment avenues, ensures productivity and enhances higher income which, in turn, strengthens rural economy on which the country's overall economic progress accelerates. In fact, this credit demand is ever increasing to strengthen the weak and wavering legs to stand on their own feet. Indeed, the judicious flow of credit needs entirely hinges on a well defined rural credit policy with sound banking structure. In other words, the degree of sustained economic development is closely associated with the effectiveness of rural credit institutions.

After studying this unit, you should be able to:

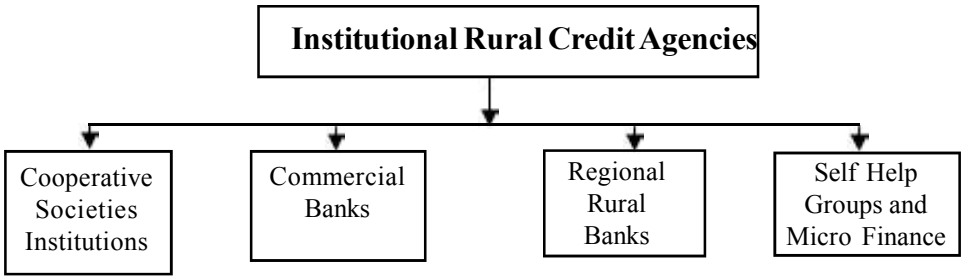
- explain the need and significance of rural cooperatives in rural areas
- role of rural cooperatives in rural development
- nature and structure of rural cooperatives in India.
- Functions of rural banking systems

4.2 RURAL COOPERATIVES: NEED AND SIGNIFICANCE

The existence of a strong and efficient credit institution is of paramount importance to relieve the farmers from the clutches of money lenders. For developing countries like India, institutional systems are more relevant than the non-institutional agencies because of wide spread nature of the rural economy. The success of credit – oriented development is significantly dependent upon the soundness of the credit structure comprising of credit institutions. Credit should be made easily accessible, cheaper, safe as well as production oriented. Credit becomes a bottleneck to production if it is not made available at the right time, in right quantum at a right cost (interest). The Cooperative Planning Committee has stated, "the Cooperative society has an important role to play as the most suitable medium for the democratisation of economic planning. It provides the local units which can fulfil the dual function of educating public opinion in favour of a plan and of a plan and of executing."

The history of formal rural credit goes back to 1883 when the British Indian Government first introduced 'Taccavi Loans' under the Land Improvement Loans Act of 1883 and the Agriculturists Loans Act of 1884. This was the first step taken by the Government towards framing the agricultural credit policy in the country. The Taccavi loans were very small loans disbursed by the government during natural calamities such as famine, draught, flood and other distress conditions, provided at lower rates of interest. The quantum of loans disbursed was inadequate and it was tied-up with procedures and formalities which were difficult to be fulfilled and as a result many farmers were left uncovered under the Taccavi loans. Government also felt difficulties in disbursing timely credit. Therefore, it looked for other alternative form of organisation for solving the problem of rural credit. One immediate solution appeared to the government at that point of time was introduction of cooperative institutions and the Madras Provincial government took the lead.

The enactment of the Cooperative Credit Societies Act 1904 was the significant effort taken by the Government to institutionalize the agricultural credit. It enabled promotion of cooperatives in an organised form in the country. The introduction of social control in 1967 and the consequent nationalization of Commercial Banks (CBs) in 1969 brought the CBs into the forefront of agricultural credit. The emergence of Regional Rural Banks (RRBs) in 1976 added one more feather to the existing rural credit structure. All these developments resulted in multi-agency approach to rural credit institutional network for agricultural and rural development credit. The National Bank for Agriculture and Rural Development (NABARD) as a national level-refinancing agency has been streamlining the institutional arrangements for financing agriculture and Rural Development since 1982. The Self Help Groups (SHGs) and Micro Finance Institutions (MFIs) have of late become most popular source of rural credit and thus become yet another member in the institutional framework for rural credit especially 1990's. The basic objective behind all these arrangements has been to develop a system of institutional credit that is positive, productive and thrift enhancing, besides checking the menace of usurious practices in rural credit by non-institutional agencies. The structure of institutional system for flow of credit for agriculture and rural development is given in the chart below:



4.2.1 Objectives of Rural Cooperative Credit

The objectives of rural cooperative credit are to:

1) To improve low standard of living of rural people;
2) To help augment rural sector production and thereby strengthen the rural economy;
3) To provide cheap credit to those who are willing and capable of producing more through added inputs and efficient management so that recovery could be easily made;
4) To develop resourcefulness of borrowers particularly weaker sections
5) To encourage rural borrowers to adopt technology ensuing greater production; and
6) To inculcate thrift and savings among the rural people through better use of credit.

4.2.2 Role of Cooperatives in Rural Development

Cooperatives play a significant role in financing of rural development. A few important roles of rural cooperatives are narrated below:

Sustained credit support for agriculture and allied activities: India being agriculture economy, sustainable agriculture is need of the hour. Sustainability means optimum allocation and utilization of resources to maximize the productivity while keeping the natural resources intact. In this direction, agricultural credit cooperative have been playing a direct role in the purveyance of required credit input. The role they play now-a-day for promotion of non-farm sector activities would definitely bring fruits and lead to integrated rural development. Besides, when cooperatives at the village level lend for agriculture, allied and non-farm sector activities to rural masses farming becomes 'integrated' which naturally results in sustainable agriculture development.

As growth centre: The growth and development of cooperative banking, farming, dairying, marketing, industries, stores etc., as social and economic organizations promote economic and social activities in their respective spheres. By doing so, cooperatives bring change primarily in the economic and social status of the people. The effects are also felt in the cultural and moral grounds. Cooperatives thus, play the role of change agents and as the services grow and reach becomes wider, the cooperatives as such or the villages where vibrant cooperatives are located, become growth centres. Cooperatives as growth centres and change agents could bring about a revolutionary transformation in the socio-economic life of the people through evolutionary means.

Value addition: Cooperatives are need based organizations. They have been doing a lot in many spheres and are capable of doing a lot more. Cooperative upon achieving successfully their prime tasks, start diversifying their activities in the same line of business or take up another related task. Thus, cooperatives continually strive to bring in value addition to their own products or to the produce the members dispose of at a cheaper price. AMUL, an internationally reputed dairy cooperative has had its humble beginning with the small task of collection and marketing of milk. Later it has started manufacturing dairy products like milk powder, butter, ghee, chocolate and edible oils with the sole purpose of value addition. In this way, almost all types of cooperatives by expanding their business can add value to their organizations and members and thereby reach the community with more and more benefits, especially, by making available better quality products at a reasonable cost.

Reconciling the economic imbalances: Cooperatives by undertaking various economic activities such as procurements, processing, production and marketing in a collective manner facilitate material advancement in the society in general and among he members in particular. Material advancement fosters self-reliance. Cooperatives are the associations of the financially weak. Active participation of members especially in the economic activities of the cooperatives would enable the members to improve their economic conditions. When the members belonging to weaker sections are promoted the gap between the have's and have not's would be reduced and the society prosper. Moreover, development of cooperative forms of endeavors will act as a check mate to the profit oriented private organizations. Cooperatives would also help in regulating the rice in the market. Through all these measures, cooperatives help reconciling the economic imbalances prevailing in the society.

Compatible to the Democratic Economic Planning: The country is wedded to ideology of socialistic pattern of democracy. Cooperatives being democratic organisations, it becomes, a natural allay of democratic planning. Cooperatives are training ground at the grassroots level for democratic planning and effective instruments for economic development. Cooperatives with their vast network enable a large number of people to get involved in planning in a democratic manner their own economic development. The institutional mechanism and network of cooperatives offer ample scope for people's participation in different stages of economic planning viz., formation of plans, implementation, and monitoring and evaluation of programmes implemented.

Economic and social decentralization: According to Aldous Huxley, the road of decentralization is the road to better society. Cooperatives with their vast network and grater representation of populace are the better instruments of democratic decentralization. Members are the owners, democratic member control is the primary principle of cooperatives, and general body is the supreme authority in cooperatives. Cooperatives practicing democratic way of life are more essential in the pluralistic society like ours. It is the members who plan and control the operations of the cooperatives. The power of controlling the factors of production is vested with the members. By decentralizing the economic planning, cooperatives eliminate the centralization of wealth and properties in a fewer hands.

In these sessions you read about the role of cooperative in development, and now answer the questions given in Check Your Progress-1

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Enumerate the objectives of Rural Cooperative Credit?

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4.3 COOPERATIVE CREDIT DELIVERY SYSTEM: NATURE AND STRUCTURE

By the beginning of the 20th Century, the colonial government realized the Indian farmers' dependence on usurious moneylenders as a major cause of their indebtedness and poverty. At that time the cooperative movement had become well established in Europe and achieved remarkable success there. Convinced that the Cooperative movement could offer the best means of liberating the Indian farmers from the crushing burden of debt and the tyranny of moneylenders, the Indian rulers began to take active interest in promoting credit cooperatives in the country. Sir Frederic Nicholson was deputed by the Madras provincial government to Europe for studying in detail different forms of cooperatives and to recommend a suitable form to be introduced in rural India. He, in his report, recommended "Find Raiffiesen" meaning that Raiffiesen model of rural cooperative society most prevalent in German was the suitable form of cooperation to the Indian rural conditions. During the same time, the Edward Law Committee (1901) came out with a recommendation for establishment of cooperatives. Accordingly, The Cooperative Credit Societies Act was enacted on 25th March 1904 with the objective of relieving the poor farmers from the clutches of moneylenders and for providing cheap and facile credit. This was a laudable measure and hailed as a turning point in the economic and social history of India by Henry Wolf. However, this Act permitted the formation of primary agricultural credit societies only, which laid more emphasis on the promotion of agricultural credit. The Cooperative Societies Act, 1912 was enacted to form non-credit societies also. Based on the recommendations of the Reforms Commission 1919, the subject Cooperation was transferred to Provincial Governments. Though the Royal Commission on Agriculture 1928 opined that if Cooperation failed, the hopes of rural India would fail, the growth of cooperatives in pre-independent era was not so impressive and did not make any break-through due to inherent reasons.

In post independent era, the planned development of Cooperatives in general and cooperative credit societies in particular, though impressive, it was felt that it could have been much better. It was reflected in the recommendations of AIRCSC 1954. The Committee observed that 'Cooperation has failed but it must succeed'. It recommended for State Partnership for the development of cooperatives and to scale up its activities. As a result, the cooperative credit societies received

substantial support from the RBI, GOI and Sate Governments. Over the period, number of Committees and Commissions were appointed and the recommendations of these Committees and Commissions were used to tune the functioning of the cooperative banks. The important Committees and Commissions were:

1) All India Rural Credit Review Committee 1969,

2) Study Team on Overdue 1974,

3) Committee to Review the Arrangements for Institutional Finance for Agriculture and Rural Development 1980,

4) Agricultural Credit Review Committee 1989,

5) Task Force to Study the Cooperative Credit System and Suggest Measures for its Strengthening 2002 and

4.3.1 Structure of Cooperative Credit System

The Structure of Cooperative Credit in India in general consists of two main wings viz., (i) agricultural credit and (ii) non-agricultural credit. In the case of agricultural credit, two separate structures exist – one for short – term and medium term credit and the other for long – term credit - referred here as Cooperative Credit Structure or Cooperative Credit Delivery System (CCDS). The Cooperative Credit Structure for short and medium – term credit is a three tier and federal structure with a State Cooperative Bank at the apex level in each State, the Central Cooperative Bank at the District level and Primary Agricultural Credit Societies / Primary Agricultural Cooperative Banks / Large Sized Agricultural Multi-Purpose Societies / Farmers Service Societies at the base level. However, the system is not uniform across the country.

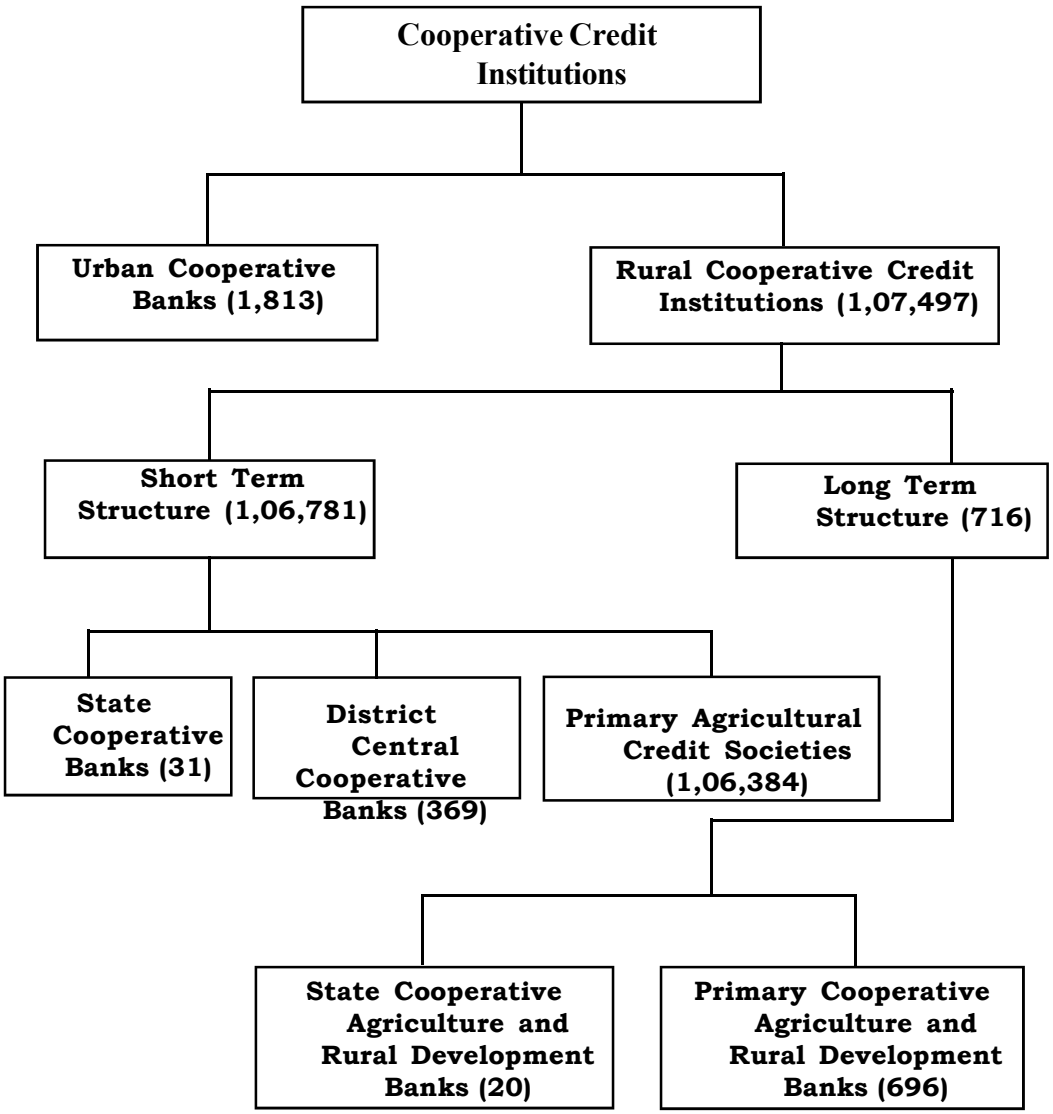
A separate institutional structure for providing long-term credit in the cooperative sector owes its origin to the report of the Meclagan Committee (1915). The first Land Mortgage Bank (LMB) was established at Jhang (in the then Punjab) in 1920. Before nationalization of commercial banks in 1969, the LMBs were the only institutional agency in disbursing long-term agricultural credit. With the establishment of Agricultural Refinance and Development Corporation (ARDC) in the RBI and subsequently NABARD, these banks also undertook the schematic lending and started providing loans for non-farm activities. The nomenclature of these banks was changed from LMBs to Land Development Banks (LDBs) and later to Agriculture and Rural Development Banks (ARDBs). The institutional long-term credit structure in some States is unitary; in others, which constitute the majority, it is two-tier viz., the PCARDBs at primary level and SCARDBs at State level.

At the All India level, all the State Apex Cooperative Banks have their own national federation namely National Federation of State Cooperative Banks from the year 1967 at Mumbai. Likewise all the State Agriculture and Rural Development Banks have formed their own National Federation of State Agriculture and Rural Development Banks functioning from 1967 at Mumbai. These two federations are not undertaking any banking and financial activities. They only coordinate and promote cooperative banking in the country.

The CCDS was designed to serve the rural population primarily in meeting the credit requirements of the farmers and others in rural area. The area of operation

and functions of the organisation at each level of the structure were pre-defined. Service had been the main motto.

At present the short-term credit structure consists of 95670 PACS, 3621 LAMPs, and 2477 FSS at primary level, 367 DCCBs and 30 SCBs at the state level. There are 1785 PCARDBs and 20 SCARDBs functioning in the long-term credit structure during the year 2002-03. This network covered cent percent of Indian villages and more than 70 percent of the rural households.



Source: Reserve Bank of India Bulletin, 2006-07.

Note: Figures in parentheses indicate the number of institutions at the end of March 2007 for urban cooperative banks and at the end of March 2006 for rural cooperative credit institutions.

4.3.2 Functions of Cooperative Credit Institutions

The Primary Agriculture Credit Societies perform functions at the village level in meeting the short term and medium-term credit needs of the farmers. It is the basic Cooperative Credit Institution at the grass-roots level and forms a link between financial borrower on the one hand and the higher financial agencies like Central Cooperative Banks and State Cooperative Banks on the other.

The Central Cooperative Banks is the intermediate Cooperative Credit Structure and provide finance to the Primary Cooperative Credit Societies. They mainly

provide shortterm loans to the primary societies. They also supervise and inspect the work and functions of primary societies under their jurisdiction. The State Cooperative Bank is the apex of the three tier Cooperative Credit structure. It is the only important Cooperative Credit Institution at the State level through which Reserve Bank of India provides credit to the Cooperatives. They raise finance on their own in order to provide them to CCBs and PACSs. They also supervise and control the CCBs under them.

4.4 RURAL BANKING SYSTEM: CONCEPT AND STRUCTURE

Rural banking as a concept emerged in the Indian context only after the nationalization of commercial banks although the cooperatives were in service ever since the beginning of the 20th century and the erstwhile colonial government made arrangements for purveyance of credit for agriculture under the banner '*Taccavi Loans*' even in the later part of the 19th century. It was the nationalization of the commercial banks in 1969 which brought the commercial banks to the rural sector particularly for lending to agriculture and allied sectors. After this remarkable event lending to rural sector is being shared by cooperatives and commercial banks. Later, Regional Rural Banks (RRBs), a hybrid banking structure with cooperative and commercial characters were formed exclusively for the purpose of promoting rural banking. Thus, the rural banking means the institutional arrangements made for meeting the credit needs of agriculture and allied sectors and also other development oriented activities in the rural areas.

Constituents of Rural Banking

Institutional Agencies	Non-Institutional Agencies (NIA)
Cooperatives	Landlords
Commercial Banks	Agricultural moneylenders
Regional Rural Banks	Professional moneylenders
Micro Finance Institutions	Traders & Commission Agents
	Relatives & Friends

4.4.1 Commercial Banks

Commercial banks include public sector, nationalized banks and private sector banks. In addition to the mobilization of deposits and lending of money, the commercial banks serve as custodians of the customers' valuables, finance import and export trade, deal with bills of exchange, bills of lading, railway and warehouse receipts, etc.

The main functions of commercial banks include accepting deposits from the public. The lending of loans for various purposes and providing banking services to the people. The various type of deposits accepted by the commercial banks are demand deposits like savings, current, time deposits, cash certificates, pension, double benefit scheme and other deposits suitable to different type of customers.

Another major function is to make loans and advances, divert loans and advances and given to businessmen, investors and other persons, agencies, personal

securities, gold and silver and other movable and immovable assets. The most common way of lending is by overdraft facilities and also through bills of exchange. The bank mobilizes deposits and lends the same for commerce, trade and industry.

In the past commercial banks did not supply any credit to agricultural sector. The survey conducted by RBI revealed that the commercial banks could deliver the agricultural credit to the extent of 2% only. They confined their lending mainly to trade, commerce and industry. As a first step in the country, State Bank of India started 400 branches in the rural areas from 1956 and they were directed to lend credit for agricultural activities. Subsequently, 14 major commercial banks of the country were nationalized on 19th July 1969 and another batch of 6 commercial banks were nationalized on 1st April 1989. There were 28 public sector banks in India when the SBI and its subsidiaries were included in the list. Both nationalisation of banks and the introduction of multi-agency approach promoted the branch expansion programme in the rural areas with following objectives:

i) to mobilize untapped savings of the rural areas

ii) to channel credit to agriculture, village and cottage industries and to self employed activities

iii) to meet the credit needs of the weaker sections of the community.

During the year 1969, the commercial banks opened 22.4% of the total offices (branches) in rural areas, which was increased to 58% during the year 1990. The credit to agriculture in the form of short term and long term amounting to Rs.27,807 crores, Rs.33,587 crores and Rs.39,774 crores for the year 2000-01, 2001-02 and 2002-03 respectively. The share of credit to agriculture through RRBs accounted to 53%, 54% and 57% respectively during the above period.

4.4.2 Commercial Banks Vs Cooperative Banks

The basic characteristics, which distinguish cooperative banks from private and public sector banks are:

a) The main objective behind cooperative business is to serve their own members who often belong to the weaker sections of the community. On the contrary, private sector banks are formed with profit motive.

b) The cooperative banks working are subjected to dual control by the Registrar of Cooperative Societies and Reserve Bank of India while private and public sector banks are under RBI's control.

Differences between Cooperative and Commercial Banking

Cooperative Banking	Commercial Banking
Service is the main motto of cooperative banks Help to small farmers, marginal farmers, scheduled caste and scheduled tribes, weaker sections of the community are given priority. Lending to small scale industries, cottage and village industries is considered.	Safety, liquidity and the profitability are the important guidelines of commercial banks Big farmers, wholesale traders and large scale industries are taken care of.
Both members and customers are in cooperative banks.	Customers are only in commercial banks

Honorary and democratic management is adopted	Management is paid
Cooperative banks consist of three tier federal structure viz., state, central and the primary cooperative banks	Commercial banks do not have such structure
State participation is available i.e., contribution of share capital by the government to cooperative banks	There is no share capital participation from the government
Both state cooperative societies act, and banking regulation act control cooperative banks	Banking regulation act control the commercial banks
Main objective of cooperative banks is to lend for agricultural operations. Urban cooperative banks finance for small traders, artisans, SSI and the people of small means	Commercial banks mainly lend for trade, industry and commerce
These banks lay emphasis on personal character and repaying capacity of the borrower, while lending	Security is very much considered while lending
Very few loans like deposit loan, consumer loan, gold loan are sanctioned by managers of cooperative banks and the loans are sanctioned mainly by the board of management	All loans are sanctioned by officers
Audit is done by cooperative department or cooperative audit department	Banks arrange their own audit
Inspection is conducted both by cooperative department officers, RBI/NABARD in case of cooperative banks	RBI conduct inspection
Limited dividend on share capital and distribution of net profit as per cooperative societies act, rules and byelaws	Very high dividend is paid

Status of Cooperative Banks, 2005

Cooperative Banks	Numbers
State Cooperative Banks and Branches	983
District Central Cooperative Banks and Branches	13226
Primary Agricultural Cooperative Societies	108779
SCARDBs and Branches	797
PCARDBs and Branches	1820
Urban Cooperative Banks and Branches	2090
Industrial Cooperative Banks and Branches	30
Employees Cooperative Banks and Branches	NA
NA: Not Available	

Status of Commercial Banks, 2005

Commercial banks including RRBs	Numbers
Commercial banks	495
Metro branches	8631
Urban branches	10888
Semi-urban branches	16561
Rural branches	44503
Total outlets	81078

4.4.3 Regional Rural Banks

Regional Rural Banks (RRBs) are the subsidiaries of the commercial banks. The preamble to the RRBs Act, 1976 states that the object of setting up the RRBs is to develop the rural economy "by providing for the purpose of development agriculture, trade, commerce, industry and other productive activities in the rural areas like credit and other facilities, particularly to the small and marginal farmers".

The RRBs Act empowers the Central Government to establish these banks at places where it considered necessary. These banks are jointly owned by Government of India, the Government of the State in which the banks are established and the banks which sponsors it. They accept all types of deposits from the public, lending various loans required by the farmers and others including the issue of jewel loan and transact their business as defined in the Banking Regulation Act. As on March 1994, 196 RRBs were functioning with 14546 branches. They covered 405 districts in 23 states and had total deposits of Rs.8,045 crores which formed 2.3% of the total deposits of the banking system.

As at the end of 2001, there were 196 RRBs catering to the credit requirements of 451 districts. At the end of 2001, the outstanding deposits, credit and investments of RRBs stood at Rs.37,027 crores, Rs.15,579 crores and Rs.7546 crores respectively. The credit to agriculture in the form of short term and long term amounting to Rs.4,219 crores, Rs.4,854 crores and Rs.6070 crores for the years 2000-01, 2001-02 and 2002-03 respectively. Due to amalgamation, the number of RRBs was reduced to 133 as on 31st March 2006 and the loans issued by them were for Rs.32, 871 crores out of which priority sector was 79.3 per cent.

4.4.4 Land Development Banks (LDBs)

Land Development Banks (LDBs) provides long term (15 to 30 years) credit in the agriculture sector. They were earlier called as Land Mortgage Banks (LMBs). They give loan primarily for investment purposes. In some States, they have two tier structure with State level Cooperative Land Development Bank at the apex and at the village level the Primary Land Development Banks.

In these sessions you read about the role of cooperative credit delivery system and now answer the questions given in Check Your Progress-2

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What do you understand by rural banking and what are the important constituents of rural banking?

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4.5 NON-INSTITUTIONAL CREDIT AGENCIES: NATURE AND FUNCTIONING

The NIAs are also termed as unregulated or unorganized market or informal finance or indigenous financial market. The NIAs are largely beyond the official formalities and to a greater extent the transactions remain outside the official statistics. Its operations are on a small scale and the transactions are localized. The NIAs, however, are quite efficient because they (i) provide timely service at the doorsteps, (ii) accept deposits of any amount (iii) extend credit of any amount for any purpose and (iv) do not insist on complex formalities. They have large capital and greater risk absorbing capacity. The NIAs, because of their informal existence in a given locality they have full information about the clients.

The NIAs are heterogeneous by nature. It is associated with number of intermediaries such as pawnshops, merchants, petty traders, landlords, indigenous bankers and other private borrowing and lending arrangements. The All-India Debt and Investment Survey (AIDIS) 1951 – 52 to 2001 - 02 discussed 6 types of players in this market viz., agricultural moneylenders, professional moneylenders, landlords, traders, friends and relatives and others. A brief note on these six NIAs is as under.

4.5.1 Moneylenders

Moneylenders occupy a predominant position among the NIAs in providing rural finance because the household needs of rural people are not confined only to production credit. Banking is essentially borrowing and lending. The moneylenders do not accept deposits, but they simply lend money and therefore, their business lacks an important element of banking namely accepting deposits. They charge higher rates of interest. There are two kinds of moneylenders in the villages:

1) Professional Moneylenders whose main occupation is money lending;

2) Non – professional moneylenders whose main occupation is something else like farming but subsidiary occupation is money lending.

Both kinds moneylenders are accessible to farmers at times need. They have thorough knowledge of the borrowers. They lend against land, promissory note and other properties for higher rate of interest. For them, money lending is the best known source of investment. The All India Rural Credit Survey Committee commented that moneylenders not only have an opportunity of amassing wealth mainly through the snowballing of compound interest charges, but also get innumerable pecuniary benefits by acquiring a thorough grip over the peasant's life.

4.5.2 Landlords and others

The small farmers have the practice of borrowing money from their landlords. The landlords offer credit based on the landholdings of the borrower farmers. They act as non-professional moneylenders. They occupy the lands of farmer – borrowers who do not settle the amount. Consequently, the small farmers are forced to become landless labourers.

4.5.3 Trader and Commission Agents

Traders and commission agents provide credit to the farmers based on the condition that the farmers should sell their produces to them. They normally fix a low price for the produces than the price prevailing in the market. They deduct commission and other charges towards the repayment of loan amount.

4.5.4 Friends and Relatives

Friends and relatives are the most popular sources of rural credit. They lend money to fulfil the urgent requirements to the selected persons with or without consideration. But money lending is not a profession for them.

4.5.5 Others

It refers to any other non-institutional credit agency functioning in villages. Chit funds are also fulfilling the financial needs of the rural households. The persons dealing with Chit fund contribute certain amount periodically as an instalment for a fixed period of time. Generally, the first instalment contribution was taken by the promoter as remuneration. The subsequent contributions will be distributed to the members as loan either by orderly rotation or by lots system.

4.5.6 Market Share of the NIAs

Among the NIAs, Professional Moneylenders are in the top position. Though the relative share of these groups varies over the years their grip over the Rural Credit Market (RCM) has not been loosened. According to the All India Rural Credit Survey Committee (1954), the share of the NIAs in the total rural credit was 92.7 percent in 1951-52. The percentage came down to 81.3 in 1961-62 and further to 68.3 in 1971-72. The Cooperative Banks did not make much progress before independence in reducing the role of NIAs. The nationalization of the CBs and the emergence of RRBs widened the branch network in rural areas which helped reducing the market share of NIAs from 36.8 per cent in 1981-82 to 30.6 per cent in 1991-92 in the RCM. But again, the share of NIAs has increased up to 42.9 percent in the year 2001 – 02. The dominance of NIAs in the RCM has remained as a factor to be reckoned with.

Share of Institutional and Non-institutional Agencies in Rural Credit

Agency	1951 -52@	1961 -62#	1971 -72*	1981 -82*	1991 -92*	2001 -02
Government	3.3	2.6	7.1	3.9	5.7	5.3
Cooperatives	3.1	15.5	22.0	29.9	23.6	27.3
Commercial banks	0.9	0.6	2.4	28.9	35.2	24.5
Others	-	-	0.2	0.5	0.7	-
All Institutional Agencies	7.3	18.7	31.7	63.2	66.3	57.1
Landlords	1.5	0.6	8.1	3.6	3.7	2.2
Agricultural moneylenders	24.9	36.0	23.0	8.3	6.8	8.1
Professional moneylenders	44.8	13.2	13.1	7.8	10.7	21.5
Traders & Commission Agents	5.5	8.8	8.4	3.2	2.2	3.2
Relatives & Friends	16.2	8.8	13.1	8.7	4.6	6.7
Others	1.8	13.9	2.6	5.2	2.6	1.2
Non-Institutional Agencies	92.7	81.3	68.3	36.8	30.6	42.9
All Agencies	100.0	100.0	100.0	100.0	100.0	100

Sources:

1) @ Report of the All-India Rural Credit Survey Committee, Abridged Ed., (1954), p.6
2) # All India Debt and Investment Survey 1961, Quoted by Tandon P.L., A Profile of Rural Indebtedness, Social Scientist, Vol.1 6(4), 1988.
3) *GOI (1998), Debt and Investment Survey, Report 420, p.26.
4) Compiled from various publications of NSSO (1998a, 1998b and 2005).

4.6 ISSUES AND CHALLENGES OF COOPERATIVES AND BANKING

Some of the problems and issues relating to Cooperative banking in India are as follows**:**

1) **"**Cooperation" is a State subject under the Indian Constitution; hence all the cooperative Societies are governed by the Cooperative Societies Act of the State. Therefore, the performance of Cooperatives varies from State to State and solely depends on the governance system of the concerned State.
2) There is lack of adequate human capital for energising the cooperative Societies at the State level. Further, it was generally found the staff profile of the Cooperatives is characterised by inadequate qualification and training.
3) The poor recovery of outstanding credit by the rural cooperative banks makes them unsustainable. Therefore, the financial health of Cooperative banks in many States of India is not sound.

4) Because system varies from State to State, there is no standardized business model and risk management system.

5) There is overemphasis on agricultural credit where the repayment capability is generally low. The lack of diversification is one of the factor of poor performance of rural Cooperatives in India.

6) The globalization has completely overlooked the role of Cooperatives in development. Throughout the reform decade 1991-2000, the role and relevance of the Cooperative sector remained on the background. The transition from controlled economy to open economy in the name of globalization or liberalization has thrown a whole lot of challenges to the Cooperative sector. It is feared that Cooperative sector may not be survived in the face of the stiff competition posed by the private sector.

4.7 STEPS NEEDED FOR PROMOTION OF RURAL COOPERATIVES AND BANKING

Countries like India have to take certain basic steps to promote cooperative banks. They are listed hereunder:

To mobilize rural savings – In a vast country like India, rural population is spread out to remote places. They are unable to get banking services by the established banking organizations like the commercial banks. Year after year, the income of the rural population is increasing and they need to have a safe modern banking structure. Cooperative banks can provide banking facilities and can mobilize the savings of the rural population.

To inculcate banking habits – At the rural areas, people are mainly uneducated and they do not have formal education to read and write. But at the same time, such people would like to know the banking habits of opening a bank account, depositing money, and withdrawing money. A commercial bank cannot come to the lower level of such poor people and can extend banking services. On the other hand, a cooperative banker can extend the banking services to the uneducated rural population. In many developing countries, the cooperative banks, credit unions, and micro-finance institutions have been providing banking habits to the rural population.

To mobilize resources for the expansion of cooperatives – Various cooperatives like agricultural cooperatives, producers' cooperatives, industrial cooperatives, housing cooperatives, etc are expanding fast. But their major problem is lack of finance to meet their investment opportunities and business activities. So, the cooperative movement must raise resources within the movement by means of organizing cooperative banks at various stages like the primary level, district level, and state level.

To attain self-reliance in resources – One of the preconditions for the operational efficiency and the successful working of cooperatives is to be self-reliant in the financial resources. For this purpose, a cooperative must raise resources by way of owned funds and by deposits. Cooperative banks are the best agencies to mobilize deposits from various sources and deploy them to other cooperatives that are in need of working capital and long-term capital.

To create new investments – Existing cooperatives add more businesses, which are cost intensive. A primary cooperative can first provide agricultural credit to the farmers. Later, it can undertake marketing activities, processing activities, hiring of machineries, construction of godowns, etc. For such new investments, the cooperatives need heavy finance, which could be provided by the cooperative banks.

To create new assets -By means of new investments, new assets could be created to the cooperatives. For example, cooperative processing units like cooperative sugar factories add new units like liquor units, paper units, etc, which could create new asset and income generating capacity to the cooperatives.

New employment opportunities – One of the objectives of cooperatives is to provide employment opportunity to the members and the people around them. New employment opportunities could be created by means of new investments mentioned above. For this purpose, the needed investment must come from the cooperative banks.

Balancing centre function – Balancing centre function means, re-distributing the surplus funds from one cooperative to the other cooperatives. Such balancing centre activity can be undertaken by state level cooperative banks and national level cooperative banks for their lower level cooperative unions. Through this balancing function, the shortage of funds in one cooperative could be managed by drawing the surplus funds from the other cooperative banks.

Branch banking – Cooperatives banks have to go a long way in developing their activities by means of opening branches. Branch banking alone can expand the financial operations and business activities of cooperatives. Rural banking can also be undertaken by branch banking.

To develop processing and marketing cooperatives – Marketing and processing cooperatives are very essential to change the income and the destiny of the farmers. Only these cooperatives can provide value-addition to their commodities and increase their income. These cooperatives can also release the farmers from the exploitation of middlemen and traders. Such cooperatives need heavy finance, which could be provided by cooperative banks.

1) *To create link with international cooperative banks* – Cooperative banks in various countries have created national cooperative banks and such national cooperative banks have created international cooperative banking federation named as "International Cooperative Bank Association (ICBA)". This unit is working under the auspicious of Internal Cooperative Alliance.

In these sessions you read about the steps to be undertaken for the promotion of rural credit system and now answer the questions given in Check Your Progress-3

Check Your Progress 3

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Highlight few of the issues and challenges involved in Cooperative banking?

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4.8 LET US SUM UP

In the foregoing pages, the concept of rural banking and the constituents viz., institutional and non-institutional agencies are discussed. The structure of cooperative credit, need for cooperative credit societies are also explained. The role of commercial banks and RRBs are also discussed. A discussion on the differences between commercial banks and cooperatives and the role of cooperatives in rural development gives a very fair idea on the justification for the existence of cooperatives as the best suited institutional agency in the overall rural banking setup.

4.9 REFERENCES AND SELECTED READINGS

1) B.S. Mathur (2000), *Cooperation in India*, Sahitya Bhavan Publishers & Distributors P Ltd, Agra.

2) *Encyclopedia of Cooperative Management*: *Volume II* – Cooperatives and Rural Development, Deep and Deep publications, New Delhi – 27.

3) Reserve Bank of India (RBI). (2000). Annual Report.

4) Vaikunth Mehta (2010), *The Cooperative Perspective*, National Institute of Cooperative Management, Pune.

5) www.ncui.org

6) www.ncdc.nic.in

4.10 CHECK YOUR PROGRESS- POSSIBLE ANSWERS

Check Your Progress 1

1) Enumerate the objectives of Rural Cooperative Credit?

The objectives of rural cooperative credit are to improve low standard of living of rural people; to help augment rural sector production and thereby strengthen the rural economy; to provide cheap credit to those who are willing and capable of producing more through added inputs and efficient management so that recovery could be easily made; to develop resourcefulness of borrowers particularly weaker sections; to encourage rural borrowers to adopt technology ensuing greater production; and to inculcate thrift and savings among the rural people through better use of credit.

Check Your Progress 2

1) What do you understand by rural banking and what are the important constituents of rural banking?

The rural banking means the institutional arrangements made for meeting the credit needs of agriculture and allied sectors and also other development oriented activities in the rural areas. The constituents of rural banking are classified as Institutional agencies and Non institutional agencies. The Institutional agencies are Cooperatives, Commercial Banks, Regional Rural Banks and Micro Finance Institutions while the non institutional agencies are Landlords, Agricultural moneylenders, Professional moneylenders, Traders & Commission Agents and Relatives & Friends

Check Your Progress 3

1) Highlight few of the issues and challenges involved in Cooperatives banking?

Some of the issues and challenges faced by the Cooperative banking are firstly the performance of Cooperatives varies from State to State and solely depend on the governance system of the concerned State. There is lack of adequate human capital for energising the cooperative Societies at the State level and the poor recovery of outstanding credit by the rural cooperative banks makes them unsustainable. Also there is no standardized business model and risk management system. The lack of diversification is one of the factor of poor performance of rural Cooperatives in India. The biggest threat is the stiff competition posed by the private sector in an era of globalization.

UNIT 5 RURAL POVERTY UNEMPLOYMENT AND DEVELOPMENT INTERVENTIONS

Structure:

5.1 Introduction

5.2 Status of Rural Poverty and Unemployment in India

5.3 Measures Taken by the Government for Alleviation of Poverty and Unemployment in India

5.4 Let Us Sum Up

5.5 References and Selected Reading

5.6 Check Your Progress-Possible Answer

5.1 INTRODUCTION

Poverty is a scourge on humanity and is one of the greatest enemies of development. India's first Prime Minister Jawaharlal Nehru declared after independence "the First problem before us is to end the poverty of our peasant and how to end it quickly and if the independence of the country will not put on end to this poverty, then I say to hell with such independence." Human Development Report-2005 published by UNDP has envisaged "Fighting hunger and poverty and promoting development are the truly sustainable way to achieve World peace..... There will be no peace without development and there will be neither peace nor development without social justice." Like poverty unemployment is also another malady which hinders economic development in rural areas. The problem of employment assumes great importance due to the fact that every year with the growth in population, a certain percentage of population is added to the country's labour force seeking employment opportunities. It is remarked that in India unemployment has become a complex phenomenon, which is relatively easy to notice but hard to define. Unemployment and underemployment are also a cause of endurance of rural poverty. The government of India has initiated many programmes for the removal of poverty and raising employment in rural areas. In this unit, you will study about poverty, unemployment and development initiatives taken by the government for tackling these two problems.

After studying this unit, you should be able to:

- explain the status of poverty in rural areas
- delineate the unemployment conditions in rural areas of India
- describe developmental initiatives taken by the government of India for the alleviation poverty and unemployment in India.

5.2 STATUS OF RURAL POVERTY AND UNEMPLOYMENT IN INDIA

You might have heard that poverty in rural areas is high as compared to that of the urban areas. In this section, you will study about the conditions of poverty and unemployment in rural India.

5.2.1 Rural Poverty

Poverty is an important issue which hinders rural development in India. The World Bank estimates that 456 million Indians (42% of the total Indian population) live under the global poverty line of $ 1.25 per day. This means that a third of the global poor now reside in India. On the other hand, the Planning Commission of India has estimated that 26.5% of the population was living below the poverty line in 2004-05, down from 51.3% in 1977-78 and 36% in 1993-94. While 61st round of the National Sample Survey by using monthly per capita consumption expenditure below Rs.356.35 from rural areas and Rs.538.60 for urban areas, has found that 75% of the poor are in rural areas and most of them are daily wagers, self employed households and landless labourers.

Table 1: Percentage Living Below Poverty Line (BPL) and Hunger in Rural India

States	% of BPL Families *	% of Hunger
Andhra Pradesh	10.5	1.9
Assam	40.2	7.1
Bihar	44.0	6.0
Gujarat	12.4	0.5
Haryana	7.4	1.5
Himachal Pradesh	7.5	—
Karnataka	16.9	0.9
Kerala	9.4	2.9
Madhya Pradesh	37.2	3.1
Maharashtra	23.3	1.9
Orissa	47.8	8.0
Punjab	6.0	0.2
Rajasthan	13.4	0.2
Tamil Nadu	20.1	0.7
Uttar Pradesh	31.0	2.1
West Bengal	31.7	10.4
India	26.5	3.3

Source: * National Human Development Report, National Planning Commission, New Delhi, 2001 + Vidya Sagar" Food Security in India" in V.S.Dayas (ed) Food Security in Asian Countries in the Context of Millennium Goals, Academic Foundation, New Delhi-2003

According to the National Planning Commission estimation three States having more than 40 per cent of population living below the poverty line in rural areas are Assam, Bihar and Orissa. The incident of poverty is high among the Scheduled Castes, Scheduled Tribes, landless labourers, backward minorities and landless women headed household. Vidya Sagar in his article Food Security in India has envisaged that 3.3 per cent of people are living in hunger in rural India. The percentage are high in West Bengal, Orissa, Assam and Bihar, 10.4, 8.0, 7.1 and

6.0 respectively. Poverty in general and chronic poverty in particular leads to hunger. Despite several poverty eradication measures, it persists in rural India because of landlessness, low productivity, low wages, sporadic employment opportunities, corruption, bad governance and unfriendly geo physical conditions in a few states.

There is a strong relationship between possession of livestock and household poverty in rural areas. For example, possession of livestock such as milched buffalos and cows in rural Punjab and Haryana and even in Western Uttar Pradesh plays important role in mitigation of rural poverty in these states. In the states like Jammu and Kashmir and Himachal Pradesh, the possession of goats and sheep by the rural household has ensured sustainable livestock to rural population. The figure in Table-2 depicts that families with cow and buffalos experience lower poverty of 8.0% than their counterpart with no such livestock (28 percent). Therefore, well developed agriculture and allied sectors have profound effect on reducing poverty in rural areas.

Table 2: Impact of Livestock on Alleviation of Hunger and Poverty in Rural India (in percentage)

Livestock	Hunger	Poor
None	36	28
Cow	31	25
Buffalo	26	18
Cow and Buffalo	14	8

Source: IARI – FAO RAP Study (2001) based on 50TH NSSO Round (1993-94)

5.2.2 Rural Unemployment

Poverty and Unemployment are the two side of a coin. There is a strong relationship between unemployment and poverty. Both of these have adverse impact on development in rural areas. The 60th round of NSSO Survey conducted in January-June 2004 has depicted that about 72 per cent of households belonged to rural India and which accounted for 75 percent of total population. According to the usual principal and subsidiary statue taken together, nearly 44 percent of them are in labour force, out of which 55 percent are male and 32 percent are female. Further, in rural areas about 66 percent of usually employed males and 84 percent of usually employed females are engaged in agriculture sector.

The NSSO 60th round Survey conducted in January-June 2004 has estimated the unemployment rate that number of person unemployed per 1000 persons in the rural areas are 23, 46 and 91 respectively for usual principal status, current weekly status and current daily status.

Table 3: Unemployment Rate in Rural Areas

Categories	Male	Female	Total
Usual principal status	24	22	23
Currently weekly status	47	45	46
Current Daily Status	90	93	91

Source: NSSO, 60th Round, January-June, 2004 and Economic Survey 2005-06.

Sundaram and Tendulkar (2003) by using NSSO data and All India Poverty Line date have calculated the percentages of unemployed below poverty line among ST, SC and OBCs and others at all India level in rural areas are 38.5, 29.4, 24.5 and 15.3 respectively.

Some of the findings from the NSSO with regard to unemployment derived by Ray and Chand are as follows:

i) The distribution of unemployed persons by educational level shows that majority of unemployed in rural areas are literate.

ii) In rural areas the percentages of illiterate unemployed among ST, SC, OBC and others are 17.6, 11.8, 4.8 and 3.6 respectively. While the percentage of unemployed with secondary and above education are 45.3, 50.2, 59.4 and 65.6 respectively for ST, SC, OBC and others categories of population.

iii) The distribution of unemployed person by age groups shows that the majority belongs to age group 15-29 years. The percentages of unemployed in the age group of 15-29 years for ST, SC, OBC and Others in rural areas are 86.4, 86.0, 86.8 and 87.4 per cent respectively.

Unemployed among the educated youth is a serious problem. A data depicts that the number of unemployed in the age group of 29-39 years registered with the state employment exchanges was over 30 Million by 2003 end, out of these 16 per cent belonged to SCs, 5.6 belong to STs and 19.9 per cent of the OBC categories. However, it is believed that the long period unemployment will have serious repercussion on the youth.

The adverse effect of unemployment on youth would be:

i) Early unemployment in an individual may permanently impair his or her future productive capacity.

ii) Prolonged joblessness may create frustrations in the mind of an individual and create serious social problems such as drug abuse, alcoholism, petty crime, late marriage and single parent families.

iii) High degree of youth unemployment may alienate youths from the mainstream and from social, cultural and democratic political processes.

iv) Delay in getting employment may lead to pre marital and extra marital sex among youth and result in enhanced reproductive health problems such as STDs and HIV/AIDS among youth in the society.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Give a brief account of Poverty in India

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2) Explain the categories of rural unemployment in India?

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5.3 MEASURES TAKEN BY THE GOVERNMENT FOR THE ALLIEVIATION OF POVERTY AND UNEMPLOYMENT IN INDIA

More than 70 per cent of India's population is living in rural space. During the time of independence this percentage was quite high. Therefore, soon after independence and with implementation of Five Year Plan, the main thrust of the Government was removal of poverty, hunger and unemployment from the country. Jawaharlal Nehru while delivering speech in the Constituent Assembly in the mid-night of the day of Independence said "The service of India means the service of the Million who suffer. It means the ending of poverty, ignorance, diseases and inequality of opportunity. The ambition of the greatest man of our generation has been the wipe every tear from every eye. That may be beyond us, but as long as there are tears and sufferings, so long our work will not be over." The eradication of poverty and creation of employment was the main thrust of our planned endeavour. The Sixth Five Year Plan laid special emphasis on raising the level of productive employment, especially rural employment. Some of the measures taken by the Government for the eradication of poverty and unemployment from rural areas are could be broadly categorized into four types:

i) Area Development Programme

ii) Integrated Development Programme

iii) Wage Employment Programme

iv) Self-Employment Programme

v) Social Benefit Programme

5.3.1 Area Development Programme

1) **Drought Prone Area Development Programme (DPAP) –** The DPAP was launched in 1973 with the objective to develop adequate infrastructure and bring about integrated area development; and to increase productivity and employment opportunities. The thrust areas of the programme are (i) water management; (ii) soil and moisture conservation; (iii) afforestation; (iv) livestock development; (v) promotion of draught resistant crops; (vi) diversification of agriculture and (vii) pasture development.

2) **Command Area Development Programme (CADP) –** The CADP was launched in 1974-75 with the main objective of improving the utilization of

created irrigation; potential and optimising agricultural productivity. The programme enhanced the irrigation facility and productivity in various states. It had helped to ameliorate poverty and create employment opportunity in rural areas.

3) **Hill Areas Development Programme (HADP)**

The HADP was launched in 1975 with two main objectives (i) eco restoration, eco development and eco preservation; and (ii) economic upliftment of the tribals. The activities undertaken under the scheme are development of land use plan' conserve soil and water to increase productivity of land by using vegetative methods and changing cropping pattern; promotion of non conventional energy sources; and economic upliftments of tribals in isolated locations and settlements. The programme basically aimed poverty reduction and employment generation among the people residing in hilly areas.

4) **Desert Development Programme (DDP) –** The DDP was launched in 1975. The main objective of the programme was to combat draughts and desertification and to raise the livelihood conditions of the people living in those areas. The activities undertaken were restoration of ecological balance, soil and water conservation, stabilize sand dunes and take care of livestock and people. The programme strived to improve the economic condition of the people through the creation, widening and equitable distribution of resources and increased employment opportunities.

5.3. 2 Integrated Development Programme

Some of the important integrated development programmes initiated by the government of India for the development of rural areas are as follows.

1) **Small Farmers Development Agency (SFDA) / Marginal Farmers and Agricultural Labourers Development Agencies (MFALDA):**

These two agencies were set up in 1971. The main thrust of the SFDA was to identify small farmers and make them available various facilities i.e.

i) Arrangement for irrigation

ii) Credit facilities for digging wells and tube-wells

iii) Make availability of improved seeds, fertilizers and machinery for land levelling

iv) Provide facilities of storage, transportation, processing and marketing of their product

v) Render other essential services like Credit, Training and other raw materials

The main thrust of the SFDA was to prepare appropriate plans to improve the economic condition of poor.

The MFALDA had following emphasis:

i) identify marginal farmers and agricultural labourers.

ii) formulate economic programme for providing them gainful employment

iii) providing facilities for the production, processing, storage and marketing of their products

iv) make provision of adequate institutional, financial and administrative arrangement for the economic well-being of these poor group of farmers

The various activities promoted under this programme are poultry farming, animal husbandry, agro-industries, art and crafts, carpentry, shoe making, pottery, embroidery and similar kind of vocational employment generating activities.

2) **20 Point Programme –** The first 20 Point Programme was announced in July, 1975 and the second in revised form in July, 1982. The main objectives of the programme was ensuring social justice, relieving unemployment and eradicating poverty. In 1986, the Government again restructured the programme and with the stated goal to "remove poverty and create further employment."

Some of the thrust enshrined as attack on poverty are as follows:

i) Effective implementation of poverty eradication programme in every village.

ii) Dovetail wage employment programme with programmes for areas development and human resource development and create national and community assets like school buildings, roads, tanks and fodder reserves.

iii) Correlate various rural development programmes to improve productivity, production and expand rural employment.

iv) Promote handlooms, handicrafts, village and small industries and improve skills for self-employment.

3) **Integrated Rural Development Programme (IRDP) –** The IRDP programme was launched in 1980. The main purpose of the scheme was instead of multiplicity of programmes operated through multiple agencies for the upliftment of rural poor, as single integrated programme was suggested. The main objective is to enable the selected families to cross the poverty line through a strategy of productive assets endowment. The programme aims at making the family economically viable and self sustaining. The thrust areas of the programme are as follows:

i) Raise the production and productivity in agriculture and allied sector by providing access to inputs like water, improved seeds and fertilizers to the rural poor.

ii) Diversification of agriculture through animal husbandry, dairying, forestry, fishery, sericulture etc.

iii) Promotion of post harvesting technology and agro processing industries.

The programme aims at integrated development of primary secondary and tertiary sectors. In the primary sector programmes for agriculture, animal husbandry, fisheries and forestry development will be identified. The secondary sector will focus on the programmes for village and cottage industries, skill formation and supporting service. While the tertiary sector be developed by creating facilities

for organized marketing, processing and allied activities for observing increasing number of local people.

5.3.3 Wage Employment Programme

i) **National Rural Employment Programme (NREP) –** The NREP was launched in 1980 as a centrally sponsored scheme on 50:50 sharing basis between the centre and the states, The three main objectives of the scheme are

a) generating additional gainful employment

b) creating durable community assets

c) improving overall quality of life in rural areas

All types of work which aim at creating durable community assets such as village road, ponds, water bodies etc., were undertaken in the programme. The identified works based on the felt needs of the rural community are passed in the Gram Sabha. Later on these projects are implemented through the village panchayats.

ii) **Rural Landless Employment Guarantee Programme (RLEGP):** RLEGP was launched in the year 1983. The main goal of the programme was to generate additional employment in rural areas particularly for the landless workers. The programme was a central scheme, fully funded by the Central Government. The programme like the NREP also aimed at improving the quality of life of the people living in rural areas and to create productive and durable assets for strengthening rural infrastructure.

iii) **Food for Work Programme (FFWP):** FFWP was launched in the year 1977. The aim was to generate additional gainful employment in rural areas, create durable community assets, strengthen social and rural infrastructure and to raise standard of living. The wages were paid in the form of food grains and government surplus stocks were used for the purpose of ensuring food grain supply. Some of the important objectives of the programme are:

- To provide supplementary resources along with other aids to the rural poor of the backward districts
- To provide supplementary wage employment to the poor rural populace of the backward districts
- To provide security pertaining to food to the rural poor of the backward districts
- To facilitate the creation of common economic and social assets for the rural areas

iv) **Jawahar Rozgar Yojana (JRY):** JRY was launched in 1989 by merging the two scheme such as NREP and RLEGP. The JRY aims to alleviate poverty through creating supplementary employment opportunities for the rural poor during agricultural slack periods. The other objectives of the scheme are creation of social assets such as roads, public forests, school building etc. The fund under JRY is shared between the Centre and the states on 80:20 basis.

v) **Employment Assurance Scheme (EAS):** The EAS was launched in 1993-94 for creating additional employment in rural areas for rural poor. EAS is quite similar to JRY except than as assurance of 100 days employment (unskilled manual work) on minimum wage up to two members of a family in the age group of 18 to 60 years to all those rural poor who seek employment in the lean agro season.

vi) **Sampoorna Grameen Rozgar Yojana (SGRY) –** SGRY was launched in 2001 by merging two schemes such as EAS and JGSY (Jawahar Gram Samridhi Yojana) with the objective of providing additional wage employment and food security to rural poor. Special emphasis was given on women, scheduled castes, scheduled tribes and parents of children withdrawn from hazardous occupations. The wages under the scheme shall be partly in food grains and partly in cash. The programme aims at creation of durable community assets. Under the programme 50% of the funds and food grains was made available in Zilla Parishad and Intermediate Panchayats in the ratio of 40:60 for implementation and other 50% of funds and food grains is available to village panchayat for implementation. The programme was implemented as a centrally sponsored scheme on cost sharing basis between the centre and the states in the ratio of 75%25 of the cash component of the programme. Food grains is supplied free of cost to the state by the centre.

vii) **The National Rural Employment Guarantee Scheme**

The NREGS was launched in 2004 in 200 backward districts and later on extended to the entire district in the country in 2008. The National Rural Employment Grantee Act (NREGS) (herein after referred as NREGS) was enacted in 2005 aims at to provide a minimum guaranteed wage employment of 100 days in every financial year to rural households with unemployed adult members prepared to do unskilled manual work. The scheme is a strategic attempt to fight the conundrums of poverty and unemployment, which are intrinsically interlinked. The NREGS indirectly aims at making employment as a human right.

It is pertinent to note here that three articles of the constitution of India have bearing on the right to work and these are listed in the Directive Principles of State Policy. Those are: (i) Article 39 envisage that the state to direct its policy towards securing for all its citizens, men and women, the right to an adequate means of livelihood. Article 41 enjoins the state to make effective provision for securing the right to work, to education and to public assistance in case of unemployment, old age, sickness and disablement and in any other of undeserved want, all within the economic capacity of the state. Article 43 direct the state to secure to all its citizens, work, living wage conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities. Unemployment is a cause of poverty.

Salient features of the NREGS

Some of the salient features of NREGS are as follows:

i) At least 100 days of employment for at least one able-bodied person in every rural household;

ii) Minimum wages on rate prevailing in states as per Minimum Wage Act-1948 and centre to step in if wages go up beyond minimum or less than rupees 60;

iii) Panchayats to finalize, approve, implement and monitor the projects. The scheme shall not permit engaging any contractor for implementation of the projects;

iv) The task under the scheme shall be performed by using manual labour and not machines;

v) A minimum of 33 per cent reservation to be made for women, where the number of applicant is very large;

vi) The scheme will ensure transparency and accountability at all level of implementation; and

vii) All accounts and records relating to the scheme shall be made available for public scrutiny.

Strategies of the NREGS

Some of the strategies adopted in NREGS are as follows:

i) Central government meets the cost towards the payment of wage, three fourth of material costs and certain percentage of administrative cost;

ii) The state government meet the cost towards unemployed allowances, one fourth of material cost and administrative cost;

iii) Adult members of rural households submit their name, age and address with photos to gram panchayats for registration;

iv) Block is the basic unit of implementation of NREGS

v) Gram panchayats are the main implementing agencies; and

vi) Gram sabha is the main work identifying body.

Mandatory Worksite Facilities

Some of the mandatory work site facilities needed to be available in the work sites of NREGS are:

- Drinking water facilities for the workers of NREGS
- Provision of Shade near the work sites
- Provision of medical aid
- Provision of Crèche, if more than five children below six are present at the work sites of the NREGS

Gender Related Provisions

- Equal wage to both male and female worker employed in NREGS work
- No gender discrimination in employment and wage
- Priority in allocation of work to women and at 33 percent of the NREGS worker in a particular work should be women

Permissible works

- Water conservation activities : (a) digging of ponds and (b) di-silting of ponds

- Small check dam/other harvesting structure
- Afforestation in common land/waste land areas
- Construction of minor irrigation canals
- Repair of minor irrigation facility to SCs/STs
- Di-silting of old canals
- Di-silting of traditional open well
- Land development of common waste areas
- Drainage/Nallah to drain extra water in water logged/flood affected areas
- Construction of embankment for flood control
- Repair of embankment for flood control connecting road to village main road.
- Any other work which may be notified by the central government in consultation with the state government

Cost Sharing

Central government has to pay for:

- Wage costs
- 75% of material costs
- Some administrative costs

State governments have to pay for:

- 25% of the material costs
- Other administrative cost
- Unemployment allowances

Social Audits

- Gram sabha will conduct social audits of all work done within the panchayat.
- All relevant document of the NREGS such as work register, muster roll, etc. will be provided by the panchayat to the gram sabha.

It is pertinent to mention here that the NREGS has now been named as Mahatma Gandhi NREGS.

5.3.4 Self Employment Programme

Some of the important self employment programme initiated by the government after independence for the alleviation of poverty in rural areas are discussed below

1) **Development of Women and Children in Rural Areas (DWCRA): -** The DWCRA was launched during 1982-83 in a sub scheme of IRDP. The primary objective of the scheme is to provide self employment opportunities to the women members of the rural families below the poverty line. A distinct feature of DWCRA is that it is a group strategy as against the family as a Unit of assistance under IRDP.

   Under DWCRA, a group of women consisting of 10-15 women encouraged to take up economic activities suited to their skill, aptitude and local

conditions. In addition to the benefits of loan subsidy of IRDP to individual member; each group of women under DWCRA is given a lump sum grant of Rs.15, 000/- as 'revolving fund' for the purchase of raw materials and meet other revolving expenses.

2) **Training of Rural Youth for Self Employment (TRYSEM):** - The TRYSEM was launched as a centrally sponsored scheme in 1979. The main aim of the scheme is to generate employment opportunities for the unemployed educated youth. The main thrust of the scheme is to equip the rural youth in the age group of 18-35 years with necessary skills and technology to take up vocational self employment activities in agriculture and allied activities, industry services and business. The training is imparted to these youth through local servicing and industrial units, master craftsman, artisans and skilled workers. The provision of tool kits and subsidy was there for these youth.

3) **Support for Training and Employment (STEP):** Under the programme marginalized and asset-less women are provided training in new technologies in agriculture, dairying, horticulture, fisheries handcrafts, handlooms, etc. The women were divided into groups ad provided with necessary infrastructure, managerial and marketing support for productive activities on sustainable basis.

4) **Swarnajayanti Gram Swarozgar Yojana (SGSY):** The SGSY was launched in 1999 as a centrally sponsored scheme funded by the Centre and the states in the ratio of 75:25. The SGSY was launched by converging IDRP, DWCRA and TRYSEM. The SGSY aims at helping the poor families to bring them above the poverty line, by providing them income generating assets through bank credits and government subsidy.

Three approaches adopted by the SGSY scheme for tackling poverty through self employment are:

i) helping the individual swarozgaries selected by the Gram Sabha in the village for eradication of poverty.

ii) organization of the poor in the form of self help groups consisting of 10 to 20 persons through the process of social mobilization (SM) for eradication of their poverty.

iii) launching special project to ensure a time bound programme for bringing a specific number of BPL families above the poverty line by self employment programmes.

The SGSY also focussed on infrastructure development, still up-gradation and provision of technology and market support to the poor seeking for self employment. It is pertinent to mention here that SGSY is a credit cum subsidiary programme.

5) **Social Benefit Programmes**

The social benefit programme aims at providing social security in case of old-age, death of primary bread winner and during maternity The important social benefit schemes are National Old Age Pension Schemes (NOAPS), National Family Benefit Scheme (NFBS) and National Maternity Benefit

Scheme (NMBS) which were launched in 1995. The main aim of these schemes is to provide social security to the disadvantaged, who can not participate in the development process due to their age, sex and infirmity. Under the NFBS, a lump sum cash assistance of Rs. 300 is given to the pregnant women for her first two live births. Besides, these schemes the Annapurna scheme was launched in 2000 in order to provide food security to fulfil the requirement of the senior citizen who though eligible are not covered under the NOAPS.

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Explain one important self employment programmes initiated in India.

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2) What is the main thrust of Mahatma Gandhi National Rural Employment Guarantee Scheme?

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5.4 LET US SUM UP

In this unit, in its first section, you studied about the status of rural poverty and unemployment in India. The percentage of population living below the poverty line in different states has been given. Besides, the rate of unemployment calculated in India by the NSSO (National Sample Survey Organization) is also given. The second and the last section gives a detail account of the various programmes initiated by the government of India after independence for the alleviation of poverty and unemployment. In the last part of the unit a detail discussion on a important programme recently launched by the government of India for the alleviation of poverty and unemployment called National Rural Employment Guarantee Scheme has been discussed.

5.5 CHECK YOUR PROGRESS-POSSIBLE ANSWERS

Check Your Prorgress-1

1) Give a brief status of poverty in India.

Answer: According to the National Planning Commission estimation three States having more than 40 per cent of population living below the poverty line in rural areas are Assam, Bihar and Orissa. The incident of poverty is high among the Scheduled Castes, Scheduled Tribes, landless labourers, backward minorities and landless women headed household. Vidya Sagar in his article Food Security in India has envisaged that 3.3 per cent of people are living in hunger in rural India. The percentage is high in West Bengal, Orissa, Assam and Bihar, 10.4, 8.0, 7.1 and 6.0 respectively.

2) Explain the categories of rural unemployment in India.

Answer: Some of the findings from the NSSO with regard to unemployment derived by Ray and Chand are as follows:

The distribution of unemployed persons by educational level shows that majority of unemployed in rural areas are literate; and ii)In rural areas the percentages of illiterate unemployed among ST, SC, OBC and others are 17.6, 11.8, 4.8 and 3.6 respectively. While the percentage of unemployed with secondary and above education are 45.3, 50.2, 59.4 and 65.6 respectively for ST, SC, OBC and others categories of population.

Check your Prorgress-2

1) Explain one important self employment programmes initiated in India.

Answer: The SGSY is one of the important self employment programmes and was launched in 1999 as a centrally sponsored scheme funded by the Centre and the states in the ratio of 75:25. The SGSY was launched by converging IDRP, DWCRA and TRYSEM. The SGSY aims at helping the poor families to bring them above the poverty line, by providing them income generating assets through bank credits and government subsidy.

2) What is the main thrust of Mahatma Gandhi National Rural Employment Guarantee Scheme?

Answer: The National Rural Employment Grantee Act (NREGS) (herein after referred as Mahatma Gandhi NREGS) was enacted in 2005 aims at to provide a minimum guaranteed wage employment of 100 days in every financial year to rural households with unemployed adult members prepared to do unskilled manual work. The scheme is a strategic attempt to fight the conundrums of poverty and unemployment, which are intrinsically interlinked. The NREGS indirectly aims at making employment as a human right.

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BLOCK 3 URBAN DEVELOPMENT IN INDIA

Urbanisation is a process of transformation of traditional rural economy in modern urban economy. It is a long-term process and signifies progressive concentration of population in urban unit. As per the 2001 Census, India had a total population of 1028 million, which makes India the second largest country in terms of population after China. India's urban population was 286 million in 2001. This means 27.82 per cent of the total population were living in urban areas in 2001. As a discipline, it is multidisciplinary in nature representing an intersection of architectural social, behavioral, engineering, and financial and management sciences. Urban development may mean any one of these, depending upon our focus. Urban development can also be defined as a process of developing and utilizing natural and human resources, technologies, infrastructural facilities, institutions and organizations, and government policies and programme to encourage and speed up economic growth in urban areas, to provide more employment opportunities, infrastructure and governance to improve the quality of urban life

Unit 1, **Urbanization in India – An Overview,** focuses on urban areas in India, the level and trend of urbanization in India, the distribution of urban population by size class of towns in India. Urban population of India is larger than the total population of many countries. Despite this important fact, one has to accept that India with about 27 per cent of its population living in its urban areas is less urbanised. Also the spread of its urban population is not even. It also discusses the distribution of slums in urban India and in million–plus cities in India.

Unit 2, **Migration and Urban Problems**, describes various reasons for the rural-urban migration, like the push and pull factors. The major push factors are natural disasters, poor living conditions, agricultural change, unemployment, war and conflict etc. Some of the major pull factors are employment, higher incomes, better healthcare and education, attraction to urban facilities and way of life and protection from conflict etc.

Unit 3, **Urban Poverty, Unemployment and Development Interventions,** unit discusses about the urban poverty, unemployment and development initiatives taken by the government for tackling these problems in urban areas.

UNIT 1 URBANISATION IN INDIA: AN OVERVIEW

Structure

1.1 Introduction
1.2 Urbanization: Meaning and Concept
1.3 Level and Trend of Urbanisation in India
1.4 Level of Urbanisation in India by States and Union Territories
1.5 Distribution of Population in Different Size Classes of Towns in India
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1.7 Challenges of Urbanization
1.8 Let Us Sum Up
1.9 Key Words
1.10 References and Selected Readings
1.11 Check Your Progress – Possible Answers

1.1 INTRODUCTION

Urbanization is an index of transformation from traditional rural economies to modern industrial one. It is a long term process. India's urbanization is often termed as over-urbanization, pseudo- urbanization. The big cities attained inordinately large population size leading to virtual collapse in the urban services and followed by basic problems in the field of housing, slum, water, infrastructure, quality of life etc. Urbanization is a product of demographic explosion and poverty induced rural-urban migration. Urbanization is occurring not due to urban pull but due to rural push. Globalization, liberalization, privatization are addressing negative process for urbanization in India.

After studying this unit, you should be able to

- Define *urban* area in India;
- Analyse the level and trend of urbanization in India;
- Discuss the distribution of urban population by size class of towns in India;
- Discuss the distribution of slums in urban India and in million–plus cities in India;
- Discuss the state of basic amenities in urban India; and
- Explain the problems of urbanization in India.

1.2 URBANIZATION: MEANING AND CONCEPT

Generally we see urban centres i.e. cities and towns of India are getting crowded day by day. We shall study how the urban centres are getting crowded, i.e. the nature of urbanisation in India in this Unit. But for that first you should be familiar with the basic concepts relating to urbanisation. The definition of *urban* differs from country to country. Any urban area constitutes of towns. Before going to the concept of *urban* it is necessary to know who provides the data about total

population in India. In India, the Census of India enumerates the total population of the country. The Census Act, 1948 forms the basis for the conduct of population Census in independent India. The Census of India enumerates the total population of the country every ten years. The first census after independence was in 1951 and the latest one was in 2001. The final population data are presented separately for rural and urban areas. The unit of classification is *town* for urban areas and *village* for rural areas. The Census of India, 2001 adopted the following definition for urban areas:

1) All statutory places with a municipality, corporation, cantonment board or notified area committee, etc.- are called *statutory* towns and are so declared by the state.

2) A place satisfying the following three criteria simultaneously are called *census* towns. The criteria are:

   - a minimum population of 5,000;
   - at least 75 per cent of male working population engaged in non-agricultural pursuits;
   - a density of population of at least 400 per sq. km. (1,000 per sq. mile)

Cities are urban areas with more than 100,000 population. Urban areas below 100,000 are called *towns* in India. We shall learn more about size class of towns later.

Another important concept is that of *Urban Agglomerations*. Urban Agglomeration is a continuous urban spread constituting a town and its adjoining urban growths or two or more physical contiguous towns together and any adjoining urban outgrowths of such towns. Examples of outgrowths are railway colonies, university campus, military area and so on that may come up near a city or statutory town outside its statutory limits but within the revenue limits of a village contiguous to the town or city. Each such individual area by itself may not itself satisfy the minimum population limit to qualify it to be treated as an independent urban unit but may deserve to be clubbed with the town as a contiguous urban spread. In 2001 it was decided that one of the constituent towns should be a statutory town and the total population of the urban agglomeration should not be les than 20000 as per 1991 census. With these two criteria, an urban agglomeration can be constituted under the following circumstances:

- A city or town with a continuous outgrowth,
- Two or more adjoining towns with or without outgrowths,
- A city or one or more adjoining towns with their outgrowths all of which together form a continuous spread.

In the first census of independent India in 1951, uniform criteria were not applied by the states to identify the urban centres. As such this census might have overestimated the urban population. Thus 1961 Census tried to standardize the concept of urban centre. This resulted in declassification of a large number of towns that were identified by 1951 Census. Thus urban growth rate reduced during 1951-61 due to this definitional problem. The types of civic status have also undergone change, e.g. publications of 1971 Census excludes *town committee*, which was included in the 1961 Census. Also all the states did not follow the definition of census towns strictly enough. As a result there lies a problem of comparability of data across time and space (Sivaramakrishnan, Kundu and Singh, 2005).

We have learnt here:

- The definition of urban area, cities and towns in India.
- The definition of Urban Agglomeration in India.

Activity 1

Find out the city, town and Urban A.gglomeration nearest to your place.

1.3 LEVEL AND TREND OF URBANISATION IN INDIA

Urbanisation is a process of transformation of traditional rural economy in modern urban economy. It is a long-term process and signifies progressive concentration of population in urban unit. As per the 2001 Census, India had a total population of 1028 million, which makes India the second largest country in terms of population after China. India's urban population was 286 million in 2001. This means 27.82 per cent of the total population were living in urban areas in 2001. The percentage of urban population to total population is called the *level of urbanisation* or *degree of urbanisation*. It may be denoted as,

$$UN = UP/ TP \times 100,$$

Where UN is the degree of urbanization,

UP is the total urban population of the country and

TP is total population of the country

India's urban population in 2001 was 286 million and total population was 1028 million, thus in 2001, the level of urbanization was,

$$UN = 286/1028 \times 100 = 27.82$$

India's level of urbanisation 27.82 is quite low compared to that of developed countries which varies between 57 and 100 per cent. India is relatively less urbanised than even some of the developing countries. Developing countries like Pakistan with 35 per cent, Nigeria with 48 per cent; the Philippines with 63 per cent, Egypt with 43 per cent and Indonesia with 48 per cent have a higher level of urbanisation than India (UN, 2005). However, in terms of absolute numbers, India's urban population of 286 million in 2001 is more than the total population of many countries.

The annual gain in percentage of urban population shows the increase in level of urbanisation per year and is shown in Table 1.1. Further the annual rate of gain in percentage of urban population shows the rate of increase of level of urbanization per year and is shown in Table 1.1.

Now you know what is the level of urbanization of India. But how do you know how it is growing? Urban growth is measured by the increase in total urban population over the initial population. When calculated between two decades, it is called *decadal urban growth* and can be denoted as follows:

Decadal urban growth rate between P1 and P2= (Urban population in P2- Urban population in P1/Urban population in P1) × 100,

Where, P1 is the initial year

P2 is the final year

For example, the decadal urban growth rate between 1999 and 2001can be shown as follows:

Decadal urban growth rate between 1999 and 2001= (Urban population in 2001- Urban population in 1991/ Urban population in 1991) × 100 = (286.12- 217.61/ 217.61) / 100 = 31.48

The decadal rate of growth of urban population in India has been above 25 per cent in all the census years since 1941 (Table 1.1). But how do we know what is the pace at which urban population is growing? The percentage of annual exponential growth rate of urban population shows at what pace is the urban population growing. From Table 1.1 we find that that the growth increased from 0.03 per cent per year in 1911 to 3.47 per cent per year in 1951. After that the pace decreased to 2.34 per cent per year in 1961. This decrease is attributed to strict adherence of definitions as is given in Footnote 1 below. The next two decades of 1971, 1981 saw the population growing at faster rates of 3.21 and 3.81 per cent per year respectively. Thereafter the pace of growth has started declining and was 2.77 per cent per year in 2001.

Table 1.1. Trend Of Urbanisation In India

Census year	Total population	Urban population	No. of towns/UAs	% of urban population to total population	Decadal urban growth rate(%)	Annual exponential	Tempo of urbanisation (Per cent per year)	
							Annual gain in percentage of urban population	Annual rate of gain in percentage of urban population
1901	238396327	25851873	1827	10.84	—-	—-	—-	—-
1911	252093390	25941633	1815	10.29	0.35	0.03	-0.06	-0.51
1921	251321213	28086167	1949	11.18	8.27	0.79	0.09	0.86
1931	278977238	33455989	2072	11.99	19.12	1.75	0.08	0.72
1941	318660580	44153297	2250	13.86	31.97	2.77	0.19	1.56
1951	361088090	62443709	2843	17.29	41.42	3.47	0.34	2.47
1961	439234771	78936603	2365	17.97	26.41	2.34	0.07	0.41
1971	548159652	109113977	2590	19.91	38.23	3.21	0.19	1.08
1981	683329097	159462547	3378	23.34	46.14	3.83	0.34	1.72
1991	846302688	217611012	3768	25.71	36.47	3.09	0.24	1.02
2001	1,028,610,328	286119689	5161	27.82	31.48	2.77	0.21	0.82

Source: Census of India, 1991, Paper I of 1992, vol.II, Final population Totals 2001

Note: 1. Including Projected Population of Assam in 1981.

2. Including Projected Population of Jammu and Kashmir in 1991.

3. Excludes population of Mao-Maram, Paomata and Purul sub-divisions of Senapati district of Manipur in 2001.

In 1901, the total urban population of India was only 25.85 million and by 2001, it increased to 286.12 million registering an increase of more than ten times. But the increase was not even throughout the period. The years from 1901 to 1921 were marked by natural disasters and as such were characterised by decline or slow growth in the proportion of urban population to total population. The country experienced much political disturbance in the following two decades from 1921 to 1941. During this period the population in urban areas increased owing to the influx of refugees to the cities. This influx of refugees continued up to 1951.

Just after Independence, the 1951 Census recorded a decadal growth rate of 41.42 per cent in the urban population for the period 1941-51. In 1951, 62.44 million people were living in towns and this increased to 78.93 million in 1961. The percentage of urban to total population was only 10.84 in 1901; it became 17.29 in 1951. However the decadal growth rate came down to 26.41 during 1951-61.[1] With the onset of Five Year Plans, the next two decades saw an increase in the decadal growth rate of urban population, as it became 38.23 during 1961-71 and 46.14 during 1971-81. However, it has come down to 36.47 during 1981-91 and further to 31.48 during 1991-2001. From 109.11 million in 1971 the total urban population grew to 217.61 million in 1991; thus almost doubling in two decades. It doubled between 1961 and 1981 also.

The annual rate of gain in percentage of urban population was found to be 1.08, 1.72, 1.02 and 0.82 during 1961-71, 1971-81 and 1981-91 and 1991-2001 respectively (Table1.1). The decline in rate of urbanisation can be explained in terms of the components of population growth like natural increase, net migration from rural to urban areas, increase due to new towns and changes in the jurisdiction of urban areas. It can be written as follows:

Urban growth rate = natural growth rate + migration rate + rate of increase due to new towns + rate of increase due to changes in jurisdiction.

Some scholars attribute the decline to under-enumeration of urban population while others present different plausible explanations. One of the important explanations is decline in rural-urban migration, identification of relatively fewer new towns and increasing concentration of population in the rural areas adjacent to large urban centres (Premi, 1991).

We have learnt here about the level and trend of urbanization in India. Now try and answer the questions in *Check Your Progress 1.*

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What are the definition of urban areas according to Census of India, 2001?

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2) What was India's level of urbanization and decadal urban growth rate of India in 2001?

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1.4 LEVEL OF URBANISATION IN INDIA BY STATES AND UNION TERRITORIES

One distinct characteristic of urbanisation of India is its lopsided nature. The spread of urban population is not homogenous; rather it shows an imbalance. Some states are more urbanised than others (Table 1.2). Goa (49.76%) and Mizoram (49.63%) were the most urbanised states. But these are small states. Among the major states in India Tamil Nadu with 44.04 per cent urban population was the most urbanised state in 2001 followed by Maharashtra (42.43%), Gujarat (37.56%), Karnataka (33.99%) and Punjab (33.92%). The states of Andhra Pradesh (27.30%), Madhya Pradesh (26.46%), Uttaranchal (25.67%), Rajasthan (23.39%), Chattishgarh (20.09%) Uttar Pradesh (20.78%), Orissa (14.99%), Assam (12.90%), Bihar (10.46%) had urbanisation level less than the average for urban India. Harayana (28.92%) and West Bengal (27.97%) were marginally above the national average.

Table 1.2: Level of Urbanisation in India, States and Union Territories, 2001, 1991

Sl No. State	State/Union Territory	Level of urbanisation in	
		2001	1991
	India*	27.82	25.71
1.	Andhra Pradesh	27.30	26.78
2.	Arunachal Pradesh	20.75	12.80
3.	Assam	12.90	11.10
4.	Bihar	10.46	12.47
5.	Chattishgarh	20.09	N.A
6.	Goa	49.76	41.01
7.	Gujarat	37.36	34.49
8.	Harayana	28.92	24.63
9.	Himachal Pradesh	9.80	8.69
10.	Jammu &Kashmir	24.81	23.83
11.	Jharkhand	22.24	N.A
12.	Karnataka	33.99	30.92

13.	Kerala	25.96	26.39
14.	Madhya Pradesh	26.46	23.18
15.	Maharashtra	42.43	38.69
16.	Manipur	26.58	27.52
17.	Meghalaya	19.58	18.60
18.	Mizoram	49.63	46.10
19.	Nagaland	17.23	17.21
20.	Orissa	14.99	13.38
21.	Punjab	33.92	29.55
22.	Rajasthan	23.39	22.88
23.	Sikkim	11.07	9.10
24.	Tamil Nadu	44.04	34.15
25.	Tripura	17.06	15.29
26.	Uttar Pradesh	20.78	19.84
27.	Uttaranchal	25.67	N.A.
28.	West Bengal	27.97	27.48

Union Territory

1.	Andaman &Nicobar Islands	32.63	26.71
2.	Chandigarh	89.77	89.69
3.	Dadra & Nagar Haveli	22.89	8.47
4.	Daman& Diu	36.25	46.80
5.	Delhi	93.18	89.93
6.	Lakshadweep	44.46	56.31
7.	Pondicherry	66.57	64.00

Source: Census of India 2001, 1991, Final Population Totals

Note : * India excludes the estimated population of Mao Maram, Paomata & Purul subdivision of Senapati district of Manipur

1.5 DISTRIBUTION OF POPULATION IN DIFFERENT SIZE CLASSES OF TOWNS IN INDIA

The Census of India classifies towns and urban agglomerations in six size classes according to their population size. The classes are: Class I – 100,000 and above, termed as city; Class II- 50,000-99,999; Class III-20, 000-49,999; Class IV-10, 000-19,999; Class V- 5,000-9,999; Class VI-Less than 5,000.

Table1. 3. Distribution of Population in Different size Classes of Towns in India in 2001

Size Class	Population Range for Size-Class	Number of Towns	%age	Population	%age
All Classes	All Population	5161	100.00	286,119,689	100.00
Class I	1,00000 & above	441	8.54	178,224,290	62.29
Class II	50,000-99,999	496	9.61	34,451,500	12.04
Class III	20,000- 49,999	1388	26.89	42,119,280	14.72
Class IV	10,000- 19999	1561	30.25	22,593,015	7.90
Class V	5,000-9,999	1041	20.17	7,889,668	2.76
Class VI	Below 5000	234	4.53	841,936	0.29

Source: Urban Statistics Handbook, 2008, National Institute of Urban Affairs

Concentration of urban population is much more evident in the distribution of urban population among the cities. A large percentage of the total urban population lives in big cities. Around 62 per cent of the urban population was found concentrated in the 441 class I [2] cities while 38 percent of the urban population were residing in 4720 class II, III, IV, V, and VI towns in 2001. This means that 62 per cent of the urban population were staying in 8.5 per cent of the urban areas in 2001.

1.5.1 Population in Million–Plus Cities in India

Table 1.4: Cities Having More than one Million Population (Within Municipal Limits) in 2001

S.No.	Name of the city	Civic Status	State/ Union Territory	Total Population
1	Greater Mumbai	M.Corp	Maharashtra	11,914,398
2.	Delhi	M.Corp	Delhi	9,817,439
3.	Kolkata	M.Corp	West Bengal	4,580,544
4.	Bangalore	M.Corp	Karnataka	4,292,223
5.	Chennai	M.Corp	Tamil Nadu	4,216,268
6.	Ahmedabad	M.Corp	Gujarat	3,515,361
7.	Hyderabad	M.Corp	Andhra Pradesh	3,449,878
8.	Pune	M.Corp	Maharashtra	2,540,069
9.	Kanpur	M.Corp	Uttar Pradesh	2,532,138
10.	Surat	M.Corp	Gujarat	2,433,787
11.	Jaipur	M.Corp	Rajasthan	2,324,319
12.	Lucknow	M.Corp	Uttar Pradesh	2,207,340
13.	Nagpur	M.Corp	Maharashtra	2,051,320
14.	Indore	M.Corp	Madhya Pradesh	1,597,441

15.	Bhopal	M.Corp	Madhya Pradesh	1,433,875
16.	Ludhiana	M.Corp	Punjab	1,395,053
17.	Patna	M.Corp	Bihar	1,376,950
18.	Vadodara	M.Corp	Gujarat	1,306,035
19.	Thane	M.Corp	Maharashtra	1,261,517
20.	Agra	M.Corp	Uttar Pradesh	1,259,979
21.	Kalyan-Dombivili	M.Corp	Maharashtra	1,193,266
22.	Varanasi	M.Corp	Uttar Pradesh	1,100,748
23.	Nashik	M.Corp	Maharashtra	1,076,967
24.	Meerut	M.Corp	Uttar Pradesh	1,074,229
25.	Faridabad	M.Corp	Haryana	1,054,981
26.	Haora	M.Corp	West Bengal	1,008,704
27.	Pimprichinchwad	M.Corp	Maharashtra	1,006,417
	Total			73,021,246

Source: Census of India, Primary Census Abstract, 2001,

Note: M. Corp stands for Municipal Corporation.

The number of million–plus cities has increased from 12 in 1981 to 23 in 1991 and to 27 in 2001. The number of million plus Urban Agglomerations has increased to 35 in 2001. Not only has the number of million plus cities doubled from 1981 to 1991, the percentage share of urban population staying in the million plus cities has increased from 26.7 per cent in 1981 to 33 percent in 1991; however, the percentage decreased to 25.5 per cent in 2001. The five metropolitan cities of Delhi, Bombay, Kolkata, Chennai and Bangalore had around 12 per cent of the total urban population among them in 2001, which shows that they are the main centres of survival for large numbers of the urban population. Massive migration of landless agricultural labourers and marginal farmers from the rural areas to the large cities has continued over the decades. These unskilled and untrained migrants skip the smaller towns and arrive at the large metropolises in search of a livelihood leading to urban over-congestion (Mukherji, 1996).

One thing needs to be mentioned here that modest urbanisation of India has not been accompanied with a shift in the occupational structure. The proportion of urban population to total population has increased over the decades since Independence. But the percentages of total workers engaged in the primary sector have remained far above those engaged in secondary and tertiary sectors.[3] Thus large cities, especially the metropolitan cities with the tertiary sector as economic base have become the centres of concentration of urban population. These large urban centres are based on tertiary sector and cannot provide adequate employment to these migrants in the organised sector and as such they get absorbed in the urban informal sector (Mukherji, 1996). The peripheral areas around the large metropolitan cities have shown a high growth rate in the last decade confirming the fact that the poor urban population is living in the less costly peripheral rural areas from where they commute to the city to work. This is clearly visible in the growth rate of rural areas around Delhi, which have shown around 100 per cent higher growth rate than that of the metropolis of

Delhi during 1981-91. Cities such as Hyderabad, Jaipur, Chandigarh, Bhopal, Pune have also seen large in-migration in their peripheral areas. The smaller urban centres do not provide the migrants the opportunity to get absorbed even in the informal sector; as such the migrants approach the large cities in search of a livelihood. The continuous neglect of small and medium towns has made them economically unattractive to job seekers. Scholars have found that "probability of a person being poor works out as low in a large city compared to any other urban centre" (Kundu and Sarangi, 2007). Thus in effect the rural-urban migrants flock to the large urban centres in India. It must be emphasised here that rural-urban migration in India is not associated with any vertical shift in the labour force from the agricultural sector to the urbanised industrial sector as in western countries. Poverty stricken rural-urban migrants, both men and women migrate to join the urban informal sector as porters, hawkers, domestic servants, construction workers and so on (Mukherji, 1981). Some of them add to urban poverty. The next section will discuss the distribution of slums in urban India and in its million plus cities.

We have learnt here:

- Number of million–plus cities in India has increased over the decades.
- Million-plus cities attract migrants.

1.6 PROBLEMS OF BASIC AMENITIES IN URBAN INDIA

The provision of basic amnesties to urban population in general and to the urban poor in particular has always remained a problem. A few important basic amnesties are drinking water, sanitation and electricity facilities. In urban India in 2001, 69 [4] per cent of the households had taps as source of drinking water, 61[5] per cent of the households had their latrine facilities within their houses and only 35 per cent of the households had closed drainage facilities (Census 2001).[6] Eighty-eight per cent (88%) of the urban households had electricity.

Table 1.7 Availibility Of Basic Amenities in Urban India in 2001

Basic Amenities	% of Households having the facility in 2001
Tap as source of drinking water	69
Latrine facility within the house	61
Closed drainage facility	35
Electricity	88

Source: Census of India 2001, Series-1 India, Analytical Reports on Housing Amenities.

1.6.1 Safe Drinking Water

The coverage of drinking water supply in India is found to be more in the economically developed states of Maharashtra, Punjab, Haryana, Gujarat, Karnataka and Andhra Pradesh. Notable exceptions are poorer states of Rajasthan and Uttar Pradesh, which have increased the coverage. The coverage of drinking water supply is higher in metropolitan cities (more than 1million population), than in Class I cities (more than 100,000 population) and Class II towns

(population between 50,000- 99999). The average coverage was found to be 98, 91 and 89 per cent respectively in the metropolitan cities, Class I cities and Class II towns in 1999 (NIUA, 2005). The per capita domestic water supply also decreases with the size class of the cities. Class I cities recorded an average of 106 lpcd while the Class II cities recorded an average of 69 lpcd of water per head in 1999. The average per capita gap increased from 23 lpcd for metropolitan cities to 29 lpcd and 33 lpcd for Class I cities and Class II towns respectively (NIUA, 2005). The finding that coverage of water supply declines with decrease in city size finds confirmation from other scholars (Kundu and Thakur, 2006) as well. Also, it is well known that there are inequalities in accessibility of water supply between poorer localities and richer localities within a city. Locality level data from census 2001 and from other micro studies for some large cities confirm that there is high intra-city variation in the quantity and quality of drinking water supply within metropolitan cities in India (Kundu and Thakur, 2006). Thus there emerges a picture of deficiency and inequality in accessibility of water supply among the states, cities and localities in urban India.

1.6.2 Household Sanitation

In urban India, 14.6 percent households had pit latrines, 46.1 percent households had water closets[7] within the premises in 2001. Thus around 39 per cent of the urban households did not have any proper latrine facilities within the premises in 2001. However, the percentage of households not having the facility has declined over the decades. The states with no latrine facility in the house were very high in Chattisgarh (47.4%), Maharashtra (41.9%) and Orissa (40.3%). Urban households in the northeastern region mostly use pit latrines, the percentage being more than the national average. Access to water closet facilities is between 47 percent and 87 percent in the states of Himachal Pradesh (49.7%), Punjab (46.5%), Delhi (47.4%), Sikkim (87.0%), Assam (58.9%), West Bengal (55.2%), Gujarat (62.1%), Andhra Pradesh (47.0%) and Kerala (74.8%).[8] Thus we find that even in the urban areas a large number of people do not have latrine facilities inside the house. This is a potential for hazard to public health.

1.6.3 Solid and Liquid Waste Disposal

Similarly, waste water flowing into open drainage system and flowing into water bodies creates problems for public health. According to census 2001, the percentage of households connected to closed drainage and open drainage was 34.5 and 43.4 respectively at national level in urban India.[9] The rest 22.1 percent households did not have any drainage facility at all. Delhi (51.7%), Gujarat (59.3%), Maharashtra (45.1%) and Karnataka (41.6%) had closed drainage facilities between 41 percent and 59 percent. Chandigarh at 77.2 percent had the highest percentage of households having closed drainage facilities in 2001. Thus much needs to be done to create the facility for all to sustain urban development and maintain public health.

Many urban centers do not have sewerage system and if they have it is partial. Many towns and cities do not have sewage treatment plants as such untreated sewage flows in land and water bodies creating pollution. It is to be noted that the facility of sewerage system declines with city size as also the percentage of wastewater treated. A survey conducted by National Institute of Urban Affairs found that all the metropolitan cities surveyed had sewerage system. But only 57 (35%) out of the 164 Class I cities and 21 (18%) out of 115 sampled Class II

towns had a functioning sewerage system in 1999 (NIUA, 2005). Urban centers in India should have proper and functional sewerage systems.

Another major problem in cities is the management of solid waste. According to estimates by the Eleventh Five Year Plan, about 115000 MT of municipal solid waste is generated in India.[10] According to a survey by National Institute of Urban Affairs, the per capita waste generation was highest in metropolitan cities with 500 gm per day, 377 gm in Class I cities and 297 gm in Class II towns in 1999 (NIUA, 2005). The waste collection efficiency declines with city size. The NIUA survey further found that Metropolitan cities collect an average of 91 percent of waste generated while the collection efficiency is 85 per cent for Class I cities and 75 per cent for Class II towns. It is to be remembered that with growth of urban population, the amount of waste generated is increasing and it needs urgent attention.

1.6.4 Electricity

Regarding consumption and accessibility of electricity, it is found that 87.6 per cent of the households in urban India used electricity, 11.6 percent used kerosene and only 0.2 per cent used solar energy as source of lighting in 2001. More than 90 per cent households in Himachal Pradesh (97.4%), Uttaranchal (90.9 %), Jammu and Kashmir (97.9%), Haryana (92.9 %), Delhi (93.4%), Sikkim (97.1%), Mizoram (94.4%), Nagaland (90.3%), Gujarat (93.4%), Maharashtra (94.3%), Andhra Pradesh (90.9%), Madhya Pradesh (92.3%), Karnataka (90.5%) and Goa (94.7%) used electricity as the source of lighting in 2001. On the other hand, only 59.3 percent urban households in Bihar had accessibility to electricity.[11] However, the percentage of households using solar energy is almost negligible which needs attention. Use of renewable sources of energy as source of lighting should be popularized for sustainable urban development.

1.7 CHALLENGES OF URBANIZATION

Most of the counties including India is experiencing rapid urbanization. The unplanned urbanization particularly in developing countries has culminated several problems. This rapid urbanization envisages that within the next two to three decades, there will be need for increased demand for basic infrastructure, housing and living facilities in major urban centres. The demand for clean water sanitation, solid waste disposal, sewage for liquid waste, health and transport facilities will enhance manifold. Therefore, the urbanization process and growth will face many challenges. Let us discuss a few challenges of urban development in India.

i) **Housing** – Housing provision for the growing urban population will be the biggest challenge before the government. The growing cost of houses comparison to the income of the urban middle class, has made if impossible for majority of lower income groups are residing in congested accommodation and many of those are devoid of proper ventilation, lighting, water supply, sewage system, etc. for instance in Delhi, the current estimate is of a shortage of 3,00,000 dwelling units the coming decades. The United Nations Centre for Human Settlements (UNCHS) introduced the concept of "Housing Poverty" which includes "Individuals and households who lack safe, secure and healthy shelter, with basic infrastructure such as piped water

and adequate provision for sanitation, drainage and the removal of household waste".

ii) **Safe Drinking Water-** Ensuring safe drinking water to urban population is a problem in most of metropolitan cities of India. The 2001 census figure shows that still many households in urban areas consume water from unsafe sources such as tanks, pond and lake, river and canal and spring, the percentages are 7.7,03,02 and 0.2 respectively. The safe drinking water sources are also found to be contaminated because of water in the cities are inadequate and in the future the expected populations cannot be accommodated without a drastic improvement in the availability of water. The expenses on water treatment and reuse will grow manifold.

iii) **Sanitation-** The poor sanitation condition is another gloomy feature in urban areas and particularly in slums and unauthorized colonies of urban areas. The drainage system in many unorganized colonies and slums are either not existing and if existing are in a bad shape and in bits resulting in blockage of waste water. This unsanitary conditions lead to many sanitation related diseases such as diahorrea and malaria.

Unsafe garbage disposal is one of the critical problem in urban areas and garbage management always remained a major challenge

Table 1.8: Distribution of Urban Households by Means of Sanitation

	Categories	Percentage
1.	No bathroom facility within the house	29.5
2.	Pit Latrine	14.6
3.	Water closet	46.1
4.	Other latrine	13.0
5.	No latrine	26.3
6.	Closed drain	34.5
7.	Open drain	43.4
8.	No drainage	22.1

Source: *Census, 2001*

In all, the environmental deterioration will be the worst curse that will be inflicted by the future urbanization in India. Moreover, in the metropolitan and large cities, the noise pollution would become a challenging problem and protectors may become a precaution from the medical point of view.

iv) **Poverty-** Roughly a third of the urban population today lives below the poverty line. There are glaring disparities between haves and have-nots in urban areas. The most demanding of the urban challenges, unquestionably is the challenge posed by poverty; the challenge of reducing exploitation, relieving misery and creating more human condition for urban poor. Dandekar and Rath has remarked that "The urban poor are only an overflow of rural poor into the urban area". They had further opined that "While the character

of rural poverty has remained the same as before the character of urban poverty has deepened futher". S.R.Hasim remarked that cities have been and still are the engines of growth and yet, they harbour a significant number of people who are poor and whose living conditions can only be described as miserable.

A recent estimate shows that around 50 million poor people are residing in urban India.

Table 1.9: Estimates of Incidence of Urban Poverty in India

Year	Poverty Ratio	Number of Poor (Million)
1977-78	45.2	64.6
1983	40.8	70.9
1987-88	38.2	75.2
1993-94	32.4	76.3
1999-2000	23.6	67.1
2007	15.1	49.6

Source: *Economic Survey 2003-04, GOI*

v) **Health conditions-** The important indicators of human development are education and health. The health condition of urban poor in some areas are even more adverse compared to rural areas. As many as 20 million children in the developing countries consequent to drinking water which is badly about 6,00,000 persons are loosing their lives on account of indoor air pollution (Jagmohan,2005). The National Family Health Survey, 2006-07 has envisaged that a lot of women and children are suffering from nutritional anaemia and diseases like tuberculosis and asthama are occurring in good number. Providing health care services to the growing urban population is major challenge before the government health care delivery system.

vi) **Provision of Employment-** Providing gainful employment to the growing urban population is a major challenge before the government. It is generally observed that the literate and semi-literate migrants are absorbed with minimal works carrying lower wage and more hour of work the Un Habitat Report(2003) has rightly remarked "The cities have become a dumping ground for surplus population working in unskilled, unprotected and low-wage informal service industries and trade". The urban workers are increasingly being pushed into the informal sector and without any adequate space provided by the cities to this sector. As a result most of the informal activities in the cities were carried on in public places like footpaths, open empty spaces, parks or just in the streets. The plight of rickshaw pullers and street vendors is widely noted and commented upon. As the rural agriculture sectors is shrinking day by day the challenges before the urban sector to provide viable employment to migrating population will be a daunting task in the coming year.

vii) **Urban Transport and traffic management-** One of the most challenging problem facing the urban areas is urban transport. The challenge is to provide a well integrated and environmental friendly traffic congestation and

environmental pollution has reached unprecedented level in many metropolitan cities. The sustainable urban transport system should ensure safe and pollution free transport system. The increasing urban population has made the transport system likes public bus facilities and metros extremely crowded and unpleasant. The traffic management need not only to control traffic but also check accidents occurring in urban areas. Some of the other challenges are road pricing, licensing system, user taxes on fuel, parking of vehicles, etc.

ix) **Urban Crime-** prevention of urban crime is another challenge before the government of states having more number of urban areas and particularly metropolitan cities. The mega cities are facing increased criminal activities on account of unchecked migration, illegal settlements and diverse socio-cultural disparities, organized groups, gangsters, professional criminals for wishing a lavish life in metropolish. According to IPC (Indian Penal Code) data, a total of 3,23,363 cognizable crimes under the IPC were reported in 35 mega cities during 2006 as compared to 3,14,708 crimes during 2005, thereby reporting an increase of 3.70 percent. The cities of Delhi, Mumbai and Bengaluru have accounted for 16.2 percent, 9.5 percent and 8.1 percent respectively of the total crime reported from 35 mega cities. Prevention of crime in mega cities is a challenge before the city government in India.

x) **Urban slum-** It is estimated that the metropolitan cities in the year 2000 AD would have a large number of population living in the slum and squatter settlements. According to Jagmohan at least 33 percent of the Indian urban population lives in slums which are dreary and deadly as the old Jemish "Ghettos". Life in the slum is quite miserable devoid of sanitation, poor quality of housing, unsafe drinking water and deficiencies of the other infrastructure. The living conditions of slum dwellers become deplorable during excessive cold, summer, and rainy season.

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What are the condition of availability of safe drinking water across various states in India?

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2) How have urban slums become a major challenge in urbanization?

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1.8 LET US SUM UP

Urban population of India is larger than the total population of many countries. Despite this important fact, one has to accept that India with about 27 per cent of its population living in its urban areas is less urbanised. Also the spread of its urban population is not even. The large cities especially the metropolitan cities have most of the total urban population. Small and medium towns have not flourished. Poor migrants from rural areas bypass these towns and arrive at large cities in search of employment.

About 15 per cent of the total urban population of the states of India lives in slums. The actual picture is grimmer. Around 23 per cent of the urban population of the towns reporting slums was living in slums in 2001. The cities with more than one million populations have high percentage of population living in slums. Urban basic services are poor in urban India and are less than the requirement.

Urbanisation is happening in India. But it has its problems. Major problems of urban areas of India are overcrowding, congestion, inadequate basic services and urban infrastructure, lack of efficient transport facilities, air pollution, environmental pollution and existence of slums.

1.9 KEY WORDS

Urban: Census of India, 2001 adopted the following definition for urban areas in India.

1) All statutory places with a municipality, corporation, cantonment board or notified area committee, etc.- are called *statutory* towns and are so declared by the state.
2) A place satisfying the following three criteria simultaneously are called *census* towns. The criteria are:
   - a minimum population of 5,000;
   - at least 75 per cent of male working population engaged in non-agricultural pursuits;
   - a density of population of at least 400 per sq. km. (1,000 per sq. mile)

City: Cities are urban areas with more than 100,000 population in India.

Towns: Towns are urban areas below 100,000 population in India.

Urban Agglomeration: Urban Agglomeration is a continuous urban spread constituting a town and its adjoining urban growths or two or more physical contiguous towns together and any adjoining urban outgrowths of such towns. Examples of outgrowths are railway colonies, university campus, military area.

Level of urbanisation/degree of urbanisation: The percentage of urban population to total population is called the level of urbanisation or degree of urbanisation.

Decadal Urban Growth: Increase in total urban population over the initial population, calculated between two decades, is called decadal urban growth.

Slums: The slums are usually characterised by inadequate housing, congestion,

overcrowding and lack of services. Section 3 of the Slum Areas (Improvement and Clearence) Act, 1956 defines *slums* as areas where buildings:

- are in any respect unfit for human habitation,
- are by reason of dilapidation, overcrowding, faulty arrangement and design of such buildings, narrowness or faulty arrangement of street, lack of ventilation, light or sanitation facilities, or any combination of these factors, are detrimental to safety, health or moral.

Size class of towns: The Census of India classifies towns and urban agglomerations in six size classes according to their population size. The classes are: Class I – 100,000 and above, termed as city; Class II- 50,000-99,999; Class III-20, 000-49,999; Class IV-10, 000-19,999; Class V- 5,000-9,999; Class VI-Less than 5,000.

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1.11 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress 1

1) What are the definition of urban areas according to Census of India, 2001?

Answer: i) All statutory places with a municipality, corporation, cantonment board or notified area committee, etc.- are called *statutory* towns and are so declared by the state.

ii) A place satisfying the following three criteria simultaneously are called *census* towns.

- a minimum population of 5,000;
- at least 75 per cent of male working population engaged in non-agricultural pursuits;
- a density of population of at least 400 per sq. km. (1,000 per sq. mile)

2) What was India's level of urbanization and decadal urban growth rate of India in 2001?

Answer: India's level of urbanisation in 2001 was 27.82 percent and the decadal urban growth rate of India in 2001 was 31.48 percent.

Check Your Progress-2

1) What are the condition of availability of safe drinking water across various states in India?

Answer: The coverage of drinking water supply in India is found to be more in the economically developed states of Maharashtra, Punjab, Haryana, Gujarat, Karnataka and Andhra Pradesh. Notable exceptions are poorer states of Rajasthan and Uttar Pradesh, which have increased the coverage. The coverage of drinking water supply is higher in metropolitan cities (more than 1million population), than in Class I cities (more than 100,000 population) and Class II towns (population between 50,000- 99999).

2) How have urban slums become a major challenge in urbanization?

Answer: It is estimated that the metropolitan cities in the year 2000 AD would have a large number of population living in the slum and squatter settlements. According to Jagmohan at least 33 percent of the Indian urban population lives in slums which are dreary and deadly as the old Jemish "Ghettos". Life in the slum is quite miserable devoid of sanitation, poor quality of housing, unsafe drinking water and deficiencies of the other infrastructure. The living conditions of slum dwellers become deplorable during excessive cold, summer and rainy season.

UNIT 2 MIGRATION AND URBAN PROBLEMS

Structure

2.1 Introduction
2.2 Migration: Concept and Meaning
2.3 Status of Migration
2.4 Rural-urban Migration: Causes and Effects
2.5 Migration and Urban Slums
2.6 Conditions of Urban Slums
2.7 Migration and Urban Problems
2.8 Let Us Sum Up
2.9 Key Words
2.10 References and Selected Readings
2.11 Check Your Progress – Possible Answers

2.1 INTRODUCTION

Urbanization is taking place at a rapid place in the cities of developing countries mainly due to rural-urban migration. Rural-urban migration is the movement of people from the countryside to the cities. This has resulted in rapid urban growth and the proportion of people living in towns and cities has been increasing. The rural-urban migration is caused as a result of push and pull factors. The major push factors are natural disasters, poor living conditions, agricultural change, unemployment, war and conflict etc. Some of the major pull factors are employment, higher incomes, better healthcare and education, attraction to urban facilities and way of life and protection from conflict etc. This rapid urbanization results in problems like pollution, lack of clean drinking water, employment opportunities, traffic problems, poverty, substance abuse, garbage disposal and sewage problems.

After studying this unit you should be able to:

- Discuss the meaning of migration and define who migrants are.
- Discuss what the broad flows of migration are.
- Analyse effects and consequences of rural-urban migration.
- Explain the reasons of migration of rural-urban migrants.
- Explain the effect of rural-urban migration on urban basic amenities.
- Discuss the characteristics of slums dwellers.
- Discuss the conditions of basic amenities prevailing in slums.
- Identify the problems occurring in urban areas due to migration.

2.2 MIGRATION: CONCEPT AND MEANING

Migration means movement of people from one place to another. Any place can gain population by births and by in-migration of people from outside the area of

the place. Similarly, any place can lose population by deaths and by out-migration of people from the area of the place. Thus migration is an important factor, which affects the structure of the population. For example, if young adults of working age migrate, the population of the place receiving the migrants become younger and the number of workers in the population increase. Thus the Census of India notes that the migration process affects the place where migrants move in and the areas from which the migrants move out.

Migration to urban areas is not always bad. Urban areas have higher productivity than the rural areas. The income level is also higher in the urban areas than rural areas of India. Kundu and Sarangi (2007) inferred that migration is a "definite instrument of improving economic wellbeing and escaping poverty for the adult population in large, medium and small towns". Thus migration from rural to urban areas may actually reduce the poverty level of India. Scholars and economists have advocated that migration to cities will actually develop an economy and thus should be encouraged (Billsborrow, 1998; World Development Report, 2009). The World Development Report (2009) cites examples of densely populated city like Tokyo, highly mobile country like U.S.A. to put forth its view that migration of people is associated with growth. But the problem remains that too much migration creates problems for the governance of the city. It is particularly relevant for already dense cities of India. In this unit we shall learn about migration and urban problems in India.

2.2.1 Indian Census and Concept of Migration

Before going to the discussion on migration in India, we should know who gives the data on migration and what is the definition of migrants. In Unit 1, we have seen that the Census of India enumerates total population of India. The Census of India also enumerates the total migrants in India. It should be noted here that National Sample Survey Organisation also collects data on migration in India in various rounds but that is on the basis of samples. Here, we shall learn about migration in India following census definitions, concepts and data. At present the migration data is given by Census of India by place of birth and by place of last residence. But till 1961, migration data were being given only by place of birth (POB). This means if one was found residing at a place other than one's place of birth, the person was enumerated as migrant. In 1971, for the first time the migration data were collected by place of last residence (POLR) in addition to place of birth. This means that if one's place of enumeration is different from one's place of last residence, one is enumerated as migrant by POLR. This enabled one to get the recent movements of the migrants, which is not captured by data on place of birth. For example, say, Sunil was born in 1976 at Patna and in 2001 was found at Delhi, then, he has been enumerated as migrant from Patna to Delhi by POB in 2001 census. But in between Sunil went to Kolkata in 1993 and stayed there up to 1998 and migrated to Delhi in 1999. Enumeration as migrant by POB does not capture this recent movement of Sunil. This is captured by migration by POLR. Sunil has been enumerated as migrant by POLR from Kolkata to Delhi in 2001 Census. So, the definition of migrant by POB is that a person is enumerated at a place other than his place of birth. The definition of migrant by POLR is that a person is enumerated at a place other than his place of last residence.

2.3 STATUS OF MIGRATION

2.3.1 In-migration in India

Migration data is given by space, time, reason and gender. Space means the place, area (village/town/district/state), urban and rural origin or destination. The lowest unit for enumerating migrants' place of last residence is village or town. Any change of residence within the village or town or city is not considered migration. Migration data is presented as change of residence within the district (intra-district movement), change of residence from one district to another (inter-district movement) and change of residence between one state and another (inter-state movement). Time is given by duration of stay at any place. If all the divisions are taken together, it is called 'all durations'. Reasons of migrations are classified in different categories, which we shall study in 2.6. Some of the migration data is given by gender i.e. by male and female. In India, the total in-migrants by place of last residence in 2001 were 314,541,350 persons by all durations of residence.

Table 2.1: Total In-migrants in India by Place of Last Residence, 2001

(All durations of residence)

Place of last residence	Total	Rural	Urban
Last residence elsewhere in India	309,385,525	207,773,661	101,611,864
Last residence outside India	4,946,860	2,508,775	2,438,085
Unclassifiable	208,965	94,956	114009
Total	314,541,350	210,377,392	104,16,958

Source: Census of India, 2001

Out of them 309,385,525 persons were internal migrants i.e. these people migrated from some place within India. A total number of 4,946,860 persons migrated from some place outside India whereas 208965 persons could not be classified. Here, we are concerned with the internal migrants of India, i.e. people who migrated from some place within India. The total internal migrants of India were 30.07 per cent of the total population of India in 2001. It was 29.2 per cent in 1971, 30.3 per cent in 1981 and 27 per cent in 1991. Thus internal migration in India has increased from 1971 and 1981 while it fell in 1991 but has increased again to 30.3 per cent in 2001. Out of the total internal migrants in India, 101,611,864 persons migrated to urban areas, which is a huge number in itself. In terms of percentage the total urban migrants were 32.8 percent of the total internal migrants in India in 2001.

2.3.2 Flow of Migration in India

Collected data about migration is usually classified by streams, distance, duration, reason and gender and presented for clear understanding of the flow and reasons of migration. The data on streams of migration is classified by movements from rural to rural areas, from rural to urban areas, from urban to rural areas and from urban to urban areas. The data on distance is usually given by within the district movement, by inter-district movement, by within the state movements and by interstate movements. The data on duration is classified by number of years.

When all the durations are clubbed together, we get the data by all durations as has been given in Table 2.1and 2.2.

In India rural-rural migration was around 63 per cent and rural-urban migration was about 19 per cent in 2001 (by all durations). Similarly, urban-urban and urban-rural migration was around 13 per cent and 5 per cent respectively in 2001. Thus we find that rural-rural migration is the largest in volume in India, which is followed by rural-urban migration. But rural-urban migration is very important for its effects on urban areas. We also learn another important thing about migration by gender. Women are more mobile than men in India. The percentages of female migrants in all the streams of migration are more than male migrants (Table 2.2). Rural-rural migration in India is overwhelmingly dominated by women and was 84.81 per cent in 2001. The percentages of women migrants in urban-rural (65.01%), urban-urban (54.87%) and even in rural-urban (52.59%) flows were more than men in 2001. Most of the women

Table 2.2: Distribution of Internal In-migration in India by Place of Last Residence, Stream and Gender, 2001(All Durations of Residence)

Stream	Total Migrants (,000)			Percentage		
	Total	Male	Female	Total	Male	Female
Rural-Rural	171,735	26,080	145,655	100.00	15.19	84.81
Rural-Urban	51,686	24,505	27,180	100.00	47.41	52.59
Urban- Rural	12,999	4,547	8,451	100.00	34.98	65.01
Urban-Urban	36,562	16,500	20,061	100.00	45.13	54.87

Source: Census of India, 2001 Migration Tables

in India migrate at least once after marriage in India and this is one reason for which women are found to be more migratory than men India. The other reasons are that women have started moving more with the family and also on their own for employment than before.

Now, let us look at the distribution and growth of internal migrants in India by streams and by 0-9 years duration. This will show us the growth of the migrants in different census periods. This is given in Table 2.3.

Table 2.3: Distribution and Growth of Migrants by Streams (0-9 Years Duration) In India, 1971-2001

Migration streams	Growth Rate(%)		
	1971-81	1981-91	1991-2001
Intra-state			
Rural-rural	14.8	0.2	12.2
Rural-Urban	47.8	6.7	7.3
Urban –Rural	29.4	-4.8	1.0
Urban-Urban	50.0	-11.2	23.6

Interstate			
Rural-Rural	12.1	3.4	54.0
Rural-Urban	22.8	20.1	76.5
Urban- Rural	14.1	9.6	11.2
Urban –Urban	18.0	6.0	24.3

Source: Bhagat, B.R.

From Table 2.3 we find that, migration in all the streams declined in 1981-91 compared to 1971-81 but it picked up again in 1991-2001. Rural-urban intra-state migration increased by 7.3 percent during 1991-2001 but rural-urban interstate migration grew by 76.5 per cent during 1991-2001. Similarly, urban – urban intrastate migration grew by 23.6 per cent and urban-urban interstate migration grew by 24.3 per cent during 1991-2001. Thus we find that migration to urban areas has grown considerably during 1991-2001. However the most remarkable growth is seen in interstate rural-urban migration.

So we have learnt here:

- Rural-Rural migration is highest by volume in India.
- Rural-Urban migration is second highest by volume in India.
- Rural-urban interstate migration has grown rapidly during 1991-2001.
- Women are more migratory than men in all the streams of migration in India.

Activity 2

Find out a friend who is intra-state rural-urban migrant and find another friend who is inter-state rural-urban migrant.

2.4 RURAL-URBAN MIGRATION: CAUSES AND EFFECTS

Migrations usually happen due to reasons of social change and economic development. People move from less developed areas to more developed areas. It may also happen due to natural disasters like drought or flood. People may move from rural to rural areas, from urban to rural areas, from urban to urban areas and from rural to urban areas. Here we shall talk of migration to urban areas. Migration towards urban areas can be from both urban and rural areas. However, rural to urban migration has important connotations for urbanization. Though there are other flows of migration as has been mentioned above, rural to urban migration is considered very important for urbanization and development because of its consequences on the migrants and on urban areas and urbanization. We have already learnt in Unit 1 that rural-urban migration is an important component of urbanisation (see Unit 1).

2.4.1 Causes of Rural-Urban Migration

The migrants usually have high work participation rate compared to the non-migrants. Some of them have better educational qualification than non-migrants.

However a substantial portion of the rural-urban migrants is less educated, poor and come from agricultural background and belongs to scheduled caste and scheduled tribe community. Some of them move alone while majority of them move with family. In 1981, Census of India widened the scope of enquiry on migration and started collecting 'reasons of migration from place of last residence'. In 2001 census, reasons of migration were given by place of last residence and were seven in number as has been shown below in Table 2.3.

Table 2.3: Reasons of Migration of Rural-urban and Urban-urban Migrants, 2001

Reasons	Rural-Urban			Urban-Urban		
	Persons	Male	Female	Persons	Male	Female
Work/Employment	26.19	51.06	3.77	17.50	34.93	3.16
Business	2.13	4.13	0.33	2.00	3.91	0.42
Education	2.40	3.72	1.22	2.03	3.06	1.18
Marriage	28.20	1.03	52.70	25.51	0.88	45.77
Moved afterbirth	4.98	6.18	3.90	8.14	10.35	6.33
Moved with Household	24.87	20.59	28.74	27.89	26.31	29.20
Others	11.22	13.29	9.35	16.93	20.55	13.95
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Census of India, 2001 Migration Tables

Work or employment was the most important reason for migration of rural-urban male migrants. More than fifty per cent of the rural-urban male migrants migrated for employment and about 21 per cent of them moved with household. Also about 35 per cent of the male urban-urban male migrants migrated for employment while 26 per cent migrated with family. More than fifty per cent of the rural-urban female migrants migrated due to marriage while around 29 per cent of the rural-urban female migrants migrated moved with the household. Among the women who have moved from urban to urban areas around 45 per cent moved for marriage and 29 per cent moved with household. So we find that majority of the migrants to urban areas migrate for employment and majority of the female migrants to urban areas moved due to marriage or move with household.

People move from rural to urban areas for various reasons like, worsening in economic situation, employment, higher wages, better amenities, change in social environment, education and so on. It is widely documented that male migrants from rural to urban areas in India migrate for reasons related to worsening in economic situation, employment and better employment (Census, 2001, Banerjee, 1986).

Though macro data like that from census finds women moving mainly with family and marriage, many micro studies have shown that many of the rural-urban women migrants migrate for employment (Singh, 1984, Chattopadhyay, 2005, Neetha 2004). Traditionally women have been categorised as passive movers, moving with family or for marriage. This is primarily because in macro data like in census they are not found moving on their own for work. However,

micro studies have found women migrating on their own for work in many kinds of work like nursing, domestic service etc. Some of them who migrate alone are usually unmarried, widowed or divorced and belong to scheduled castes or scheduled tribes community. They migrate to work to support themselves and their families at origin. This type of women migrants is found mostly in the lower income group. Even when these women migrate with family the underlying cause of migration mostly happen to be work, earn and support the family.

So we find that majority of the male migrants and possibly a substantial portion of the women migrants to urban areas migrate to work and earn livelihood. Those who are educated and trained get work in the formal sector but the uneducated ones keep working in the informal sector or unorganised sector. Next we shall learn what are the effects of migration of rural-urban migration on urban slums.

We have learnt here:

- The most important reason of migration of rural-urban male migrants is work or employment.
- The most important reason of migration of rural-urban female migrants is marriage according to census data.
- However, rural-urban female migration is not all passive, many women from rural area migrate to urban area for work.

2.4.2 Effects of Rural Urban Migration

In-migration to any area increases its population. This affects the structure and profile of the population of the area of destination as well as that of origin. If young people of working age group migrate to a place, then the age composition of the people at destination changes and become younger. This means when young people out-migrate from an area, the older people and children are left behind. Thus, the age composition of people of the area of origin of the migrants tilts to the higher side. This is what happens when a substantial number of people of working age group from rural areas migrate to urban areas. If substantial numbers of men out-migrate from the rural area to work in the urban area, then the numbers of women become more in the area of origin at rural area. Similarly, if substantial numbers of men in-migrate to any urban area, then the numbers of men become more in the population of the area of the destination. Thus rural-urban migration affects the demographic profile of the people at origin and destination both.

Rural-urban migration results in change in income and work status of the concerned rural-urban migrants. Most of the rural-urban migrants migrate to work and earn higher income. Thus the incomes of the rural-urban migrants generally increase after migration. Migration may also affect the work-status of the migrants. If the migrant was not working before migration, then he/she has become worker from non-worker. The migrant may have been doing agricultural work in rural area but have started doing some non-agricultural work in urban area after migration. The rural-urban migrant may have also turned from casual worker to regular worker. Thus, rural-urban migration has the potential to change the migrant's income and work profile.

Rural-urban migration also has social impacts. The rural-urban migrants try to imbibe different aspects of urban society. The urban society is different from

rural society in different aspects. Restrictions are less in an urban society. The rural-urban migrants, especially women find the urban areas less restrictive and more open. As a result, the migrants find more freedom and can perform many things in urban areas, which they could not do in rural areas. Also the rural-urban migrants are found to work in many activities in urban areas, which they could not have done in the rural areas. Caste, religion and ethnic background is not important for work in most urban areas.

But, most importantly in-migration to urban areas puts pressure on the urban basic amenities, like water supply, drainage, sewerage, housing, transport facilities and so on, which are already constrained in Indian cities. The financial resources of urban local bodies are limited and increase in migration to urban areas creates problems for urban governance. We have discussed the condition of basic amenities in urban areas in Unit 1 and shall also discuss the effects of rural-urban migration on basic urban amenities later in this Unit.

So, we have learnt here:

- Rural-urban migration may change the demographic and economic profile of the population concerned and have social impacts on the migrants.
- While rural-urban migration reduces poverty it strains the urban basic amenities.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What is the most important reason of migration of rural-urban migrant men and women?

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2) How does rural-urban migration affect the demographic profile of the people at origin and destination?

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2.5 MIGRATION AND URBAN SLUMS

2.5.1 Urban Slum and Education

A high percentage of the residents of urban slums are less educated and belong to scheduled caste and scheduled tribe population. Most of them are rural-urban migrants. Some of them are better educated but a substantial portion of them is not educated. They move to urban areas to earn their living, pay up their debt and help the families financially. Thus they inevitably move from rural areas to some areas where housing is cheap.

To understand the magnitude of problems of urban slums we should first know what is the percentage of urban population living in slum areas. We have learnt some of it in Unit 1. However I shall mention those here in short for reference. We get data about population in slums from census 2001. All the cities and towns have not reported slums. Only 640 cities/towns reported slums in 2001 (Table 2.4). A total of 15 per cent of the total urban population were found to live in slums in urban India whereas 23.1 per cent of the urban population of the towns reporting slums were living in slum areas in 2001 (Table 2.4). The percentage of slum population of million-plus cities was found to be higher at 24.1 per cent.

Table 2.4: Percentage of Slum Population in India and Million Plus Cities in 2001

Indicators	No./Percentage
No. of cities/towns reporting slum population	640
% of slum population to total urban population	15.0
% of slum population to total population of cities/ towns reporting slum population	23.1
% of slum population in million –plus cities	24.1

Source: Census of India, 2001

Thus understandably million plus cities where employment opportunities are more have the largest percentage of slums.

Next I shall refer to some characteristics of urban slum dwellers. Approximately, literacy of a person shows the kind of work that can be done by him.

Table 2.5 Literacy Rate in Urban India, Urban Slums and in Slums of Million Plus Cities In 2001

Persons/Male/Female	Literacy Rate		
	Urban India	Urban Slums	Urban Slums in Million plus cities
Persons	80.3	73.1	76
Male	86.7	80.7	82
Female	73.2	64.4	68

Source: Census of India, 2001

From Table 2.5 we find that literacy rate in urban slums are lower than that of urban India. In 2001, total literacy rate in urban India was 80.30 whereas it was only 73.1 in urban slums. Comparing literacy rate of men we find that it was 86.7 and 80.7 for urban India and urban slums of India respectively in 2001. However, the literacy rate of people in urban slums of million plus cities is more than that of urban slums in urban India but it is less than that of the general population in urban India. This explains the fact that in slums like Dharavi of Mumbai various kinds of skilled and educated persons are found.

2.5.2 Urban Slum and Ethnicity

Another major characteristics of slums in urban India is its ethnic characteristics. A majority of slum population is found to be coming from scheduled caste and scheduled tribe population. On an average 22 per cent and 15 per cent of the population in slums in urban India were from scheduled castes and scheduled tribes respectively (Table 2.6). However, the slums of million-plus cities were found to have larger percentage of scheduled caste population. About 74 per cent of the million plus cities had percentage of scheduled caste population more than 22.01, which was the average of urban India in 2001. Mumbai had a remarkably high (65.91) percentage of scheduled caste population followed by Meerut (63.95) and Faridabad (59.92). Scheduled tribe population was found to be 14.56 percent in slums of urban India. Mumbai again had the highest percentage (62.08%) of scheduled tribe population in the slums followed by Nagpur (59.31%) and Kanpur (55.47%).

Table 2.6: Percentage of Scheduled Caste and Scheduled Tribe Population in Slums in India and Million-plus Cities, 2001

Sl. No.	Name of the state/city	%of scheduled caste population in slums	% of scheduled tribe population in slums	% of slum population to total population
	India	22.01	14.56	15.0
1	Greater Mumbai	65.91	62.08	54.1
2.	Delhi	31.04	0.00	18.7
3.	Kolkata	33.77	25.56	32.5
4.	Bangalore	29.28	15.26	10.0
5.	Chennai	45.03	27.20	18.9
6.	Ahmedabad	22.41	19.61	13.5
7.	Hyderabad	33.46	27.74	17.2
8.	Pune	41.87	21.54	19.4
9.	Kanpur	29.84	55.47	14.4
10.	Surat	34.78	41.94	20.9
11.	Jaipur	30.90	22.98	15.9
12.	Lucknow	11.34	4.61	8.2
13.	Nagpur	44.05	59.31	35.9

14.	Indore	30.35	11.82	17.7
15.	Bhopal	20.27	13.57	8.7
16.	Ludhiana	26.18	0.00	22.5
17.	Patna	0.81	0.00	0.3
18.	Vadodara	24.06	27.41	14.2
19.	Thane	41.20	35.19	27.8
20.	Agra	14.23	8.91	9.5
21.	Kalyan-Dombivili	10.31	1.30	2.9
22.	Varanasi	21.19	0.00	12.6
23.	Nashik	32.87	23.01	12.9
24.	Meerut	63.95	36.23	44.1
25.	Faridabad	59.92	0.00	46.5
26.	Haora	19.34	9.97	11.7
27.	Pimprichinchwad	36.00	12.14	12.2

Source: Census of India, 2001, Slum Population, Series-1

Thus we have learnt that a major part of the urban slum dwellers are rural-urban migrants, are not educated and belong to scheduled castes and scheduled tribes. One more thing that characterises slum population is its high work participation rate. Slum dwellers come to work in cities and towns and that is why they get engaged in any work that they get and that is why work participation rate is generally higher in the slums than the general urban population. We present work participation rate of slum workers in Table 2.7.

Table 2.7:Work Participation Rate in Urban India and in Urban Slums of India

Place	Work participation rate		
	Persons	Male	Female
Urban India	29.3	47.2	9.4
Urban slums of India	32.9	51.3	11.9

Source: Census of India, 2001, Slum Population, Series-1

We have learnt here:

- The percentage of slum population in urban India, in cities and in million plus-cities of India.
- The characteristics of slum dwellers in India.

2.6 CONDITIONS OF URBAN SLUMS

2.6.1 Character of Urban Slum

What kind of living conditions do the slum dwellers have in the slums? National Sample Survey Organisation (NSSO), conducted a survey in 2002 on the conditions of urban slums, which covered all the urban areas (recognised by

1991 census) of whole of Indian Union except Leh and Kargil districts of Jammu and Kashmir. We shall discuss the conditions in urban slums following the data of this survey. According to NSSO, "slum is a compact settlement with a collection of poorly built tenements, mostly of temporary nature, crowded together usually with inadequate sanitary and drinking water facilities in unhygienic conditions". Such an area, for the purpose of survey by NSSO, is considered as "non-notified slum" if at least 20 households lived in that area. The slums, which are notified by the local- bodies like municipality, Municipal Corporation etc. are called "notified slums".

Table 2.8: Percentage Distribution, Ownership of Land and Density of Household in the Notified and Non-notified Slums in India, 2002

Description	Notified slums	Non-notified slums
Percentage distribution of slums by notified/ non-notified	51	49
Percentage of total surveyed households living in notified /non-notified slums	65	35
Percentage of slums located on public land	63	63
Percentage of slums located on private land	35	35
Average number of household per slum	205	112

Source: National Sample Survey Organisation, Sarvekshana, Report No. 486, Condition of Urban Slums, 2002, 58th round (July2002-Dec 2002)

According to the National Sample Survey (NSS) data (2002), around 51 per cent of the slums were notified while 49 per cent were non-notified slums in 2002 (Table2.8). Around 65 Per cent of the households were living in notified slums and 35 per cent of the households were living in non-notified slums. Majority of the slums are situated on public lands. However, some of them are situated on private lands too. According to NSS data (2002) around 63 per cent of the notified as well as non-notified slums were found on public land while 35 per cent of them were on private land while the location of the rest were not known. Notified slums are in somewhat better condition than the rest as we shall find later and possibly because of that, those slums were much dense than the non-notified slums. On an average 205 households were found in notified slums compared to 112 (average) households in non-notified slums. Thus we find that the majority of the slums are located on public land and notified slums are denser than the non-notified slums. Let us see what kind of environment, structures and basic services the slums have.

2.6.2 Conditions of Road in Urban Slum

Table 2.9 Percentage Distribution of Slums by Conditions of Road, 2002

Type of road	Notified Slums	Non-notified slums
Pucca approach road	86	67
Pucca inner road	71	37
Water logging on approach road/ inner road	36	54

Source: National Sample Survey Organisation, Sarvekshana, Report No. 486, Condition of Urban Slums, 2002, 58th round (July2002-Dec 2002)

Around 86 per cent of the notified slums and 67 per cent of the non-notified slums had pucca approach road (Table 2.9). Around 71 per cent of the roads within the notified slums and 37 per cent of the non-notified slums were pucca. Waterlogging on the roads create health hazards in the slums. Around 36 per cent of the notified slums and 54 per cent of the non-notified slums were affected by water logging either on the approach road or on the roads within the slums.

2.9.3 Conditions of Housing in Urban Slum

One of the basic requirements of survival of human being is a place to stay or a house. The structure of the houses of the slum-dwellers was divided as 'pucca', 'semi-pucca' and 'katcha' in the NSS survey. A pucca structure is one, which is having roof and wall made of pucca materials whereas a katcha structure is one, which is having roof and wall made of katcha material. A structure, which does not fall in these two categories were categorised as semi-pucca. Table 2.10 gives the information about type of structure of the majority of houses in the slums. About 64 per cent of the notified slums had majority of houses pucca, 30 per cent had majority of houses semi-pucca and in 6 per cent of them had majority of houses kathca in 2002. In contrast, only 30 per cent of the non-notified slums had majority of the houses pucca, 40 per cent of them had majority of the houses semi-pucca and 30 per cent of them had majority of the houses katcha in 2002. Thus, though all the notified slums did not have majority of the houses pucca but still they were better than non-notified slums.

Table 2.10: Percentage Distributions of Slums by Type of Structure of the Majority of the Houses, 2002

Type of structure of the majority of the houses	Notified slums	Non-notified Slums
Pucca	64	30
Semi-pucca	30	40
Katcha	6	30
Total	100	100

Source: National Sample Survey Organisation, Sarvekshana, Report No. 486, Condition of Urban Slums, 2002, 58th round (July2002-Dec 2002)

Table 2.11 Percentage Distribution of Slums by Major Source of Drinking Water, 2002

Type of major source	Notified slums	Non-notified slums
Tap	84	71
Tube well	10	22
Well	2	2
Others	4	5
Total	100	100

Source: National Sample Survey Organisation, Sarvekshana, Report No. 486, Condition of Urban Slums, 2002, 58th round (July2002-Dec 2002)

Another basic requirement for living is drinking water. Supply of safe drinking water to all is an accepted goal of government of India. Table 2.11 presents the percentage distribution of slums by major source of drinking water. Major source of drinking water in 84 per cent of the notified slums and 71 per cent of the non-notified slums was tap in 2002. In another 10 per cent of the notified slums and 22 per cent of the non-notified slums major source of drinking water was tube-well in 2002. Thus in 94 per cent of the notified slums and 93 per cent of the non-notified slums major source of drinking water was tap or tube-well. This is not a very bad situation. But the actual situation depends on duration of availability of water and quality of the water available, which may not be ideal and satisfactory.

2.6.4 Urban Sanitation

Sewerage and drainage facility is one of the most important basic services needed in urban areas. In the absence of proper sewerage and drainage facility, the environment of any area becomes filthy and unhealthy. Data about these facilities are presented in Table 2.11. There were no sewerage facility in an overwhelming 70 per cent of the notified slums and 85 per cent of the non-notified slums in 2002 (Table 2.12). Underground or covered drains were found in only 25 per cent of the notified slums and in 13 per cent of the non-notified slums. Most of the notified slums (60 %) had open drains. Forty three per cent of non-notified slums had open drains while there was no drainage facility in 44 per cent of the non-notified slums.

Table 2.12: Percentage Distribution of Slums Having Underground Sewerage and Drainage Facility, 2002

Availability of underground sewerage / drainage facility	Notified slums	Non-notified slums
Underground sewerage	30	15
No sewerage	70	85
Underground /covered drains	25	13
Open drains	60	43
No drainage	15	44

Source: National Sample Survey Organisation, Sarvekshana, Report No. 486, Condition of Urban Slums, 2002, 58th round (July2002-Dec 2002)

Next, let us see, how garbage is disposed in urban slums. The data regarding this is presented in Table 2.13. Arrangement of garbage disposal was made by local bodies like panchayat or municipality or corporation in 79 per cent of the notified slums and only 42 per cent of the non-notified slums. The residents or some others make arrangement of garbage disposal in 5 per cent of the notified slums and 12 per cent of the non-notified slums whereas there were no arrangements for disposal of garbage in 16 per cent of the notified slums and 46 per cent of the non-notified slums in 2002. However, availability of arrangement of garbage disposal is not sufficient, one has to see how frequently is the service available. The survey reports that only 52 per cent of the notified slums and 46 per cent of the non-notified slums get the service at least once in two days while 34 per cent of the notified slums and 35 per cent of the non-notified slums get the service at least once in 3-7 days and in the rest of them the service is even worse (NSS Report No. 486).

Table 2.13 Percentage Distribution Of Slums Having Arrangement Of Garbage Disposal Facility In, 2002

Arrangement of garbage disposal made by	Notified slums	Non-notified slums
Panchayat/municipality/Corporation	79	42
Residents/others	5	12
No arrangement	16	46
Total	100	100

Source: National Sample Survey Organisation, Sarvekshana, Report No. 486, Condition of Urban Slums, 2002, 58th round (July2002-Dec 2002)

Table 2.14 gives the percentage slums having facility of septic tank or flush latrine and the percentage of slums having no latrine facility. We find that 66 per cent of the notified slums had septic tank or flush latrine facility. However, this facility was available to only 35 per cent non-notified slums in 2002. More than fifty per cent (51%) of the non-notified slums did not have any latrine facility. However, only 17 per cent of the notified slums were found not having any facility in 2002.

Table 2.14: Percentage Of Slums Having Septik Tank/Flush Latrine And Percentage Of Slums Having No Latrine Facility In Urban Slums, 2002

Type of latrine facility	Notified slums	Non-notified slums
Septik tank/flush latrine	66	35
No latrine	17	51

Source: National Sample Survey Organisation, Sarvekshana, Report No. 486, Condition of Urban Slums, 2002, 58th round (July2002-Dec 2002)

Table 2.15: Percentage Distribution of Slums Having Electricity Connection, 2002

Availability of underground sewerage/ drainage facility	Notified slums	Non-notified slums
Household and street light	84	53
Household only	11	25
Street light only	4	6
Not reported	1	16
Total	100	100

Source: National Sample Survey Organisation, Sarvekshana, Report No. 486, Condition of Urban Slums, 2002, 58th round (July2002-Dec 2002)

2.6.4 Electricity in Urban Slum

Table 2.15 presents the data regarding availability of electricity in the slums. Electricity can be available in the houses and in the streets. 84 per cent of the notified slums and only 53 per cent of the non-notified slums had electricity in

both the households and streets. 11 per cent of the notified slums and 25 per cent of the non-notified slums had electricity only in the household. However, 4 per cent of the notified slums and 6 per cent of the non-notified slums had only streetlight.

Thus we find that environment and availability of basic services are not adequate in the urban slums. This leads to problems of health and hygiene. The other problems of slums relate to crime and theft. Though work participation rate of slum workers are higher than the general urban population of India, it is a fact that everyone does not get employment. This leads to different kinds of theft and crime and slums are thought to be the breeding ground of these activities, which is a big problem of slums.

We have learnt here:

- The conditions of housing, roads and basic services prevailing in urban slums are poor.

Activity 4

Find out the conditions of housing, roads and basic services in any urban slum.

2.7 MIGRATION AND URBAN PROBLEMS

Migration to urban areas further aggravates urban problems. Thus in short, urban problems due to migration can be summed up as follows:

- Migration to urban areas, especially rural-urban migration puts pressure on the already strained urban basic services like water supply, sewerage, drainage, garbage disposal and electricity.
- Migration to urban areas puts pressure on urban housing.
- Migration to urban areas makes the cities congested.
- Migration to urban areas creates problems for transport in the city by putting pressure on the transport system.
- Migration to urban areas aggravates problems of environmental pollution.
- Rural-urban migration increases slums in urban areas.
- Increase in slums increases anti-social activities.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What is the condition of roads in urban slums?

.....

.....

.....

.....

2) Write any three migration induced urban problems.

.....

.....

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.....

.....

2.8 LET US SUM UP

Migration means movement of people from one place to another. Migration is an important factor, which affects the structure of the population. The definition of migrant by POB is that a person is enumerated at a place other than his place of birth. The definition of migrant by POLR is that a person is enumerated at a place other than his place of last residence. In terms of percentage the total urban migrants were 32.8 percent of the total internal migrants in India in 2001.

Migration to urban areas, especially rural-urban migration puts pressure on the already strained urban basic services like water supply, sewerage, drainage, garbage disposal and electricity and housing. It also makes cities congested and puts pressure on the transport system. Further, it aggravates problems of air and environmental pollution and increases anti-social activities.

2.9 KEY WORDS

Migration: Migration means movement of people from one place to another.

Migrant by POB: The definition of migrant by POB is that a person is enumerated at a place other than his place of birth.

Migrant by POLR: The definition of migrant by POLR is that a person is enumerated at a place other than his place of last residence.

Work Participation Rate: Percentage of total workers to total population

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2.11 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress-1

1) What is the most important reason of migration of rural-urban migrant men and women?

Answer: Male migrants from rural to urban areas in India migrate for reasons related to worsening in economic situation, employment and better employment opportunities. The macro data like that from census finds women moving mainly with family and marriage, many micro studies have shown that many of the rural-urban women migrants migrate for employment.

2) What is the most important reason of migration of rural-urban migrant men and women?

Answer: If young people of working age group migrate to a place, then the age composition of the people at destination changes and become younger. This means when young people out-migrate from an area, the older people and children are left behind. Thus, the age composition of people of the area of origin of the migrants tilts to the higher side. If substantial numbers of men out-migrate from the rural area to work in the urban area, then the numbers of women become more in the area of origin at rural area and the numbers of men become more in the population of the area of the destination.

Check Your Progress-2

1) What is the condition of roads in urban slums?

Answer: During 2002, around 86 per cent of the notified slums and 67 per cent of the non-notified slums had pucca approach road. Around 71 per cent of the roads within the notified slums and 37 per cent of the non-notified slums were pucca. Waterlogging on the roads create health hazards in the slums. Around 36 per cent of the notified slums and 54 per cent of the non-notified slums were affected by water logging either on the approach road or on the roads within the slums.

2) Write any three migration induced urban problems.

Answer: Migration to urban areas further aggravates urban problems. Thus in short, urban problems due to migration can be summed up as follows:

- Migration to urban areas, especially rural-urban migration puts pressure on the already strained urban basic services like water supply, sewerage, drainage, garbage disposal and electricity.
- Migration to urban areas puts pressure on urban housing.
- Migration to urban areas makes the cities congested.

UNIT 3 URBAN POVERTY, UNEMPLOYMENT AND DEVELOPMENT INTERVENTIONS

Structure

3.1 Introduction
3.2 Urban Poverty: Types and Dimensions
3.3 Urban Unemployment: Types and Dimensions
3.4 Urban Development Programmes Initiated Since Independence
3.5 Public Private Partnership in Urban Development
3.6 Let Us Sum Up
3.7 Keywords
3.8 References and Selected Readings
3.9 Check Your Progress – Possible Answers

3.1 INTRODUCTION

To a common man, poverty means hunger. Poverty has been defined as a multifaceted and dynamic concept. The official estimate of poverty is based on normative level of consumption expenditure. Poverty is estimated on the minimum food intake by an individual expressed in monetary terms. This would cover the minimum nutritional diet and possibly allow for certain essential non-food expenditure. However, poverty calculated solely on individual's income does not cover the other parameters of deprivation like access to safe drinking water, sanitation, health, literacy etc. Therefore, it is important to define poverty in broader terms taking deprivation and vulnerability into consideration. In fact, poverty line is a measure of absolute poverty and is widely used to assess the extent of poverty within and across countries.

According to the latest round of the National Sample Survey Organisation (61st round) data, there existed more than 80 million poor people in cities and towns of the country in 2004-05, with the percentage of urban population below poverty line at 25.7 per cent. The absolute number of urban poor in the country has increased by more than 4 million between 1993-94 and 2004-05. The urban poverty ratio is much higher in several large urbanizing states compared to the rural poverty ratio. According to a recent Indian government committee constituted to estimate poverty, nearly 38% of India's population (380 million) is poor. The committee headed by Dr. Tendulkar has used a different methodology to reach at the current figure. It has taken into consideration indicators for health, education, sanitation, nutrition and income as per National Sample Survey Organization survey of 2004-05. This new methodology is a complex scientific basis aimed at addressing the concern raised over the current poverty estimation.

In the presently prevailing period, unemployment has become a challenge to Indian economy. All strategies and plans formulated to tackle the unemployment problem are not providing satisfactory outcomes whereby the desired level of unemployment mitigation is leading towards becoming a myth in India.

After studying this unit you should be able to:

- Define the concept of poverty and discuss the role of MDGs in alleviating poverty
- Discuss the causes and consequences of urban poverty and unemployment
- Describe various urban development programmes initiated by GOI since independence
- Public private partnership in urban development

3.2 URBAN POVERTY: TYPES AND DIMENSIONS

Poverty is one of the main problems, which have attracted attention of sociologists and economists. It indicates a condition in which a person fails to maintain a living standard adequate for his physical and mental efficiency. The term poverty is a relative concept. It is very difficult to draw a demarcation line between affluence and poverty. According to Adam Smith - Man is rich or poor according to the degree in which he can afford to enjoy the necessaries, the conveniences and the amusements of human life.

An analysis of the 50th and 55th rounds of the NSSO shows that the percentage of people below poverty line to be less in metro cities, compared to small towns (Kundu,2006). The figures for the small towns are marginally below that of rural areas. Similar observation was also made by Dubey and Gangopadhay (2001) using the same data.

The analysis of the data brought out by the 50th and 55th rounds of NSS further shows that per capita calorie intake for the bottom three deciles of population in the small and medium cities/mediums work out to be much below that of large cities but equal to or slightly below the corresponding rural figure. Moreover, the fat intake in the small towns is significantly below than in large cities. All these indicate the lack of affordability in the small towns, and therefore higher incidence of poverty.

According to S.R. Harim, the poverty levels in small size towns with less than 50,000 population are high, in the middle size towns, the poverty levels are lower and they are lowest for large towns. Similar results on the relationship between town size and poverty were observed by Kundu and Sarangi (2005) as given in Table-1. According to the data, the large cities exhibit distinctly higher demographic growth, better infrastructural facilities and higher levels of education and lower poverty ratios. According to Kundu and Sarangi, the quality of employment, productivity and returns to education are likely to be better in large cities than in small towns.

Table 1: Percentage of Poor in Different Size Classes of Cities/Town

City/Town Size	1993-94	1999-2000
Large Towns/Cities	18.4	14.2
Medium Towns/Cities	27.6	20.4
Small Towns	33.2	24.2
All Urban Areas	27.4	19.9

Source: Kundu A and Sarangi N (2005), "Employment Guarantee – The Issue of Urban Exclusion", Economic and Political Weekly 40(30), 3642-6

As per the 57th round of the NSSO, the proportion of chronically hungry households (not getting enough to eat during any month of the year) has declined to 0.1 per cent in urban areas. Further, 3 per thousand households in urban areas reported getting enough food only in some months of the year.

One would notice high deprivation of calorie intake in rural areas compared to urban areas based on the analysis of the NSS quinquennial data on consumption expenditure for the bottom 30 per cent of the population. Average per capita calorie intake worked out to be 1673 and 1634 for rural and urban areas respectively in 1993-94. In urban areas there has been some improvement in calorie intake during 1994-2000, while for the rural areas, it has remained more or less the same (Kundu, 2005).

Urban poverty manifests itself in various forms, viz, (a) proliferation of slums and squatters; (b) fast growth of the informal sector; (c) increasing casualisation of labour; (d) increasing pressure on civic services; (e) increasing educational deprivation and health contingencies. The Working Group on Urban Poverty appointed by the National Commission on Urbanization (1988) observed that the most pressing of the urban challenges is that posed by urban poverty. The problem of urban poverty is a manifestation of the higher incidence of marginal and low income employment in the informal sector; therefore, it is essential to upgrade informal sector occupations.

The vulnerability of a household to be poor may be of the following types. One or multiple type of vulnerability may be found to occur in any poor household.

Housing Vulnerability: Lack of tenure, poor quality shelter without ownership rights, no access to individual water connection/toilets, unhealthy and insanitary living conditions. The fact that household size affects the poverty status of a household is well known. Larger households tend to have a higher probability of being poor.

Economic Vulnerability: Irregular/casual employment, low paid work, lack of access to credit on reasonable terms, lack of access to formal safety net programmes, low ownership of productive assets, poor net worth, legal constraints to self-employment.

Social Vulnerability: Low education, lack of skills, low social capital/caste status, inadequate access to food security programmes, lack of access to health services, exclusion from local institutions.

Personal Vulnerability: Proneness to violence or intimidation, especially women, children, the elderly, disabled and destitute, belonging to low castes and minority groups, lack of information, lack of access to justice.

In addition to the generic aspects of poverty there are certain characteristics of poverty, which are particular to circumstances within which poor people live. At the city level the urban poor live unhygienic and overcrowded condition. Some occupy precarious sites vulnerable to fire in the dry season and flooding during monsoon. The risk of outbreak of disease and epidemics is also high in these areas. Further, poor urban households are heavily dependent on informal labor market. Their vulnerability is related to insecurity of highly segmented labor market. Access to jobs and training is determined to a high degree by gender,

caste and neighborhood. Vulnerability relates to type of work, regularity of wage labour and availability of capital among the self employed. A study has shown that 53 percent of household dependent on unprotected and irregular employment are below the poverty line. The increasing casualisation of labor markets for both men and women is an important feature of urban poverty. High percentage of male migrants making their entry in the informal labor market is common in India.

In the context of limited asset base where livelihood security is dependent on income and employment, the issue of tenure is very important. Most of the vulnerable households live in slums or squat on public land and their fear of eviction is a constant source of insecurity. Further the urban poor are highly dependent on public agencies for their daily basic needs.

Support from family and community based network is limited among the urban poor. Although slum residents live in clearly defined occupational or caste based grouping, they necessarily do not trust each other. Many studies had shown that the threat of violent is a constant feature of urban life. This is exacerbated by youth under-employment, alcoholism and drug abuse, especially among men.

Finally vulnerability is more pronounced for the women folk. 'Feminisation of poverty' is a term used to describe the overwhelming representation of women among the poor. Women tend to be disproportionately represented among the poor (World Bank 1989). Poverty studies from both developed and developing countries show that women are more subjected to poverty and vulnerability than men. Beyond these structural features, there are specific groups of the urban poor who face the additional vulnerability, like the elderly, disabled, young children and women. Individuals disassociated from household are also prone to increased vulnerability, as for example, street children beggars, sex workers and abandoned women.

Vulnerability as discussed in the previous section is a chronic set of structural condition which maintains people in a constant precarious state. It is not necessarily equated with shocks as for example, a disaster but rather with the structure at household level and within communities around where people live. It is deeply embedded within the structure of the state and society which reproduce inequality, exclusion and exploitation and therefore limit the poor people choices.

3.3 URBAN UNEMPLOYMENT: TYPES AND DIMENTIONS

Unemployment data show that the overall unemployment rates are not high, though they are higher in urban areas than in rural areas. The unemployed person-day rates are higher than the rates obtained for persons, thereby indicating a high degree of intermittent unemployment. This is mainly due to the absence of regular employment for many workers. Studies have shown that casualisation of labour is the main, and increasing, source of urban poverty. The dynamics of development in urban areas of many states during the past two decades has been such that rapid economic growth has not led to a corresponding decline in poverty. While income levels are rising to meet the basic nutritional needs, other equally basic needs of shelter, civic amenities, health care, educational and social needs, etc. are not being met in an adequate fashion. Urban poverty, thus, emerges as a more complex phenomenon than rural poverty.

The disaggregative data on employment in three different size class of urban centers and rural areas as brought out by the 50th and 55th rounds (of Employment and Unemployment) reveal that rates of unemployment do not show much variation, although the million plus cities report slightly higher figures. It has been argued that it would be erroneous to take unemployment as an index of deprivation since studies based on NSS as well as other survey data reveal that it is generally high in households that are economically better off and can afford to wait and choose in the labour market (Kundu, 2005). Indeed the poor in the country are too poor to afford to remain unemployed. As a consequence, the unemployment in small towns works out to be less than in bigger towns/cities. Interestingly, the percentage of unemployed is higher among the non-poor even in small and medium towns.

According to the 61st round of NSSO survey on employment and unemployment for July 2004-05, the number of unemployed per 1000 persons in the labour force was 17 in the rural areas and 45 in the urban areas. As far as the employment pattern in the urban areas is concerned, the NSSO (2004-05) has envisaged that out of the total employment, 45.4 percent are self employed, 39.5 percent are regular employees and 15 percent are casual laborers. The self employed are the small petty shop owners, vendors, hand rickshaw pullers and auto rickshaw etc. Most of them are in a subsistence living condition. The percentage of poverty among the self employed, salaried and casual labourers are 32.1, 16.3 and 55.0 percent respectively.

Table 2: Percentage of Workers (15-64 Years) in Poverty in Urban Areas, 1983-2000

Categories	1983	1987-89	1993-34	1999-2000
Self-employed	43.8	40.7	33.5	32.1
Salaried	26.3	24.0	17.8	16.3
Casual Labour	63.6	64.1	57.2	55.0
Total	40.1	37.8	31.5	29.7

Source: India Urban Poverty Report, 2009, Ministry of Housing and Urban Poverty Alleviation, Government of India

The NSSO has following findings with regard to the urban unemployment rate in different states:

i) State having lower casual wage rates have lower unemployment rates- Andhra Pradesh, Rajasthan and Uttar Pradesh;

ii) Some of the developed states such as Gujarat, Karnataka, Maharashtra and Tamil Nadu found to have low unemployment rate;

iii) Unemployment rates are significantly higher than overall employment for educated and youth.

Unemployment at any given point of time may be either due to one of the factors mentioned above or a combination of several factors (mentioned above). It has also been observed that if the labour market in the economy does not work in an optimum manner, it leads to unemployment. Factors like rapid changes in technology; recessions; inflation; disability; undulating business cycles; changes

in tastes as well as alterations in the climatic conditions; discriminating factors in the place of work also result in unemployment.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What do you understand by feminization of poverty?

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2) What is the employment pattern in the urban areas?

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3.4 URBAN DEVELOPMENT PROGRAMMES INITIATED SINCE INDEPENDENCE

Urban development programmes with a focus on reduction and alleviation of poverty, has been one of the objectives of five-year plans in the country since the beginning of the planned era. This was, however, brought into the core of planning exercise only during the Fifth year plan. The consumption levels of different commodities were projected in this plan by taking higher growth rates for people in lower consumption brackets. Extensive research has since then been carried out to study the dimensions of poverty, its temporal trend, spatial pattern etc. This led to identification of theoretical solutions for reduction of poverty and launching of programmes during the past five year plans.

An analysis of the government policies and programmes and investment pattern during the fifties, sixties and seventies reveals a distinct bias for urban areas. Public sector investment in infrastructure and basic services improved the level of services in urban centers, which accentuated the rural urban disparity. These investments were concentrated mostly in the large cities that attracted private investments as well as subsidized institutional funds. This resulted in creation of employment opportunities at a higher level of productivity earnings than in rural areas, widening the gap between their income levels. This period also witnessed the creation of a number of Boards and Corporations at the state level and development authorities at the city level. Considerable funds were routed through these agencies that improved the level of services for at least a section of the urban population.

Removal of poverty received attention initially in the Fifth Five Year Plan. The earlier plans did not emphasize on proper analysis of the dimension of poverty. The Fifth Plan noted that the consumption levels of the bottom 30 per cent of the country's population remained below the minimum of Rs.40.6 per capita per month at 1972-73 prices. No distinction was, however, made between rural and urban poverty. The plan stressed poverty could be removed by promoting economic growth and through proper implementation of the national level programmes like Minimum Needs Programme. The Sixth Plan addressed the problem of poverty in a more focused manner and recognized that economic growth process by itself was not enough to tackle poverty. It noted that about 51 per cent of the rural population and 41 per cent of the urban population were living below the poverty line in 1979-80. Specific programmes like Integrated Development of Small and Medium Towns, Minimum Needs Programme, Urban Basic Services, Integrated Rural Development Programme, National Rural Development Programme (NRDP) etc. were recommended for urban and rural areas. The Sixth Plan showed a distinct bias in favour of rural poverty by implementing specific programmes. The programmes that have been launched since independence have been briefly discussed in the following section.

Integrated Development of Small and Medium Towns (IDSMT)

The programme was launched in 1979-80 basically for developing small and medium towns partly by providing basic services to poor and also by improving their economic conditions so that the growth of metro cities could be arrested. Initially, the scope of the programme was restricted to towns with populations below one hundred thousand as per the 1971 Census. It had been decided in the Eighth Plan to include cities having population of five hundred thousand as per the Census of 1991.

Low Cost Sanitation Programme (LCS)

The goal of providing sanitation facilities to eighty per cent of urban population was fixed in the early eighties with the announcement of the UN Decadal Programme for Water Supply and Sanitation. Accordingly, a centrally sponsored scheme was launched in 1980 81, with the objective of eliminating manual scavenging through conversion of dry latrines. It covered all the households, which have dry latrines and those having no latrines including slum and squatter settlements. Under this scheme, loan[1] and Central subsidy were both channeled through HUDCO.

Shelter and Sanitation for Pavement Dwellers (SSPD)

This programme was launched in large urban areas including metropolitan cities, having sizable shelter-less population. The Tenth Plan has pointed out that the provision of subsidy under the scheme has to be adequate to make it feasible for the NGOs to take up shelter construction. The grants per bed should also be revised to achieve the objective of providing a sufficient number of night –shelters for the homeless women and children. The Pay and Use component of this scheme is being merged with the Nirmal Bharat Abhiyan of VAMBAY.

Accelerated Urban Water Supply Programme (AUWSP)

This is another centrally sponsored scheme launched during the Eighth Plan for providing water to the towns having less than 20,000 population as per the Census of 1991, operationally under the State PHED to be funded by the Central

Government, State Government and concerned ULBs on 50:45:5 ratio. The Centre met the entire cost in Union Territories.

National Slum Development Programme (NSDP)

The NSDP initiated in 1996 as a scheme of Special Central Assistance for slum improvement, has been providing additional central assistance to state governments to provide water supply and sanitation among other facilities to the slums.

VAMBAY (Valmiki-Ambedkar Awas Yojona)

This scheme has been launched in 2001-02 to provide shelter or upgrade the existing shelter of the people living below poverty line in urban slums implemented in partnership with state governments who will set up the implementation machinery, arrange for land where required and for the credit component for housing. The state funds under the scheme will be in proportion to their slum population.

Nehru Rozgar Yojana (NRY)

In order to alleviate the conditions of urban poor, a Centrally Sponsored programme - Nehru Rozgar Yojana - was launched at the end of the Seventh Five Year Plan (October 1989) with the objective of providing of employment to the urban unemployed and underemployed poor. The Central Government indicated its overall contribution while the essential task of identifying, earmarking and coordinating the relevant sectoral inputs was undertaken by the State Governments. The NRY consisted of three schemes namely (i) the Scheme of Urban Micro Enterprises (SUME); (ii) the Scheme of Urban Wage Employment (SUWE); and (iii) the Scheme of Housing and Shelter Upgradation (SHASU). During the Eighth Plan, 92% of the available funds were utilised and but for the shortfall in the number of dwelling units upgraded/in progress under SHASU, the targets have been achieved under all the other schemes.

Urban Basic Services for the Poor (UBSP)

The UBSP Programme was implemented as a Centrally Sponsored Scheme during the Eighth Five Year Plan with the specific objectives of effective achievement of the social sector goals; community organization, mobilization and empowerment; and convergence through sustainable support system. The expenditure on the Programme was being shared on a 60:40 basis between the Central and the State Governments and UTs (with legislatures). Further, the per capita expenditure on any slum pocket is Rs.75/- in the first year and Rs.50/- from the second year onwards after the basic infrastructure is developed.

Prime Minister's Integrated Urban Poverty Eradication Programme (PM IUPEP)

Recognizing the seriousness and complexity of urban poverty problems, especially in the small towns, the PMI UPEP was launched in November, 1995 applicable to all Class II urban agglomerations with a population ranging between 50,000 and one lakh subject to the condition that elections to local bodies have been held.

The Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

The Nehru Rojgar Yojna (NRY) and Prime Minister's Integrated Urban Poverty Eradication Programme (PMI UPEP) were two important direct poverty alleviation programmes in urban areas. Although their thrust was on employment and income generation for urban poor, these had components for provision of basic services as well. PMI UPEP was launched in the year 1995 96 with the objectives of employment generation, shelter upgradation, social develop-ment and community empowerment. It may, however, be noted that during 1997, the three programmes of UBSP, NRY and PMIUPEP have been merged into a single employment generation programme called Swarna Jayanti Shahari Rojgar Yojona (SJSRY).

The SJSRY is a Centrally Sponsored Scheme applicable to all the urban areas with expenditure to be shared in ratio 75:25 between the Centre and States/UTs. The programme has two sub-schemes namely, (a) Urban Self –Employment Programme and (b) Urban Wage Employment Programme. The self-employment and wage employment components of the NRY and PMIUPEP have been re-organised under this single programme. The shelter upgradation components of both NRY and PMIUPEP have been merged with the National Slum Development Programme.

The SJSRY seeks to provide gainful employment to the urban unemployed or underemployed poor by encouraging the setting up of self-employment ventures or provision of wage employment. This programme is based on the creation of suitable community structures on the UBSP pattern and delivery of inputs under this programme was devised through urban local bodies and similar community institutional structures and rests on the foundation of community empowerment. Community organisations like Neighbourhood Groups (NHGs), Neighbourhood Committees (NHCs) and Community Development Societies (CDSs) have been set up in the target areas based on the UBSP pattern. The CDSs is the focal point for purposes of identification of beneficiaries, preparation of applications, monitoring of recovery and generally providing whatever other support is necessary to the programme. The CDSs identifies viable projects suitable for that particular area.

Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

Urban Renewal, with a focus on inclusive development of urban centers, is one of the thrust areas in the National Common Minimum Programme of the Government and accordingly Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched on 3rd December 2005 with an investment of Rs.50,000.00 crores in the Mission period of seven years beginning 2005-06. The Mission aims to encourage reforms and fast-track infrastructure development with a focus on efficiency in urban infrastructure and services delivery mechanism, community participation, accountability of ULBs towards citizens. The primary objective of the JNNURM is to create economically productive, efficient, equitable and responsive cities. To achieve this objective, the Mission focuses on integrated development of infrastructure services; securing linkages between asset creation and maintenance for long-run project sustainability; accelerating the flow of investment into urban infrastructure services; planned urban development; renewal of inner- city areas and universalisation of urban services to ensure balanced urban development.

The Mission has also succeeded in getting the state and city governments to commit themselves to structural reforms which the Central government had failed to achieve despite adopting several measures and incentive schemes proposed since early nineties through other programmes and legislations (Kundu, et.al 2007). In fact, a set of 23 mandatory reforms have to be introduced by the respective state governments and cities as per the commitments made by them in the Memorandum of Agreement (MoA) at the beginning of the mission period. The JNNURM is thus a mission of macro economic growth wherein ground conditions have been created through reform measures and infrastructural investment in 65 select cities for attracting domestic and foreign investment. The JNNURM has two sub-missions for the mission cities, viz, (1) Urban Infrastructure and Governance (UIG) and (2) Basic Services to the Urban Poor (BSUP).

The JNNURM is expected to cater to the non-mission towns and cities under the two components, namely, the (1) Urban Infrastructure and Governance (UIG) of UIDSSMT and Integrated Housing and Slum Development Programme (IHSDP). The programme is expected to cover all other Census towns under Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) . The existing programme of IDSMT, AUWSP has been subsumed under UIDSSMT. Likewise, the existing VAMBAY and the discontinued NSDP have been subsumed in the IHSDP.

Activity 2

Visit your Municipality/Municipal Corporation. Find out the details of the current urban development programmes in your city/state.

3.5 PUBLIC PRIVATE PARTNERSHIP IN URBAN DEVELOPMENT

The nineties have witnessed a dramatic change in the perspective of urban governance, wherein the responsibility of provision of basic services has shifted from the central government to the state and local governments, private agencies and community-based organisations. Cities and towns have been given clear directives to make capital investment in water supply and sanitation facilities, besides covering their operational costs. These are to be undertaken mostly through institutional and private finance rather than budgetary support. The allocations for government departments and parastatal agencies allowing them to undertake capital projects have been cut down drastically. The high cost of borrowing has discouraged them from taking up any financially non remunerative but socially desirable projects, like those for providing water and sanitation facilities in low-income areas. This has seriously affected the access of the urban poor to basic amenities.

Recent years have witnessed increased private sector participation in the provision of basic services. Water supply and solid waste management are the two sectors wherein private sector has shown the maximum interest in the nineties. The core of the argument here is that the urban local bodies can through this achieve substantial cost saving while making it possible for the companies to conduct their business with profit. The issue whether such sub-contracting arrangements leads to dilution of social responsibility and exclusion of the poor and vulnerable

sections from the formal delivery system, would be the key area of concern in this context.

The scheme of Affordable Housing in Partnership aims at operationalising the strategy envisaged in the National Urban Housing & Habitat Policy (NUHHP) 2007, of promoting various types of public-private partnerships – of the government sector with the private sector, the cooperative sector, the financial services sector, the state parastatals, ULBs, etc. – for realizing the goal of affordable housing for all. It intends to provide a major stimulus to economic activities through affordable housing for the creation of employment, especially for the construction workers and other urban poor who were the most vulnerable groups during recession. It also targets the creation of demand for a large variety of industrial goods through the multiplier effect of housing on other economic activities.

This Scheme is a part of the JNNURM and takes into account the experience of implementing BSUP and IHSDP, and the assessment that shortfall in response from BSUP towns is a factor of the lack of urban land availability for expansion of cities. The scheme is also an acknowledgement of the strain of BSUP and IHSDP on state budgetary resources, and the need to draw in institutional finance for construction of affordable housing on a mass scale. The scheme seeks to encourage State Governments to make provision for land to meet the acute shortage of affordable housing and to work in the partnership model envisaged in the NUHHP 2007. Land costs would be intermediated by States/UTs and ULBs, by providing land at nominal, predetermined or institutional rates for specified housing or integrated housing projects which would be the prerequisite for the scheme. Costs of land could also be intermediated by attracting private developers to build on their land, by granting zoning-related incentives such as land use conversion, extra floor area space for the construction of affordable houses to be allotted by the State/UT government, etc. It has also been suggested that the cost of construction could also be driven down by planning layouts which mix EWS/LIG/MIG with HIG houses and commercial layouts, and cross subsidizing through the premium earned on the sale of HIG and commercial spaces. While these innovative instruments might help in catering to the housing needs of a section of the population, which may not be the poor, the easier way for undertaking this task by entrusting the state housing boards and parastatals, set up for this purpose seems to be lost sight off.

Under the 'provision of household level basic services' reforms under JNNURM, housing does figure. Under this scheme, private agencies are being encouraged to take up slum redevelopment where existing slums are being rebuilt with multi-storey structures. However, substantial land thus acquired in the name of housing for the poor is being earmarked for commercial and residential uses of the non-poor. The subsidies directed to the poor are thus cornered by the private agencies either for themselves or for the section of the population who can afford market prices at prime locations in cities.

Earmarking 20-25 per cent of developed land by private developers for the EWS and LIG category is another promising area under the central reform. It is difficult to understand why the private sector would earmark 25 per cent of their developed land for the urban poor when the public sector including public institutions like HUDCO have given up their social responsibility of providing housing for the poor.

The increased participation sought from the private sector in providing municipal services by making it mandatory to frame state level regulatory and policy initiatives for the purpose is another reform which calls for attention. If municipal services are provided and managed by the private sector, determined by market, there would be chances of the poor being priced out.

Activity 3

Visit your Municipality/Municipal Corporation. Find out the details of the current urban development programmes in your city/state undertaken on PPP.

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Write about the National Slum Development Programme?

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2) What is the idea behind the Public Private Partnership in Urban Development?

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3.6 LET US SUM UP

To a common man, poverty means hunger. Poverty has been defined as a multifaceted and dynamic concept. The official estimate of poverty is based on normative level of consumption expenditure. Poverty is estimated on the minimum food intake by an individual expressed in monetary terms. According to the latest round of the National Sample Survey Organization (61st round) data, there existed more than 80 million poor people in cities and towns of the country in 2004-05, with the percentage of urban population below poverty line at 25.7 per cent.

Urban poverty manifests itself in various forms, viz, (a) proliferation of slums and squatters; (b) fast growth of the informal sector; (c) increasing casualisation of labour; (d) increasing pressure on civic services; (e) increasing educational deprivation and health contingencies. The Working Group on Urban Poverty appointed by the National Commission on Urbanisation (1988) observed that the most pressing of the urban challenges is that posed by urban poverty. The

problem of urban poverty is a manifestation of the higher incidence of marginal and low income employment in the informal sector; therefore, it is essential to upgrade informal sector occupations. Hence there is a need for emphasis on generation of self-employment in processing and services sector, improving the access to technology and credit and above all improving the general legal and physical environment which governs the working of the informal sector.

Urban development programmes with a focus on reduction and alleviation of poverty, has been one of the objectives of five-year plans in the country since the beginning of the planned era. This was, however, brought into the core of planning exercise only during the Fifth year plan. The consumption levels of different commodities were projected in this plan by taking higher growth rates for people in lower consumption brackets. Extensive research has since then been carried out to study the dimensions of poverty, its temporal trend, spatial pattern etc. This led to identification of theoretical solutions for reduction of poverty and launching of programmes during the past five year plans.

The nineties have witnessed increased private sector participation in the provision of basic services. Water supply and solid waste management are the two sectors wherein private sector has shown the maximum interest in the nineties. The core of the argument here is that the urban local bodies can through this achieve substantial cost saving while making it possible for the companies to conduct their business with profit. The issue whether such sub-contracting arrangements leads to dilution of social responsibility and exclusion of the poor and vulnerable sections from the formal delivery system, would be the key area of concern in this context.

3.7 KEYWORDS

Poverty: Poverty has been defined as a multifaceted and dynamic concept. The official estimate of poverty is based on normative level of consumption expenditure. Poverty is estimated on the minimum food intake by an individual expressed in monetary terms.

Millennium Development Goals: The MDGs are certain time bound and quantified targets for reducing extreme poverty and extending universal rights across the globe by 2015 adopted in the year 2000 through the Millennium Declaration.

Structural poverty: Structural poverty may be defined as a situation in which the poor are unable to accumulate resources or earn enough to move out of the vicious cycle of poverty.

Slum: A slum is a compact settlement with a collection of poorly built tenements mostly of temporary nature, crowded together usually with inadequate sanitary and drinking water facilities in unhygienic conditions. Such an area, for the purpose of this survey, was considered as “non-notified slum” if at least 20 households lived in that areas. Areas notified as slums by the respective municipalities, corporations, local bodies or development authorities are treated as “notified slums”. For survey, slums in urban areas only were considered. The slum dwellings are commonly known as “Jhopad Pati”, in Bombay and “Jhuggi Jhopri” in Delhi.

Squatter Slum: Sometimes an area develops into an unauthorised settlement with unauthorised structures put up by "Squatters". Squatter settlements were the slum like settlements, which did not have the stipulated number of 20 households to be classified as a slum.

JNNURM: Launched in 2005, Jawaharlal Nehru National Urban Renewal Mission (JNNURM) is a central government reform linked programme of urban renewal wherein adoption of reforms in urban governance is mandatory for all the states and 65 Mission cities (all State capitals, all million plus cities and cities of historical interest).

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3.9 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress-1

1) What do you understand by feminization of poverty?

   'Feminisation of poverty' is a term used to describe the overwhelming representation of women among the poor. Women tend to be disproportionately represented among the poor. Poverty studies from both developed and developing countries show that women are more subjected to poverty and vulnerability than men.

2) What is the employment pattern in the urban areas?

   As far as the employment pattern in the urban areas is concerned, the NSSO (2004-05) has envisaged that out of the total employment, 45.4 percent are self employed, 39.5 percent are regular employees and 15 percent are casual labourers. The self employed are the small petty shop owners, vendors, hand rickshaw pullers and auto rickshaw etc. Most of them are in a subsistence living condition. The percentage of poverty among the self employed, salaried and casual labourers are 32.1, 16.3 and 55.0 percent respectively.

Check Your Progress-2

1) Write about the National Slum Development Programme?

   The NSDP initiated in 1996 as a scheme of Special Central Assistance for slum improvement, has been providing additional central assistance to state governments to provide water supply and sanitation among other facilities to the slums.

2) What is the idea behind the Public Private Partnership in Urban Development?

   Recent years have witnessed increased private sector participation in the provision of basic services. Water supply and solid waste management are the two sectors wherein private sector has shown the maximum interest in the nineties. The core of the argument here is that the urban local bodies can through this achieve substantial cost saving while making it possible for the companies to conduct their business with profit.

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SOCIAL DEVELOPMENT

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BLOCK 4 SOCIAL DEVELOPMENT

We define social development in its broadest social terms as an upward directional movement of society from lesser to greater levels of energy, efficiency, quality, productivity, complexity, comprehension, creativity, choice, mastery, enjoyment and accomplishment. Development of individuals and societies results in increasing freedom of choice and increasing capacity to fulfill its choices by its own capacity and initiative. Growth and development usually go together, but they are different phenomena subject to different laws. Growth involves a horizontal or quantitative expansion and multiplication of existing types and forms of activities. Development involves a vertical or qualitative enhancement of the level of organization. Social development is driven by the subconscious aspirations/will of society for advancement. The social will seeks progressive fulfillment of a prioritized hierarchy of needs – security of borders, law and order, self-sufficiency in food and shelter, organization for peace and prosperity, expression of excess energy in entertainment, leisure and enjoyment, knowledge, and artistic creativity. Development of society occurs only in fields where that collective will is sufficiently strong and seeking expression.

Unit 1, **Development of Scheduled Castes,** focuses on various issues relating to the Scheduled Castes population. The Scheduled Castes occupy the lowest rung in the ladder of the hierarchy of caste stratification in India. It has been pointed out that ...'the caste-Hindus considered the Scheduled Castes as those ordained by God to serve the higher castes in unpleasant, disgraceful and menial tasks... and about 90 per cent of these castes live in rural India and are illiterates'. More than 75 per cent of the Scheduled Castes population is engaged in agriculture and most of them are landless labourers. It also discusses the socio-economic conditions of Scheduled Castes population, and describes the policy measures undertaken by the Government of India for the upliftment of Scheduled Castes in India.

Unit 2, **Development of Scheduled Tribes**, describes various Tribes in general and Scheduled Tribes in particular, it also tries to understand the changes taking place and overall conditions of Scheduled Tribes. It also explains the Constitutional provisions and other developmental Schemes for them, and points out the problems related to development in order to plan better.

Unit 3, **Youth Development,** unit discusses and defines the youth and their characteristics. It also explains the role and status of youth in development, and tries to define the youth, crime and terrorism.

UNIT 1 DEVELOPMENT OF SCHEDULED CASTES

Structure

1.1 Introduction

1.2 Scheduled Castes-Meaning and Population

1.3 Measures for Upliftment of Scheduled Castes

1.4 Development of Scheduled Castes - A Status Review

1.5 Let Us Sum Up

1.6 References and Selected Readings

1.7 Check You Progress - Possible Answer

1.1 INTRODUCTION

Religion and caste are considered fundamental units of the social structure of Indian society. Any discussion on Indian society and its people without taking their religion and caste into consideration is incomplete. Both religion and caste have played a unique role in the socio-economic life of the people through the ages. Mandelbaum, while emphasizing the importance of caste in his comprehensive study on India, has observed a positive correlation between castes (Jatis) and status identification:

> ...a villager identifies closely with *Jati* because much of his social world is encompassed within it and because his concept of himself is a part of his *Jati's* idea of what kind of people they are ...coupled with his self-identification is his constant identification by others as one of his *Jati*. *Jati* is a principal referent in village life and although one villager deals with another in terms of grosser categories, *Jati* is nonetheless as the basis of reference.

The caste system was in principle rigid and inter-caste mobility was not possible except in certain rare circumstances. A well-known sociologist has drawn attention to six main features of the caste system: (i) Segmental division of society, (ii) hierarchy of groups, (iii) restrictions on feeding and social intercourse, (iv) civil and religious disabilities and privileges of different sections, (v) lack of unrestricted choice of occupation, and (vi) restrictions on marriage.

The Scheduled Castes occupy the lowest rung in the ladder of the hierarchy of caste stratification in India. It has been pointed out that ...'the caste-Hindus considered the Scheduled Castes as those ordained by God to serve the higher castes in unpleasant, disgraceful and menial tasks... and about 90 per cent of these castes live in rural India and are illiterates'. More than 75 per cent of the Scheduled Castes population is engaged in agriculture and most of them are landless labourers. While discussion the low position of these depressed classes, Blunt said, 'at all times, the Brahmin priesthood has endeavoured to keep them segregated, not only from Hindu society, but from the Hindu religion and the Hindu ceremonial; they were not allowed to hear, much less study the Vedas; they must not enter the temples; they must carry on all ceremonies without using

Mantras and no Brahmin would carry out any domestic ceremony for them. However, in the past, they were considered untouchables and ostracized by the caste-Hindus. They were not allowed to enter religious and public places. Even, their children were not allowed to receive education along with the children of caste-Hindus.

After studying this unit, you should be able to

- Explain the meaning and give the figure of Scheduled Castes population
- Discuss the socio-economic conditions of Scheduled Castes population
- Describe the policy measures undertaken by the Government of India for the upliftment of Scheduled Castes in India.

1.2 SCHEDULLED CASTES- CONCEPT AND POPULATION

The historical background of the term, 'Scheduled Castes', can be traced to the Government of India Act, 1935. Prior to the Act of 1935, the Scheduled Castes were primarily known as 'Depressed Classes'. The Government of India Act defined the term as follows: 'the "Scheduled Castes" means such castes, races and tribes, corresponding to the classes of persons formerly known as the "depressed classes", as His Majesty in Council may specify. Moreover, the Indian Independence Act, 1947, defined the term as, "the Scheduled Castes" mean such castes, races or tribes or parts or groups, which appear to the Governor-General to correspond to the classes of persons formerly known as the "depressed classes" as the Governor-General may by order specify.

The criteria for determining the social and economic backwardness, as given in the presidential order are:

i) they occupy a low position in the Hindu social structure and caste hierarchy of Hindu social organization;

ii) there is lack of general educati0onal development amongst the major section of this community;

iii) their representation in government services is inadequate;

iv) they are inadequately represented in trade, commerce and industry; and

v) they also suffer from social and physical isolation from the rest of the community.

In order to safeguard the interest of Scheduled Castes, who suffer from all sorts of deprivation, the constitution provided special concessions to enable them to catch up with the rest of the Indian people, in the process of social and economic development.

Under the provisions of Article 341 of the Indian Constitution, the President of India, in consultation with the Governor of the State, notifies the schedule of such castes, which are to receive certain benefits including reservations in employment in respect of each State and Union Territory. The people belonging to the castes, scheduled for this purpose, are known as Scheduled Castes persons. Therefore, Upadhayay has rightly considered the term 'Scheduled Castes' as both a legal and a social concept.

Different states have declared different castes as Scheduled Castes, according to their state-specific social status and menial jobs. For instance, those doing menial jobs are known as Bhangi in Gujarat, Rajasthan and Delhi; as Rukhi in Maharastra, Karnataka and Madhya Pradesh; as Balmiki in Punjab, Uttar Pradesh and Haryana; and as Hadi in Orissa, Goa, Daman and Die etc. Ten castes account for nearly half the Scheduled Castes population of the country. They include Chamars, Adi Dravida, Pasi, Madiga, Dusadh, Mala, Paraiyan, Dhobi, Adi Karnatak and Mahar. The example of Scheduled Castes in Jharkhand is given in Table-I

Table 1: Scheduled Castes in Jharkhand

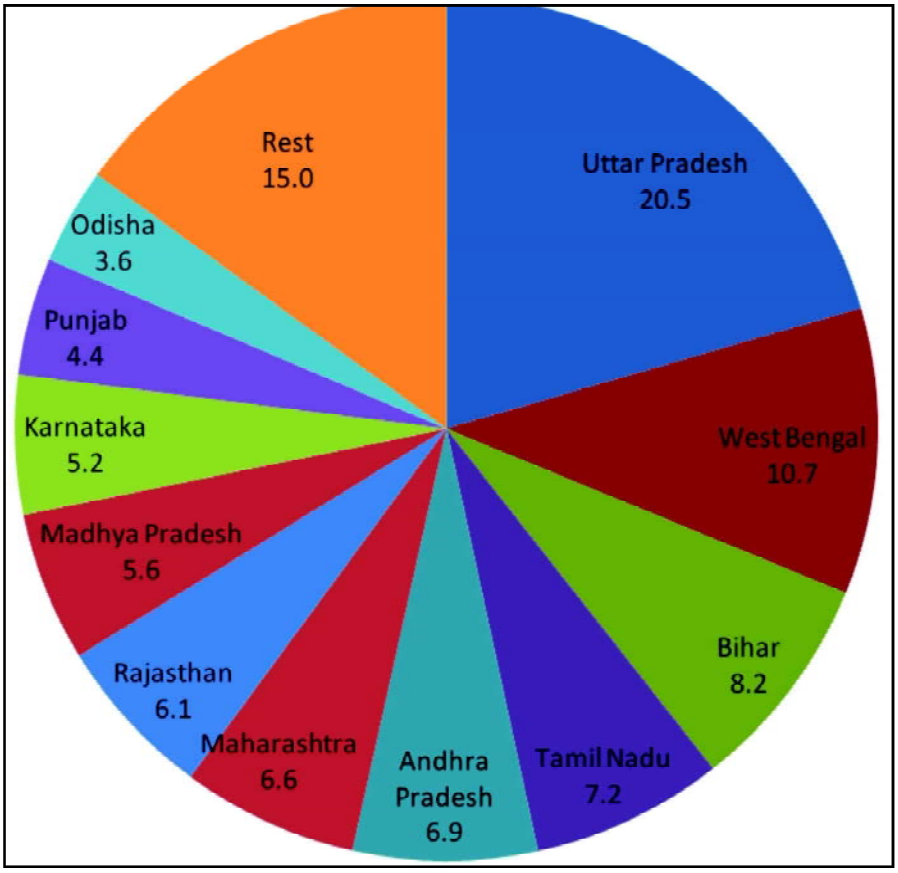
Sl No.	Scheduled Castes in Jharkhand
1.	Bantar
2.	Bauri
3.	Bhogta
4.	Bhuiya
5.	Chamar, Mochi
6.	Choupal
7.	Dabajar
8.	Dhobi
9.	Dom, Dhangad
10.	Dusadh, Dhari,m Dharhi
11.	Ghasi
12.	Halalkhor
13.	Hair, Mehtar, Bhangi
14.	Kanjar
15.	kuraiar
16.	Lalbegi
17.	Musahar
18.	Nat
19.	Pan, Sawaso
20.	Pasi
21.	Rajwar
22.	Turi

Source: Constitution (Scheduled Castes) Order ,1950

As far as the Scheduled Castes population is concerned, they constitute 16.21 percent of the total population in India. Punjab has the highest percentage of population 28.9 and Mizoram has the lowest percentage of population 0.03. Koch district of Bihar has the highest percentage of Scheduled Castes population.

Table 2: Scheduled Castes & population Status

Type	State/ Percentage
State with highest proportion of Scheduled Castes	Punjab (28.9%)
State with lowest proportion of Scheduled Castes	Mizoram (0.03%)
UT with highest proportion of Scheduled Castes	Chandigarh (17.5%)
UT with lowest proportion of Scheduled Castes	D & N Haveli (1.9%)
District with highest proportion of Scheduled Castes	Koch-Bihar (50.1%)
District with lowest proportion of Scheduled Castes	Mizoram (0.01%) Lawngtli



graph 1: State-wise scheduled caste population and its percentage to total population-2011 census

Source: http://www.google.co.in/url?url=http://censusindia.gov.in/2011

Check Your Progress 1

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) What do you mean by the Scheduled Castes?

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2) Give the examples of Scheduled Castes of a few states?

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1.3 MEASURES FOR UPLIFTMENT OF SCHEDULED CASTES

You might be aware that the government of India as well as the state governments of different states have implemented various developmental measures for the socio-economic upliftment of the Scheduled Castes. These measures can be categorized as constitutional and non-constitutional measures.

1.3.1 Constitutional Measures

The quota or reservation system in government jobs is a pioneering and one of the most important measures aimed at helping raise the economic status of the Scheduled Castes. The Constitution of India provides a number of safeguards for their welfare. Article 15 of the Constitution advocates that 'no citizen shall on grounds of religion, race, caste, sex, place of birth or any of them, be subject to any disability, liability, restriction or condition with regard to: (a) access to shops, public restaurants, hotels and places of public entertainment; or (b) the use of wells, tanks, bathing ghats, road, places of public resort maintained wholly or partly out of state funds or dedicated to the use of general public'. Article 17 of the Constitution declares that 'the practice of untouchability is abolished and its practices in any form are strictly forbidden and punishable by law'. This Article has been further strengthened by the Untouchability Offence Act, 1955, which imposes severe punishment, including imprisonment, on those who practice it.

The government has rightly recognized the need for the education, employment and economic upliftment of the Scheduled Castes for raising their quality of life in society. Article 16 assures 'equality of opportunity for all citizens in matters relating to employment or appointment to any office under the state' and also that 'nothing in this Article shall prevent the state from making any provision for the reservation of appointments or posts in favour of any backward classes of citizens, which in the opinion of the state is not adequately represented in the services under the state'. Although, the provisions under Article 46 are not obligatory for the government, yet some economic measures have been taken to uplift the status of the downtrodden, including certain benefits such as allotment of land, house sites, building materials and monetary aids.

Educational disparities between the Scheduled Castes and caste – Hindus are glaring. The Indian Education Commission, 1964-66, while emphasizing the importance of education for the Scheduled Castes and backward classes, recommended that : (a) the existing programme for the education of Scheduled Castes should continue and be expanded; and (b) greater efforts were needed to

provide educational facilities. The Directive Principles of State Policy, Article 46, states that 'the state shall promote with special care the educational and economic interest of the weaker sections of the people and in particular of the Scheduled Castes and Scheduled Tribes and shall protect them from social injustice and all forms of exploitation'. The National Policy on Education, 1968, urged that 'effort should be made to protect the educational interest of the minorities. The National Policy on Education, 1986 emphasized equal opportunity for all, not only in access but also in the conditions for success. The policy document advocated the need for special care for the education of Scheduled Castes and Scheduled Tribes, through reservation facilities in institutions of higher education. It also suggested financial incentives for Scheduled Castes and Scheduled Tribes in schools. Moreover, scholarships are also given to students of these communities for their post-matric education. In addition, hostel facilities and reimbursement of additional boarding charges are met by the state.

As far as, political participation is concerned, the Indian Constitution provides for assured access of Scheduled Castes to different democratic institutions. Article 330 of the Constitution ensures reservation of seats for Scheduled Castes and Scheduled Tribes in the Lok Sabha, while Article 332 provides for reservation of seats for Scheduled Castes and Scheduled Tribes in the Legislative Assemblies in the states. Reservation of seats, right from village panchayat up to the level of the Parliament has integrated the Scheduled Castes into the political mainstream of the nation.

Article 338 of the Constitution provides for a National Commission for Scheduled Castes.

Some of the main duties of the Commission are:

i) To investigate and monitor all matters relating to the safeguards provided for the SCs under the Constitution for or under any other law for the time being in force or under any order of the government and to evaluate the working of such safeguards;

ii) To inquire into specific complaints with respect to the deprivation of rights and safeguards of the SCs.

iii) To participate and advise on the placing process of socio-economic development of the SCs and to evaluate the progress of their development under the Union and any State.

Some political commentators have rightly pointed out that there are five major areas of progress of Scheduled Castes, thanks to the Constitutional measures of protective discrimination: (1) access to religious and other public places and lessening of ritual and social distancing; (2) integration of all-caste groups, including Scheduled Castes in schools, colleges and universities; (3) share of political power; (4) residential de-segregation; and (5) occupational mobility.

1.3.2 Non-Constitutional Measures

As you are aware that the Government of India has formulated and implemented many developmental programmes from time to time for the socio-economic upliftment of the Scheduled Castes in India. A few important measures taken for the upliftment of Scheduled Castes are as follows:

i) **Rural Development Programmes**: Two important programmes, Small Farmers' Development Agency (SFDA) and Marginal Farmers' and Agricultural Labourers' Development Agency (MFALDA), aimed at benefiting the poorest of the poor, were launched during the seventies by the government. Moreover, different rural development schemes, such as Integrated Rural Development Programme (IRD), Jawahar Rozgar Yojana (JRY), Indira Awas Yojana (IAY), Development of Women and Children in Rural Areas (DWCRA) etc., aimed at economic and social upliftment of the poorest of the poor, the backward and downtrodden, were also launched in different Five Years Plans. Taken together, all these are designed to help the Scheduled Castes to improve their economic conditions.

ii) **Scheduled Castes component Plan**: The component plan launched for the Scheduled Castes during Sixth Five Year Plan intends to comprehensively cover the economic, educational and social development along with the fulfilment of minimum needs. The component plan seeks to improve the living conditions of scheduled Castes through provision of drinking water supply, link roads, house-sites, primary schools, health centres, veterinary centres, community halls, etc. in the Scheduled Castes habitations.

iii) **Pre-Matric &Post Matric Scholarships**: The objective of pre-matric scholarship is to provide assistance to the children of those Scheduled Caste families engaged in unclean occupations such as scavenging, tanning etc. While the post-matric scholarship intends to provide financial assistance to Scheduled Castes students to pursue post-matriculation courses in recognized institution within India. Besides, there is free supply of text books, stationary, and uniforms to the Scheduled Caste and Scheduled Tribe students.

iv) **National Scheduled Castes and Scheduled Tribes Finance and Development Corporation**: The setting up this corporation primarily intended to act as a catalytic agent in developing schemes for employment generation and financing pilot projects.

v) **The National Commission for *Safai Karamcharis*** was constituted on 12th August, 1994 for a period of 3yrs under the provision of the National Commission for Safai Karamchari Act,1993 to promote and safeguard the interests and rights of Safai Karamcharis. The Commission is also empowered to investigate specific grievances as well as matters relating to implantation of programmes & Schemes for welfare of Safai Karmachoris

vi) **Babu Jadivan Ram Chhatrawas Yojna** from 2008 for the construction of hostels for students belonging to SCs to attain quality education. The objective of the Scheme is to provide residential accommodation facilities to SC Boys & Girls studying in middle schools, higher secondary schools, colleges & universities.

vii) **Assistance to Voluntary Organizations for Welfare of Schedules Castes**: The objective of this scheme is to utilize and engage the capable and reliable Voluntary Organizations towards socio-economic development of Scheduled Castes. Under this scheme, Government of India gives Grants-in-aid to the extent of 90% to the Voluntary Organization working in the areas of education health care nutrition and skill development.

viii) **Rajiv Gandhi National Fellowship** This scheme was launched in 2005-06 for Scheduled Caste student for pursuing higher study leading to M. Phil/ PhD courses.

ix) **Pradhan Mantri Adarsh Gram Yojna**: This is a centrally sponsored scheme for over 71,400 villages in the country having more than 40 percent of SC population. It was launched in 2009-10 for the integrated development of these villages as modal villages. The integrated development includes all basic infrastructure facilities and facilities for human development.

x) **Coaching facility for Scheduled Castes** The government has provided pre-examination coaching centre for the Scheduled Castes and Scheduled Tribes to enhance their representation in Central Government services and public sector undertakings.

xi) **State Government Measures** Besides central government various state governments have launched schemes for the upliftment of Scheduled Castes. One of the illustrious schemes called "Ambedkar Village Scheme" launched by Utter Pradesh government in the year is described below.

Ambedkar Village- Its Features

The Ambedkar Village scheme was launched by the Uttar Pradesh Government for the development of the Scheduled Castes and Scheduled Tribes population in the state. The scheme has been in existence in the state since 1990-91. Villages with more than 50 percent of Scheduled Castes/Scheduled Tribes population were selected and considered for promotional and developmental programmes under the Ambedkar Village scheme. The total number of Ambedkar villages which were 9,493 in 1990-91, have arisen to 11,218 in 1995-96 and continue to increase.

Identified Activities for Ambedkar Village

The identified activities to be performed by different departments for the development of Scheduled Castes and Scheduled Tribes population in the state are listed below:

Departments		Identified Activities	
1	Public Works	1	Connecting Ambedkar village with the main road of the town.
2	Electricity	2	Electrification of the village
3	Rural Development	3	Effective implementation of following activities:
			i) Integrated Rural Development Programme (IRDP)
			ii) TRYSM
			iii) Indira Awas Yojana
			iv) Million Well Scheme
			v) Jawahar Rozgar Yojna
			vi) Improved Cooking Chulha Scheme

4	Urban Development	4	Making provision of safe drinking water in the Village
5	Education	5	i) Opening and functioning of primary school
			ii) Launching Total Literacy Programme
			iii) Launching 'Education for All' Programme
			iv) Opening and launching of non-formal education centres
6	Social Welfare	6	i) Implementation of Farmers Pension Scheme in the Village
			ii) Implementation of Student Scholarship Scheme
7	Women and Child Welfare	7	i) Opening Anganwadis and Balwadis
			ii) Implementation of Widow Pension Scheme
			iii) Launching Women and Child Development Scheme
8	Revenue	8	i) Distribution of agricultural land
			ii) Distribution of surplus land above ceiling
			iii)
			iv) Distribution of patta for fish cultivation
			v) Distribution of patta to blacksmiths
9	Health and Family Welfare	9	i) Immunization of new born children
			ii) Construction of sub centres in the villages
10	Panchayati Raj	10	i) Filling of pits and construction of village roads
			ii) Construction of Sulabh Sauchalaya
11	Dairy Development	11	i) Women Dairy Yojana
			ii) Minor Intensive Dairy Yojaya
12	Animal Husbandry	12	i) Immunization of animals
			ii) Artificial fertilization of animals
13	Excise	13	Prohibition of wine shops in Ambedkar village
14	Handicap Welfare	14	i) Handicap Pension Scheme
			ii) Provision of equipment and instruments to handicapped
15	Minor Irrigation	15	Free boring of well
16	Cotton Development	16	Development of cotton industry

Check Your Progress 2

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) What are the measures taken for the educational upliftment of Scheduled Castes in Inida?

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2) Name a few constitutional measures taken for the upliftment of the Scheduled Castes in India?

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1.4 DEVELOPMENT OF SCHEDULED CASTES - A STATUS REVIEW

It is an established fact that despite several policy measures the conditions of the Scheduled Castes has not been adequately improved in India. The various conditions with regard to their employment, education, poverty and livelihood, health are discussed below.

Employment Status

The large percentage of Scheduled Castes population is residing in rural areas and is engaged in agriculture and its related sectors mainly as labourers. As far as the government job is concerned, they are largely concentrated in class three and four jobs. Their representation in PSUs is meagre. Even if reservation is there, it is observed the benefit of employment in government and public sector has largely been gone to the creamy layer of the Scheduled Castes. A majority of impoverished Scheduled Castes have not available the opportunity because of low literacy and lower level of education among them.

Table 2: Representation of Scheduled Castes in Central Government Services

	SCs		Non SCs/STs		All	
	1979	**2004**	**1979**	**2004**	**1979**	**2004**
Total Government Jobs (Percentage)	787937	930806	4226481	4137474	5259783	5445618
Share in Total (Percentage)						
Government	56.95	58.04	58.49	60.85	57.59	60.04
PSUs	35.95	25.42	30.04	22.81	31.97	23.78
Bank	7.10	14.36	11.47	14.06	10.44	13.94
Insurance	0.00	2.18	0.00	2.27	0.00	2.25
Compound Annual Growth (%) in total Government jobs 1979-2004		0.67		-0.09		0.14

Source *: S. Thorat and C. Senapati, 2006, 'Reservation Policy in India-Dimension and Issues', Working paper series Vol. 1, No. 2, IIDS, New Delhi*

Poverty and Living Conditions

The poverty among the Scheduled Castes population is higher as compared to their counterpart General Caste population. Landlessness lack of employment opportunities, engagement in sporadic casual labour activities and menial jobs, less wage rate and discrimination in the labour market are a few factors responsible for low per capital income and higher poverty rate among the Scheduled Castes population. The Table-3 shows that only 34 percent of Scheduled Castes households have toilet in their houses.

Table 3: Household Living Conditions by SC and ST Status, India (2001 to 2011, % of Households)

Amenities	**SC 2011**	**SC 2001**	**ST 2011**	**ST 2001**	**Total 2011**	**Total 2001**
House with concrete roof	21.9	13.1	10.1	6.1	29.6	21.2
Tap Water	41.2	23.1	24.4	20.0	43.5	36.7
Electricity as a source of lighting	59.0	44.3	51.7	36.5	67.2	55.8
Latrine facility within the premises	33.8	23.6	22.6	17.0	46.9	36.4
Connected to drainage	46.6	42.8	22.7	21.8	51.1	46.4
With Bathroom	27.7	22.2	17.2	15.0	42.0	36.1
LPG/PNG	16.9	7.9	9.2	5.3	28.5	17.5

Source : *Census of India 2001 and 2011.*

Household Assets among SC and ST Household, India (2001 to 2011, % of Households)

Assets	SC 2011	SC 2001	ST 2011	ST 2001	Total 2011	Total 2001
Availing Banking Services	50.9	25.1	44.9	19.1	58.7	35.5
Television	39.1	21.2	21.8	12.0	76.7	31.6
Telephone	3.0	3.4	1.9	2.5	4.0	9.1
Mobile	47.5		31.1		53.2	
Computer/Laptop	6.4	NA	5.2	NA	9.4	NA
Scooter/Motorcycle/ moped	12.0	5.3	8.9	4.1	21.0	11.7
Car/Van/Jeep	1.8	1.0	1.6	0.8	4.7	2.5
None of the assets including radio/ transistor/cycle	22.6	42.6	37.3	54.0	17.8	34.5

Source : *Census of India 2001 and 2011.*

The lower income and poverty has deeper repercussion in their living conditions. A large percentage of them are living in Kachha houses made up of mud and other low quality materials. Most of them defecate in open places and poor access to potable drinking water. Although the living conditions of Scheduled Castes is improving, yet in most of the States, except a few economically developed states alike Punjab and Haryana, the living conditions in all other States are still to be improved.

Literacy and Education

The literacy and education status of Scheduled Castes is low as compared to other and it is further low in the case of women. Poverty, engagement of children in household activities, cost of education, shyness to intermingle with children of upper castes, unfavourable school environment are a few among many other factors responsible for the low literacy rate among the Scheduled Castes. This low literacy is affecting their employment prospect in government jobs. Therefore, they are mostly found in Group D and *safai karmachari* jobs. This low level of education particularly in technical education like Engineering, Medical, Computer etc., have restricted their opportunities in private and corporate sector. B R Ambedkar once told "coming as I do from the lowest order of the Hindu Society, I know what the value of education is. The problem of raising the lower order is deemed to be economic. This is a great mistake. A The problem of raising the lower order is not to feed them and to make them serve the higher order as is the ancient ideal of this country. The problem of lower order is to remove from them that inferiority complex, which has stunted their growth and made them slaves to others, to create in them the consciousness of the significance of their lives for themselves and for the country, of which they have been cruelty robbed by the existing social order. Nothing can achieve this except the spread of higher education. This in my opinion is the panacea of our social trouble."

Table 4: Literacy Rate of SC by sex and urban-rural distribution

Year	Rural			Urban			Combined		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
1961	2.52	15.06	8.89	10.04	32.21	21.81	3.29	16.96	10.27
1971	5.06	20.04	12.77	16.09	38.93	28.65	6.44	22.36	14.67
1981	8.45	27.91	18.48	24.34	47.54	36.60	10.93	31.12	21.38
1991	19.45	45.95	33.25	42.29	66.90	55.11	23.76	49.91	37.41
2001	37.84	63.66	51.16	57.49	77.93	68.12	41.90	54.69	34.76
2011	52.60	72.60	62.80	68.60	83.30	76.20	56.50	75.20	66.10
% Increase in 2011 over 2001	39%	14%	23%	19%	7%	12%	35%	38%	90%

Sources: Census of India, Office of Registrar General, India.

Health Status

Health status of Scheduled Castes population is lower as compared to other Caste group of population in India. The impact and maternal mortality among Scheduled Castes is high because of their poor accessibility to qualitative health care services. Many of them particularly living in rural areas are found suffering from asthma and even tuberculosis. Women in general and antenatal and post natal women in particular are suffering from nutritional anaemia and many children are found to be stunted and even wasted. Access to potable drinking water and unhygienic condition has promoted many diseases among them. Because of cost of medicine and lack of purchasing power, many of the diseased persons wait till it cured by itself and in this process it affect many and even find his own graveyard. The National Family Health Survey conducted in 2006 depicts that 72.2 per cent of children are anaemic in Schedule Castes community. The infant mortality is also higher that is 50.7 percent as compared to other Castes group of population.

Table 5: Health Status of Scheduled Castes

S.No.	Indicator	Rate
1	Neo natal mortality	35
2	Infant mortality	50.7
3	Child mortality	15.5
4	Percentage delivered in a health facility	32.9
5	% of children received all basic vaccinations	39.7
6	% of children with anaemia	72.2
7	% of women with anaemia	26.6

Source : *National Family Health Survey -3*, 2006, IIPS Mumbai

Political Empowerment

The political empowerment of Scheduled Castes will raise their social status in the society. Therefore, B R Ambedkar once said to dalits (Scheduled Castes) that "utilize what little political power is coming into your hands. If you are indifferent and do not try to use it properly, your work will have no end... The sooner you remove the foolish belief that your .....were preordained the better. The thought that your poverty is inevitable and is in born and inseparable is erroneous. Abandon this line of thought of considering yourselves to be slave". Scheduled Castes and Scheduled Tribes have reservation in various levels of political institutions. Survey conducted by Tyagi and Sinha(2001) on Panchayati Raj Institutions has following findings:

i) despite their adequate representation in numerical terms, SCs and STs people have not been able to play an active part in Panchayat;

ii) SCs and STs people still lack self confidence and because of their low socio economic status, they are more concerned with livelihood activities and do not able to pay attention to increasing their socio political influence through Panchayats; and

iii) because of lack of education, SCs and STs are not able to assert their views effectively.

Expenditure on Scheduled Castes Development

It is a known fact that the Scheduled Castes and Scheduled Tribes constitute the poorest section of Indian Society. A gigantic percentage of them own very little land, have higher percentage of illiterates and suffer more exclusion. The two important schemes i.e. Special Component Plan (SCP) earmarked for the development of Scheduled Castes and Tribal Sub Plan earmarked for the development of Scheduled Tribes have not been effectively spread by the government. The figures in Table-5 reveal that the actual expenditure as a percentage of planned expenditure varies from 4.3 percent to 8.1 percent during the year 2004-05 to 2007-08. Thus, it is clear that the stage government have failed to spend money earmarked for Scheduled Castes.

Table 5: Expenditure on Scheduled Castes

Year	Total Planned Expenditure of Central Government excluding assistance to state/UT (in Crores)	Actual Expenditure (in Crores)
2004-05	85,061	3611 (4.3)
2005-06	109,900	6579 (5.9)
2006-07	129,804	8474 (6.5)
2007-08	152,313	12368 (8.1)
2008-09	208,252	14727 (7.0)
2009-2010	243,893	15832 (6.5)

Note – Figures in parenthesis show percentages of total

Source : *Times of India*, Monday, February 22, 2010, P-12

According to Centre for Budget and Governance Accountability (CBGA) a Delhi based think tank, not only the allocation under SCP is below the target, but it has actually declined in the past three year (Table-5).

Check Your Progress 3

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) Scheduled Castes are not being adequately empowered despite constitutional provision of reservation in grassroots institutions?

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2) Briefly discuss the employment status of Scheduled Castes.

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1.5 LET US SUM UP

Scheduled Castes population constitutes nearly 17 percent of total population in India. The socio-economic status of the Scheduled Castes is low as compared to other castes group of population in India. The government of India has initiated several constitutional as well as non-constitutional measures for the upliftment of the Scheduled Castes in India. Some of the important development initiatives are Special Component Plan, However, despite these measures; their status has not been sufficiently enhanced.

1.6 REFERENCES AND SELECTED READINGS

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1.7 CHECK YOUR PROGRESS - POSSIBLE ANSWERS

Check Your Progress:1

1) What do you mean by the Scheduled Castes?

Ans: The Government of India Act defined the term as follows: 'the "Scheduled Castes" means such castes, races and tribes, corresponding to the classes of persons formerly known as the "depressed classes", as His Majesty in Council may specify. Moreover, the Indian Independence Act, 1947, defined the term as, "the Scheduled Castes" mean such castes, races or tribes or parts or groups, which appear to the Governor-General to correspond to the classes of persons formerly known as the "depressed classes" as the Governor-General may by order specify.

2) Give the examples of Scheduled Castes of a few states.

Ans: Different states have declared different castes as Scheduled Castes, according to their state-specific social status and menial jobs. For instance, those doing menial jobs are known as Bhangi in Gujarat, Rajasthan and Delhi; as Rukhi in Maharastra, Karnataka and Madhya Pradesh; as Balmiki in Punjab, Uttar Pradesh and Haryana; and as Hadi in Orissa, Goa, Daman and Die etc. Ten castes account for nearly half the Scheduled Castes population of the country. They include Chamars, Adi Dravida, Pasi, Madiga, Dusadh, Mala, Paraiyan, Dhobi, Adi Karnatak and Mahar.

Check Your Progress 2

1) What are the measures taken for the educational upliftment of Scheduled Castes in India?

Ans: The government of India has taken various measures for the educational upliftment of Scheduled Castes in India. Those are offering of Pre-Matric &Post Matric Scholarships and distribution of free books and uni-forms to the SC children. The objective of pre-matric scholarship is to provide assistance to the children of those Scheduled Caste families engaged in unclean occupations such as scavenging, tanning etc. While the post-matric scholarship intends to provide financial assistance to Scheduled Castes students to pursue post-matriculation courses in recognized institution within India. Besides, there is free supply of text books, stationary, and uniforms to the Scheduled Caste and Scheduled Tribe students.

2) Name a few constitutional measures taken for the upliftment of the Scheduled Castes in India?

Ans: The Constitution of India provides a number of safeguards for the welfare of Scheduled Castes in India. Article 15 of the Constitution advocates that 'no citizen shall on grounds of religion, race, caste, sex, place of birth or any of them, be subject to any disability, liability, restriction or condition

with regard to: (a) access to shops, public restaurants, hotels and places of public entertainment; or (b) the use of wells, tanks, bathing ghats, road, places of public resort maintained wholly or partly out of state funds or dedicated to the use of general public'. Article 17 of the Constitution declares that 'the practice of untouchability is abolished and its practices in any form are strictly forbidden and punishable by law'. This Article has been further strengthened by the Untouchability Offence Act, 1955, which imposes severe punishment, including imprisonment, on those who practice it.

Check Your Progress:3

1) Scheduled Castes are not being adequately empowered despite constitutional provision of reservation in grassroots institutions-Explain.

Ans: Scheduled Castes have reservation in various levels of political institutions at the grassroots levels, such as in village panchayats, Block Samitis and Zill Panchayats. However, their empowerment is not real. Survey conducted by Tyagi and Sinha(2001) on Panchayat Raj Institutions has following findings:

iv) despite their adequate representation in numerical terms, SCs and STs people have not been able to play an active part in Panchayat;

v) SCs and STs people still lack self confidence and because of their low socio economic status, they are more concerned with livelihood activities and do not able to pay attention to increasing their socio political influence through Panchayats; and

vi) because of lack of education, SCs and STs are not able to assert their views effectively.

2) Briefly discuss the employment status of Scheduled Castes.

Ans: The large percentage of Scheduled Castes population is residing in rural areas and is engaged in agriculture and its related sectors mainly as labourers. Their employment status is not quite good as compared to the General Castes population. As far as the government job is concerned, they are largely concentrated in class three and four jobs. The figure given in the Table clearly shows that only 17.62 per cent of SCs are represented in Central Government Services and out of the total 16.31 and 21.31 per cent are in Group C and Group D job respectively.

UNIT 2 DEVELOPMENT OF SCHEDULED TRIBES

Structure

2.1 Introduction
2.2 Scheduled Tribes- Meaning and Concept
2.3 Process of Change Among the Scheduled Tribes
2.4 Social Discrimination and Disabilities of Scheduled Tribes
2.5 Major Problems of Scheduled Tribes
2.6 Government Measures
2.7 Development Policies and Programmes
2.8 References and Suggested Readings
2.9 Check Your Progress - Possible Answers

2.1 INTRODUCTION

The Tribes of India are one of the earliest populations in the land. India can proudly be called the largest "tribal" population in the world. Today there are as many as 698 Tribes across the country. The Tribals are considered the "sons of the soil" and make for 8.2% of the total population of India according to 2001 census. This interprets into 84 million people. Tribes in India are derived from four racial stocks: Negrito (Jarwa and Onge in Andamans), Proto-Autroloid (Munda, Oraon, Gonds in Jharkhand and Madhya Pradesh), Mongoloid (most Tribes in North-East) and Caucasoid (Toda, Rabari, Gujjar). There is another method of division of Tribes. The NEFA and Eastern India belong to the Mongoloid racial stock, Proto-Austroloid in Central India, Mediterranean-Nordic in the West and Central Himalayas and the Austroloid, Negroid and Alpine stock in South India. The largest tribe is the Gond followed by the Bhils, Meena, Santals and Oraons according to 1981 census. The tribes of India lived across states despite a common background of language. The Santals, Oraons, Mundas and others lived in the original region of Jharkhand extending to the states Orissa, Bengal, Madhya Pradesh. The Gond region extended across Andhra Pradesh, Chhatisgarh, Madhya Pradesh, Maharashrtra, and Orissa. The Bhils inhabited a region that stretched from Gujarat, Madhya Pradesh, Maharashtra and Rajasthan. The Nagas Lived in Arunachal Pradesh, Assam, Manipur and Nagaland.

The Tribes of India, also referred as adivasis (original inhabitants), are spread across the central, northeast, and southern regions of India. These various tribes resided in India long before the Aryans had arrived here approximately 1500 BC. They were socially and geographically isolated, following the entry of the Aryans and then subsequently the Muslims and the British. More than 650 tribes that make up the Scheduled Tribes speak multitude of languages. They are also religiously diverse, with some following animism, while others have adopted Hinduism, Islam or Christianity. The social organization and traditions of most of the tribals make them stand out from the country's mainstream Hindu population also known as "state" or "civilization".

The Indian Tribes collectively owned property in keeping with their tradition. The British regime introduced a new land tenure system against the traditional custom of the tribals. As a result others infringed into the lands of the tribals. This led to many a land revolt amongst tribals. These tribal revolts may be referred to Malpahariya uprising in 1772, the unrest in Kutch in 1815 and 1832, the Bhil Revolt of 1818, the uprising of the Mers in Rajputana in 1820, the rebellion of Hos in Chotanagpur in 1831, the Kol insurrection of 1832, the uprising of Khonds in Orissa in 1846, the Santal Rrevolt of 1855 and Birsa Munda Rrevolt of 1895. Today the Scheduled Tribes account for 55 % of the total displaced in India.

The study of this Unit should lead the students to know:

- Explain Tribes in general and Scheduled Tribes in particular
- Describe understand the overall conditions of Scheduled Tribes
- Discuss the changes taking place among the Scheduled Tribes
- Explain the Constitutional provisions and other developmental Schemes for them
- Pointout the problems related to development in order to plan better

2.2 SCHEDULED TRIBES- MEANING AND CONCEPT

2.2.1 Meaning of Scheduled Tribes

There is no particular definition of tribe which is universally accepted. Nevertheless, there are some criteria put forward to determine a tribal community. These are endogamous organizations with a simple social structure and a self-contained economy. They are isolated and have minimum contact with other groups. They are governed by their own social norms and largely manage their own affairs. This is an ideal type of a tribal community. But today they are much in contact with other groups hence there is a continuous change. In the reports of some British travelers and later on in census reports that certain communities like these were termed as aborigines. Besides, due to the imposed British administration there were uprisings, and consequently the British recognized that these were a separate ethnic groups from the larger Indian society. And they classified them as aborigines.

According to the Oxford Dictionary “A tribe is a group of people in a primitive or barbarous state of development acknowledging the authority of a chief and usually regarding themselves as having a common ancestor”. The Colonial ethnographers have laid much emphasis on the isolation and the common ancestors; therefore, in their minds the tribes had no interaction with the larger population and civilization. The Indian anthropologists also have seen in the same way as separate from the rest of the population. N.D. Majumdar defines tribe as a social group with territorial affiliation, endogamous with no specialization of functions ruled by tribal officers hereditary or otherwise, united in language or dialect recognizing social distance with other tribes or castes. Andre Beteille (1986: 316) sees the tribes as remaining outside of the state and civilization in social organization. According to Ralf Linton tribe is a group of bands occupying a contiguous territory or territories and having a feeling of unity deriving from numerous similarities in a culture, frequent contacts and a certain community of interests.

The word "Tribe" is not known in the Indian society prior to the British anthropologists or the colonial rule. In India there lived heterogeneous communities better known by the more indigenous term "jana" and "jati". This term jana is derived from Sanskrit and Prakrit meaning to give birth. We also know that there are "communities of people like the Savars, the Kullutas, the Kollas, the Bhillas, the Khasas, the Kinnars, the Gujjars, the Gaddis, the Lepchas, and countless others whom today we know as "Tribes"(Dube ed. 1972:8). At that stage the two communities seemed very much belonging to the same ethnic categories altogether.

There is a difficulty in distinguishing the jana and the tribes in ancient times. But not many would accept equating them on equal parlance. The social organization of the janas was based on egalitarian principle while the jati's social organization was based on the system of jati. Today we can understand better the distinction between the Tribals and the castes system (Beteille 1986; Roy Burman 1994). The term tribe was used by Colonial administration to describe communities which were heterogeneous in physical and linguistic traits, demographic size, ecological conditions of living, regions inhabited, stages of social formation and levels of acculturation and development (Xaxa, 2008).

Tribes have also been studies in relation to peasant society. The two have different types of societies. In Anthropological literature tribes have been defined as communities that are more or less homogeneous, having a common government, a common dialect, and a common culture. Tribes have characteristic of segmentary social system. The Tribal society is small in scale are restricted in spatial and temporal ranges of their social, legal and political relations and possess a morality, religion and world view of a corresponding order. In short, tribal societies are self-contained units whereas the peasant society is a part society and not a whole society. The tribes do not suffer from any caste-like social stigma. They have remained beyond the pale of caste society except for those who have interacted closely with peasant castes in a few regions.

The so-called tribals of India are the indigenous people of the land, in the sense that they have been long settlers in different parts of the country before the Aryan-speaking people penetrated into India passing through Kabul and Indus Valley. Since then tribal communities have spread all over India including Bangladesh, erstwhile East Bengal. There are four fold categories of tribals according to economic type as given by D.N. Majumdar and T.N. Madan. The first are the food gatherers, mainly depending on the forests. The second are the tribes having an economy between food gathering and primitive agriculture. The third are the tribes of North-East and Middle India that mainly depend on some form of agriculture with forest produce as a secondary support. The fourth are those working in industries. Especially the Bihar, Bengal and Assam (Mehta, 1991). They are found ethnically and culturally distinct from the non-tribal neighbours. This is the reason why their demand for special treatment as socio-culturally distinct group is valid and has to be looked sympathetically.

In general, the following are the characteristic features of a tribe:

- Tribe should be a primitive and isolated community
- Generally backward, illiterate, rustic and outside of state civilization
- Primitive method of exploiting natural resources

- Territorial unity and a separate common language
- Descendants from a common ancestor
- Having its own belief system like animism, morality, governance
- Cultural unity and governed by customary law

2.2.2 Concept of Scheduled Tribes

While the term "Tribe" is an Anthropological concept the term "Scheduled Tribes" is administrative and political. The tribal populations visible in various Indian states and Union Territories were grouped together as "Scheduled Tribes" under the Constitution of India. Therefore, the word Scheduled Tribes is an administrative coinage, used for purposes of dispensing constitutional privileges, security and benefits in independent India. However, not all the tribes were included in it. In all 698 scheduled tribes with their sub groups exist in India as per census 2001.

The primary criteria adopted for delimiting Indian backward communities as "Scheduled Tribes" include:

- Traditional livelihood of a definite geographical area
- Characteristic culture that includes a whole gamut of tribal modes of life, i.e. language, customs, traditions, religious beliefs, arts and crafts, etc.
- Archaic traits portraying occupational pattern, economy, etc.
- Lack of educational and economic development.

The first prerequisite of Indian Scheduled Tribes in relation to a particular State or Union Territory is through a notified order of the President of India, after consultation with the concerned State Government. These orders can be modified consequently only through an Act of Parliament. According to Article 342 of the Constitution of India, the President, after consulting with the State Government concerned, has promulgated nine orders so far. This promulgation has distinctly specified the Scheduled Tribes in relation to the concerned State and Union Territories.

The Scheduled Tribes live mostly in well defined but isolated hilly areas, which are often inaccessible and relatively underdeveloped and poorly integrated with the rest of the nation. They have been denied the basic human rights and dignities and subjected to social injustices and disabilities and economic exploitation for centuries. The British policy of total neglect and isolation led to their exploitation by zamindars, landlords, traders, contractors, money lenders and various other agencies and consequently they had to remain at their mercies. Their land and forests were gradually grabbed by the rich people like this class of outsiders. They were turned into bonded laborers leading a life of poverty and misery exposed to all kinds of exploitations. Thus independent India inherited from the Colonial system complex problems of Scheduled Tribes.

Keeping in view the gross social injustice, discrimination and social disabilities suffered by the Scheduled Tribes and the inhuman suppression and economic exploitations to which they have been subjected to over centuries, the founding Fathers of the Indian Constitution incorporated special provisions in the Constitution with the object of promoting and safeguarding the social, educational

and economic interests of persons belonging to Scheduled Tribes. One of the main concerns of the founding fathers of the Constitution was to create an egalitarian society wherein 'justice, social, economic and political' prevail and equality of status and of opportunity' are made available to all. There are number of articles adopted by our Constituent Assembly to ameliorate their conditions and lift them to a position of equality with others. All these provisions have been designed to narrow down the various disparities' existing between the socio-economic conditions of the Scheduled Tribes and the rest of the population.

The concentration of tribal inhabitation varies from state to state. In view of their development as a policy some areas are declared as "Scheduled Areas". Such a set up was designed for socio-economic betterment of the tribals. The criteria for declaring any territory as "Scheduled" adopted by the sub-committee of the Constituent Assembly included three points: 1. preponderance of tribal population; 2. the stage of advancement and degree of assimilation; 3. to a slightly lesser extent the susceptibility of these areas to special administrative treatment. The Table-1 depicts the total ST population and the proportion of ST population to total population in India.

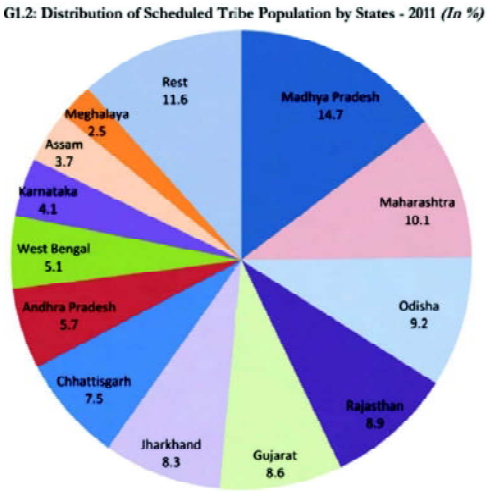
Table 1: Trends in Proportion of Scheduled Tribe Population

Census Year	Total population (in millions)	Scheduled Tribes Popu- lation(in millions)	Proportion of STs popula-tion
1961	439.2	30.1	6.9
1971	547.9	38.0	6.9
1981 #	665.3	51.6	7.8
1991 @	838.6	67.8	8.1
2001 $	1028.6	84.3	8.2
2011	1210.8	104.3	8.6

Excludes Assam in 1981 @ Excludes Jammu & Kashmir in 1991$ The figures exclude Mao-Maram, Paomata and Purul sub-divisions of Senapati district of Manipur, census 2001,

Source: http://tribal.nic.in/WriteReadData/userfiles/file/Statistics/StatisticalProfileofSTs2013.pdf

Figure-1 depicts that the highest percentage of ST population is in Madhya Pradesh, flowed by Maharashtra and Rajasthan.



Source: *http://tribal.nic.in/WriteReadData/userfiles/file/Statistics/StatisticalProfileofSTs2013.pdf*

2.3 PROCESS OF CHANGE AMONG THE SCHEDULED TRIBES

The Scheduled Tribes of India have shown a great volatility in their life style change over the years in the present scenario. Closer interaction with the larger society and other cultures made way for their constant adaptation to the new and more modern cultures. Some tribes in this process are much more advanced than the others, and there are others also who are resilience to the onslaught of the larger culture and remained very much static. However, the number of those who opened up to the new changing situations is far bigger. There are factors that effected rapid changes in the tribal society.

2.3.1 Education

Impact of development processes, particularly, education has brought about a sea change in tribal society of India. According to 2011 Census, the literacy rate among the STs is 58.96 percent, while the all India average is 72.99 percent .The trend shows that except the 1981 and 1991 census, in all other Census, the percentage of gap between the general literacy and literacy rate of STs has declined.

Table 2: Comparative Literacy Rates of STs and Total Population (in per cent)

Category/Census Year	1961	1971	1981	1991	2001	2011
Total Population	28.3	34.45	43.57	52.21	64.84	72.99
Scheduled Tribes	8.53	11.30	16.35	29.60	47.10	58.96
Gap	**19.77**	**18.15**	**19.88**	**22.61**	**18.28**	**14.03**

Source: *http://tribal.nic.in/WriteReadData/userfiles/file/Statistics/StatisticalProfileofSTs2013.pdf*

Modernization and development of tribals mainly depend on the factor of education that comes as linkage to the integration process of the tribals with the mainstreams society of the country. Originally the tribals by definition given in the foregoing pages are generally isolated untouched by the civilization in terms of their organization and governance. Looking at the table given above there is a marked progressive increase in the rate of literacy among tribal society. As a result of this process a large number of tribals now are integrated into the mainstream to a great extent and find the modern cities their home. It is generally accepted that education is the basic input for any sustainable development, particularly, in the context of socio-economic development. It can be said with great veracity that an illiterate nation is a poor nation. It is in this background that there have been continuing national efforts at the promotion of education among the Scheduled Tribes in accordance with the provisions of the constitution.

The spread of education is vital and a prime requisite for socio-economic development for the lower sections of people, especially, the Scheduled Tribes and Scheduled Castes. In the traditional society the tribal people had a well organized system of education through the home training and youth dormitories where they learnt various activities and art of tribal life. With the advent of Christian missionaries in many parts of the tribal regions modern schools were opened in tribal areas giving them greater impetus and opportunities for education.

Christian missionaries played a very important part in the spread of education all over India, but more specifically in the tribal areas of the Central States like Jharkhand, Chhattisgarh, Madhya Pradesh, West Bengal, and the entire north-east region. It was Christian missionaries who tried to improve the socio-economic conditions of tribals through imparting primary and higher education. The role of education in the development of Scheduled Tribes in various regions was immense that also brought about a silent revolution in their life and society. The impact of development processes, particularly, education, has created a new stratum of entrepreneurs/businessmen, teachers, administrators, engineers, doctors and defence services. There has also been a rise of political leadership at the village panchayat, regional and national levels. There is a marked absence of discrimination on gender basis among tribals in matters education. It spurred the expected social mobility among the tribals in the post-independence period. There are high ranking IAS, IPS, IFS officers and many employed in the government services.

There is an increase of awareness among the tribals regarding health and sanitation. They avail health and medical facilities. More than 85% tribals showed their positive attitudes towards these facilities, though a good number are critical of the service availed to them in rural areas. In the north-east many tribals face the health hazards because there are not enough facilities for safe potable water and health care in the hilly regions.

Education helped social mobility among the tribals and improved their life very much. However, there is also a fallout of modern education in that it led to social stratification in their tribal society organized on egalitarian principle. The better off tribals benefited from the modern education and rose very high in the society. But they did not care for their own less fortunate brethren who therefore looked upon the educated 'babus' with distaste and distrust. It also evokes a negative attitude towards education.

Health: Health is an important indicator of development. The health status of ST population is lower as compared to the general population those who are living in the plain. A large majority of them are devoid of the modern health care facilities. The Table-3 shows that infant mortality among the STs is 62. The percentage of institutional delivery is very low is only a meagre 18 percent.

S3.1: Key health indicators as per NFHS-3 (2005-06)

	SC	ST	Total
Infant Mortality	66.4	62.1	57.0
Neo-natal Mortality	46.3	39.9	39.0
Pre- natal Mortality	55.0	40.6	48.5
Child Mortality	23.2	35.8	18.4
Under five Mortality	88.1	95.7	74.3
ANC Checkup	74.2	70.5	77.1
Percentage Institutional Deliveries	32.9	17.7	38.7
Childhood vaccination (full immunization)	39.7	31.3	43.5

Source: *National Family Health Survey (NFHS) 2005-06*

2.3.2 Occupations

Traditionally the primitive tribes engaged themselves in hunting, gathering and fishing for their livelihood. They were mostly hills and forests dwellers. At a later stage some of the tribes like the Oraons and Mundas of Jharkhand and Chhattisgarh settled down in villages and started agriculture and other cultivation. Just as the tribal people are spread all over the states and the Union territories they inhabit all climatic zones in the country. About 52 per cent live in areas of moderate climate and 34 per cent in areas of warm and temperate climate. They also live in extreme warm climate. About 63 per cent of the tribals live in hilly terrains nearly 2 per cent are living in desert or semi-arid zones and 2 per cent are found in the islands. Occupations are related to their ecology and environment. It means that they have to produce grains from land and hunt and gather from forests and hills while fish from rivers, streams and lakes.

The main crops of tribals are rice, pulses, millets and other coarse grains grown in the hilly terrains and rocky grounds. More than 90 per cent tribals eat rice and millet forms the staple food for many tribals. Wheat is introduced recently. Now they have taken to growing vegetables. Those engaged in agriculture are plain dwellers and are influenced by modern agriculture. There is a variety of cropping like wheat, oilseeds, cash crops and marketable vegetables. The Tribals have also taken to business but mostly as small entrepreneurs.

They also took to modern education which led to diversification of occupation into non-agricultural sectors. Thus educated tribals are moving up higher in the ladder of social strata. It would be worth defining occupation at this juncture because the tribals have their own means of livelihood mainly agriculture as subsistence economy.

Today the tribals are found in almost all the occupations both white-collar jobs and blue-collar jobs. Under professional jobs there are tribal doctors, lawyers, engineers, university teachers, school teachers of various grades, nurses, skilled technical workers etc. The tribals are also found in central and state government offices, executives and managerial offices. The highest number of course is found in the clerical grades of different levels. Semi-skilled, skilled and non-skilled workers come in the blue-collar workers where tribals are the majority. It is revealed from the Table-5 that the percentage of marginal worker are very high among the STs , it has increased during 2011 Census.

Table 4: Percentage Distribution of Workers by sex

	STs		All		Gap	
	2001	2011	2001	2011	2001	2011
Total Workers						
Male	53.2	55.6	51.7	68.9	1.5	-13.3
Female	44.8	44.4	25.6	31.1	19.2	13.3
Main Workers						
Male	43.5	63.9	45.1	75.4	-1.6	-11.5
Female	23.9	36.1	14.7	24.6	9.2	11.5
Marginal Workers						
Male	9.7	40.2	6.6	49.2	3.1	-9.0
Female	20.9	59.8	11	50.1	9.9	9.7

Source: RGI, Census of India 2001,2011

Access to Basic Amenities

ST population access to basic amenities is astoundingly low. Only 22 percent of ST households have sanitary toilets in their houses. IN the case of 46 percent of households, kerosene is the main source of lighting. The household amenities of ST households are given in Table-5&6.

Table 5: Basic Amenities in India- A comparison of All Social groups and STs (Census 2011)(figures in percentage)

S.No	Indicators	All Social Groups	ST
1	**Housing Condition**		
	Total houses	246,692,667	23,329,105
	Good houses	53.1	40.6
	Livable Houses	41.54	53.13
	Dilapidated Houses	5.35	6.25
2	**Drinking Water**		
A	**Households by location of the main source of drinking water**		
	Within the premises	46.6	19.7
	a. Tap water from treated source	68.37	53.67
	b. Tap water from un-treated source	42.9	28.7
	Near the premises	35.8	46.7
	Away	17.6	33.6
B	**Households by type of source of drinking water**		
	Perceived full intervention (treated tap water, hand pump etc.)	65.46	53.82
	Perceived partial intervention (untreated tap water, covered well, Tube-well/ Borehole etc.)	21.62	19.58
	Perceived non intervention (Un-covered well, Spring, River/ Canal, Tank/ Pond/ Lake, Other sources etc.)	12.92	26.6
3	**Sanitation**		
A	**Availability of latrine**		
	Households having latrine facility within the premises	46.9	22.6
	Households not having latrine facility within the premises	53.1	77.4
	Night soil removed by human	0.3	0.1
	Open defecation	49.8	74.7
B	**Availability of bathing facility within premises**	42	17.3

Table 6: Basic Amenities in India- A comparison of All Social groups and STs (Census 2011)(figures in percentage)

S.No	Indicators	All Social Groups	ST
C	**Waste water outlet connected to (Closed drainage)**	18.1	6.1
4	**Availability of Kitchen & Type of Fuel Used by Households for Cooking**		
A	**% HH having separate kitchen inside**	61.3	53.7
B	**Households Cooking inside house and the type of fuel used**		
	Use of Smoke emanating fuel for Cooking: Fire-wood/ Crop residue/ Cowdung cake/ Coal, Lighite, Charcoal	63.99	87.5
	Use of non- Smoke emanating fuel for Cooking : Kerosene/ LPG/ PNG/ Electricity/ No cooking	35.58	12
C	**Households Cooking outside house and the type of fuel used**		
	Use of Smoke emanating fuel for Cooking : Fire-wood/ Crop residue/ Cowdung cake/Coal, Lighite, Charcoal	91.9	95.62
	Use of non- Smoke emanating fuel for Cooking : Kerosene/ LPG/ PNG/ Electricity/ No cooking	7.21	3.34
5.	**Lighting**		
	Electricity as main source of lighting	67.2	51.7
	Kerosene as main source of lighting	31.4	45.6
	Solar energy as main source of lighting	0.4	1.1
	Others	0.9	1.6
6.	**Financial Inclusion**		
	Households availing Banking services (%)	58.7	44.98
7.	**Communication facilities**		
	Mobile Phone connectivity	53.2	31.1
	Both (land line and mobile)	6.0	1.8
8..	**Possession of some Important Durable Assets**		
	Television	47.2	21.9
	Bicycle	44.8	36.4
	Computer / Laptop	6.3	4.4
	Two wheeler	21.0	9
	Four wheeler	4.7	1.6
	Households with TV, Computer/ Telephone/mobile phone & Scooter/ Car	4.6	1.3
	Not having any of the above items any	17.8	37.3

Note * fuel wood consists of fire wood/crop residue/cowdung cake/coal, lignite, charcoal Source: Census 2011

Access to Land and Local Resources

It has been noted earlier that one of the elements or criteria to determine a group as tribe is territory that is synonymous with their cultural identity. This territory of an exogamous, isolated, self contained, simple organized, having own cultural and social traditional society, was ruled by a tribal Chief. This was a feature before the coming of the British when substantial areas were ruled exclusively by such tribal chiefs. In most of the north-east regions the tribal chief was the supreme, having command over village or groups of villages. There were large Tribal States like those of the Gonds in Nagpur and Garh Mandla. Munda Chiefs were supreme in their territory, effectively protecting it from outside influence. There were areas under Bhil leaders as in Jhabua. Some of the tribal areas were under Kshatriya rulers, particularly in central India and Rajasthan. The largest being the Bastar state. Many of the zamindars, however, were tribals under these rulers. This is the pristine concept and image of the self-rule of tribals before the British and the independence.

Since they were the rules of their areas the entire territory with all the resources on the surface of the land and below belonged to them. Hence the tribals were land owners from the very beginning who owned all resources and managed them. The Mughals did not interfere into their ownership or social organization and life style so long as they paid the *malgujari* (land revenue) to the Mughal Emperor. That is why the introduction of the *zamindars* and rajas by the British for their revenue was totally alien to the tribal system of self-rule and communal ownership of land and forest. Even the old rulers- tribals and others- began to adopt new methods of administration through their *zamindars* and their agents. The successive, almost continuous uprisings of the tribal communities living in these regions against the imposition of new administration drew attention to the special problems. The British slowly realized the difference between the larger Indian masses and the inhabitants of forests and hills. Consequently certain communities, for the first time, were recognized as separate ethnic groups and classified as aborigines. The areas predominantly inhabited by the aborigines were directly under the British administration and excluded fully or partially from the normal administration. Areas were, later on, called "scheduled areas" and the tribes included in the Schedules to the Presidential order of 1950 were called "Scheduled Tribes".

There was no question of access to the land by tribes; rather they had inherently possessed the land and forest of the territorial entity where they lived. It is their birth right over the land and forest and all the natural resources of their territory.

2.4 SOCIAL DISCRIMINATION AND DISABILITIES OF SCHEDULED TRIBES

2.4.1 Outside the Hindu Caste System

In the foregoing pages we have stated that there was a difficulty in distinguishing the jana and the tribes in ancient times. However, not many would accept equating them on equal parlance. The social organization of the janas was based on "egalitarian" principle while the jati's social organization was based on the system of "jati". The term jati even today implies caste hierarchy which is absent in the tribal society. The tribal society therefore falls outside the pale of caste system

and does not suffer from caste discrimination or untouchabilty. However, serious social disabilities are created in the name of tribals who are described as poor, illiterate, backward and uncivilized. Further, many tribes are still living in the hills and forests who are still isolated from the main stream of society. According to the 2001 Census the tribals were reckoned 8.2 per cent of the total Indian population which is a minority group. They do not come into the main stream society though a big chunk has integrated into it due to increased interaction with the main stream culture.

2.4.2 Poverty

The main occupation of the tribals is agriculture and some of them still depend on hunting and gathering and some on nomadic zoom agriculture which is also known as "slash and burn" cultivation. Their agriculture is very much primitive and traditional depending mainly on monsoon. In kharif season about 47% land are under irrigation and only 2% in the rabi season (1991 Census). Nearly 90 per cent of the tribals live in villages, some in forests and hills. In 2004-2005 there were 47 per cent tribals below poverty line in the rural area and 33 per cent in the urban area compared to 16 per cent for others in both the areas (Planning Commission). One can see the vast difference in poverty between the two social groups. Recently the migration of tribals due to displacement has increased by leaps and bounds.

2.4.3 Illiteracy

The literacy rate of tribals at the national level was 47.10 per cent as per 2001 Census, of which 59 per cent was male and 37 per cent was female. The literacy rate for the general population was 65 per cent. The literacy rate among the tribals comparatively is very low. We have discussed earlier that due to poverty the tribals cannot take to education and much less to the higher level particularly, among the rural tribal population. There is little awareness about the value of education among the tribals and to add to it there are no sufficient number of schools in the remote villages. The present status of the literacy rate goes higher much due to the pioneering efforts of the Christian missionaries who opened schools even in the remotest areas to impart education to tribals and backwards classes. Now there are various projects, like National Literacy Mission programmes, Non-formal Education, Adult Literacy, sarva shiksha abhiyan and private schools that have boosted up the literacy rate.

2.4.4 Backwardness

Both the factors given above, namely, poverty and illiteracy sum up to give the rationale for the relative backwardness of the tribals in general. The habitat of the tribals is also partly responsible for their isolation, and minimum interaction with the rest of the society.

Check Your Progress 3

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) What are the two principal points that distinguish a tribe from a caste?

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2) Identify at least three factors that have brought about changes in the socio economic conditions of the tribals.

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3) What are the three main points of the social discrimination of Tribals?

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2.5 MAJOR PROBLEMS OF SCHEDULED TRIBES

2.5.1 Land Alienation

The Scheduled Tribe people are basically land holders. The holding pattern and the amount may vary from place to place but they are agricultural based communities. Land, forests and water sources are the bedrock of their livelihood. Tribal communities traded with outsiders for few necessities like salt and iron. The twentieth century, however, has seen far-reaching changes in the relationship between tribals in India and the larger society and by extension, traditional tribal economies, improved transportation and communications have brought ever deeper intrusion into tribal land. Merchants and variety of government policies have involved tribals into cash economy. Large areas fell into the hands of the non-tribals round 1900, when many regions were opened by the government to homestead-style settlement. Immigrants received free land in return for cultivating it. The notion of land ownership was at most communitarian for the tribals. By the time tribals accepted the need of obtaining land titles they had lost the opportunity. The colonial regime realized the necessity of protecting tribals of India from the predations of outsiders and prohibited the sale of tribal lands. Yet there were some loopholes like grant of lease form. Little land was left for the tribals. In the post independence era tribal land has been rapidly taken away by industries, mines, big dams, sanctuaries, reserve forests etc, driving the tribals into utter poverty and misery. Out of the 40 million people displaced since

independence across India 40% are tribals. This shows the magnitude of the development-induced displacement. Land alienation is the major problem of the tribals today. The causes of land alienation are hydroelectricity and irrigation, mega dams, power plants, mines, industries, military installations, weaponry testing, railways, roads, reserves, sanctuaries etc.

2.5.2 Losing Rights Over Community Forests

For a large number of tribal people, forest is home, a livelihood, yes the very existence. Forest is one of the mainstays of tribal economy. It gives them food – fruits of all kinds- edible oils, honey, nourishment roots, herbs, wild game and fish. Minor forest produce gives them supplementary income to their meager produce. From time immemorial tribal people have enjoyed freedom to use the forest and hunt animals and this has given them a conviction that remains even today deep in their hearts that the forests belong to them. Traditionally local communities exercised their rights over the forests because it was the source of livelihood, house construction and agricultural implements. The forests provide fuel, food, fodder, fibre and timber for housing, ploughing and other materials. While the community utilized the forest produce it was in the nature of the tribals to conserve the forests for their sustainable economy and livelihood. The tribals had free hand in exploiting the forest resources, and they also regulated it continuously, like restrictions in cutting certain kinds of trees. But it did not pose any problem as the population was small and the forest vast. After the British came into the scene they realized the value of timber and started controlling its use especially after 1855-56.

2.5.3 Forests Acts

a) Forest Acting Director 1865 – This covered the management and preservation of Forests. Any land covered with trees was declared as forest and hence controlled by the government.

b) Forest Act 1878 – Forests were classified under

   i) Reserved forests

   ii) Protected forests

   iii) Village forests

c) Forests Policy 1894 – Provided that the State Forest to be used for public benefit and valuable timbers to be declared as commercial.

d) Forest Act 1927 – It was related to the question of duty on timber, therefore commercial approach to the use of forests.

e) Forest Act 1935 – The subject of forest was included in the provincial list under this act empowering the province for forest management.

i) Post Independence:

a) National Forest Policy 1952 - Declared that the forests should be used strictly for the national interests. “The accident of village being situated close to a forest does not prejudice the right of the country as a whole to receive the benefits of a National Asset” (Paty Kr Ed 2007). Logic was that the rural people have not contributed much towards the maintenance and regeneration of the forests (National Commission on Agriculture – 1976:25). This act does not consider the needs of the adivasis/ tribals for the use of even the

minor forest products. A study team of the Tribal Development Programme of the Planning Commission presented a report that asserted, " that the tribals have special claim over the forest and forest produces, they have the rights to collect fuel, food, fodder and minor produces"

b) The Forest Policy 1988 with amendment – The Act stressed on the forest conservation but did not blame the people statement as in earlier documents. But it did not analyse the causes of destruction and solution.

c) The Conservation of Forests and Natural Eco-system Act 1995 - It was proposed as a New Forest Bill to replace the Forest Act 1927. This bill was not covering the people's right over forest for livelihood. But this bill stressed the need of people to manage and conserve forests. Forests are national assets to be protected and enhanced for the well-being of the people and the nations. Management was decentralized by the 73rd-74th Amendment of the Constitution implying people's participation.

2.5.4 Traditional Agriculture

By and large the tribals take to primitive technology for agriculture even to this day. It depends on the mercy of monsoon entirely which of late is coming more and more unpredicted and erratic due to climatic change. The animal power, monsoon rain, mono cropping, meager land holding, less fertile soil, land erosion, depletion of forests are some of the main characteristic features of tribal agriculture. The annual per acre yield remains to be low. There is a high level dependency population on the agriculture and the labour surplus is the added reason for poor agriculture. For most of the tribal households the produce of the land is hardly sufficient for six months, so for the remaining months they have to depend on daily wages either locally available or outside. There is also undue pressure on agriculture land because of the large population to be fed. The modern technology has not touched primitive agriculture extensively and high yielding varieties are limited in use. Cultivation remains the main occupation of the tribals but with so many constrains.

2.5.5 Unemployment

The *kharif* crop cultivation activities keeps the tribal farmers busy for about six months and for the remaining six months they are largely idle and unemployed. The *rabi* crop is taken up only by about 2 per cent of the tribals because of the lack of irrigation facilities. These are the non-productive days when the tribals are unemployed. In the rural sectors there are government schemes now to give them employment but insufficient. Some of the schemes under rural employment programmes are: National Rural Employment Programme (NREP), Jawahar Rojgar Yojna (JRY), Food for Work Scheme, and now the latest is National Rural Employment Guarantee Act (NREGA). The last one gives a guarantee of 100 days work by Act of the parliament. Most of the unemployed tribals and other poor people are the beneficiaries. The youth have a very high rate of unemployment because there is also high degree of school dropouts. The result is that they are migrating to the urban areas in search of job and livelihood.

2.5.6 Development Displacement

Development projects of the country are mostly located in the tribal belts. Industries, mines, mega dams, reserves are maximum located in the tribal

dominated habitat. The tribals are being pushed out of their home soil by force. Since independence the number of development-induced displaced people in the country was about 40 million of which 40 per cent were tribals. This number has increased to 50-55% by all estimates till 2008. This is a fact that the stream of displacement continues.

2.5.7 Migration

Migration by definition is the movement of population from one place to another in search of livelihood or other necessities of life not available in the place of birth. Such movement could be from less developed villages or cities to more developed villages and cities. It could also be from a traditional agricultural occupational area to modern industrial occupational areas. The desire is to gain basic necessities and amenities of life for a higher standard of life. Such a motive to movement is called the "push" factor and the availability of goods and services in another place is called the "pull" factor. The push and pull factors can be both economic and non-economic. Need of higher income in the industrial sector could be the pull economic factor whereas the aspiration of modern amenities like films and TV and running water for household use could be the non-economic factor. More concretely economic factors are poverty, search for livelihood, better employment opportunities etc. Lack of proper education, social discrimination, open war, media influence, and desire to be away from social control are some of the social and non-economic factors of migration. In this sense it is different from the displacement which is by compulsion rather than voluntary. The tribals in general have moved to towns and cities main in search of jobs and better opportunities.

The main cause of their move is poverty and poverty is caused mainly by the unviable agricultural yield in the traditional villages. The government has not given enough attention to modernize agriculture or provide irrigation facilities. The available job opportunities are found only in towns and cities and industries. So because of this economic development policy of the government the people migrate to towns and cities. The consequences are:

- loss of tribal population in the state/districts of birth
- tribals are becoming minority in their own homelands
- transfer/alienation of tribal lands
- identity of tribals in danger
- increasing slums in cities and poverty as well

2.5.8 Problem of Maoist Extremism

This is very pernicious fallout of the poverty and exploitations of the tribal society particularly in the central regions of India. The Maoist organization found fertile ground to take roots and flourish in the poverty stricken regions of central regions in India. They made their inroads in Bengal and Andhra Pradesh central Bihar. Today they have got firm footing in all most all the tribal belts of India. Andhra Pradesh, Orissa, Jharkhand, West Bengal, Chhattisgarh, Madhya Pradesh are rigged with the menace of the Maoist terrorism. They induce the young unemployed from the tribal belts and recruit them to their regiment on a paltry sum of money, uniform and a gun. The developments of these regions have been sabotaged by the Maoists. These extremists groups are nearly running a parallel

government in the rural areas. The efforts of the government to squash these groups have been very unsuccessful.

2.6 GOVERNMENT MEASURES

2.6.1 Constitutional Provisions

The policy of "isolation" of tribals adopted by the British exposed them to exploitation, extortion, enslavement and treatment like animals in the colonial period. The new class of people like the zamindars, money lenders, contractors, traders, middle men grabbed their land and reduced them to utter poverty. Thousands and thousands of tribals migrated to the tea gardens of Assam and Bengal and the land of Andamans as labourers. In fact this was the most pitiful conditions of the tribals only a few took notice of and showed their concern. Pundit Jawaharlal Nehru was one of them as the first Prime Minister of India. The founding fathers of the Indian constitutions took pity on the gross social injustice, discrimination and social disabilities suffered by the Scheduled Tribes and the inhuman suppression and economic exploitations to which they had been subjected to over centuries. They incorporated special provisions in the Constitution with the object of promoting and safeguarding the social, educational and economic interests of persons belonging to Scheduled Tribes. One of the main concerns of the founding fathers of the Constitution was to create an egalitarian society wherein justice, social, economic and political prevail and equality of status and of opportunity' are made available to all. There are number of articles adopted by our Constituent Assembly to ameliorate their conditions and lift them to a position of equality with others. All these provisions have been designed to narrow down the various disparities existing between the socio-economic conditions of the Scheduled Tribes and the rest of the population.

Constitutional Provisions: After Independence and adoption of the constitution of free India, various constitutional provisions were made for the welfare and development of tribals In pursuance of the Directive Principles, (as Article 46) state, 'promotion of education and economic interests of Scheduled Castes, Scheduled Tribes and other weaker sections", special articles have been provided. These constitutional provisions may be divided into five classes:

1) Social provisions = Abolition of untouchabilty of any form (Art. 17), Prohibition of child labor under 14 in mines and industries (Art. 24), freedom to practice and maintain any religion (Art 25 – 2B)

2) Economic provisions = Assistance of states to implement the provisions of constitution (Art. 275), executive power given to draw up schemes for Tribal development (Art. 339), safeguarding tribal interest in property (Art. 19 – 5)

3) Educational and Cultural provisions = promotion of social, economic and educational interests and reservation of seats in educational institutions (Art 15-4), cultural protection of tribal communities (Art 29-1), promotion of educational interest of tribals (Art.46)

4) Political provisions = reservations in the Lok Sabha and Vidhan Sabha (Art 330, 332, 334), appointment of a commission (Art 339-1), Minister in charge of Tribal Welfare in Bihar, Orissa MP (Art. 164), special provisions for Nagaland, Assam, Manipur, Sikkim, Mizoram, Arunachal Pradesh (371- A-F)

5) Services provisions = Reservations in posts and services (Art. 16 – 4) Limits of reservations (Art. 335). The main aims of the constitutional provision are protection and development.

2.6.2 Reservations

Reservation in the Indian law is a form of affirmative action. By this measure certain percentage of seats are reserved for the Scheduled Castes and Scheduled Castes in public sector units, union and state civil services, union and state government departments and in all public and private educational institutions. It is meant for socially backward classes who are inadequately represented in these services and institutions. Reservation is a concept not unique to India only; it also exists in other nations like the USA where certain percentage of jobs are served for African Americans or other "disadvantaged" groups. Scheduled Tribes in India are under represented in the country's social structure because they have been historically oppressed and discriminated. Reservation was an attempt to abolish some social evils like untouchabilty and reduce social differences giving the Scheduled Castes and Scheduled Tribes equal opportunities to better their lives and integrate themselves into the country's social fabric. To this effect the following are the provisions:

- 15% Seats Reserved In The Government Aided Educational Institutions
- 7.5% Jobs In The Government/Public Sectors As Reserved Quota
- 27% Of Higher Education Quota By Central Government
- State Governments May Legislate Further Reservations
- By Supreme Court Ruling Reservations Cannot Exceed 50%
- Provision For Review Of Reservation After Five Years
- Reserved Constituencies In Scheduled Areas
- Provision Of Political Reservation Only For Ten Years Initially

Problems: The provisions of reservations given in the constitution for the Scheduled Castes and Scheduled Tribes did not have an easy sailing. In the course of time it became a thorny problem and it is more vehemently opposed today, particularly, regarding admission in the higher educations. There are oppositions from the larger society as regards the period of application of this provision and the standard criteria for selection. The Normal period prescribed is five years but this period is not sufficient to bring up the target groups to the level of the general population. Besides, there are so many other factors that come as hindrance to the fulfillment of the desired target.

There have been periodical reviews and each time due to above mentioned considerations the period of reservations is extended by various amendments in the parliament. Reservation for Lok Sabha and Vidhan Sabha is supposed to expire in January 2010 as of now. Only the time will tell about its fate. It is to be noted that political reservations in the Lok Sabha and the Vidhan Sabha are not as stiff as it is in the educational and professional institutions, like the schools and colleges, IIT/JEE, IIM, Medical and Engineering Colleges. Some points of arguments are brought out here.

The bone of contention is merit by competition in such institutions rather than by reservations on the ground of backwardness and surnames, which may likely

give admission to candidates of lower quality. The qualifying cut points in competitive examinations are much lower for the reserved candidates than those of the general category. It implies therefore, that the general candidates have to work twice harder than the reserved candidates. Economic conditions should also be taken into consideration, according to some critics, as criterion for selection of reservation at least for some economically well-off groups. Lot of grounds is created for biases and prejudices that come as social discrimination against these backward class people.

2.6.3 Fifth Schedule and Tribal Areas

As per the Article 244 (1) provisions are given as to the administration and control of Scheduled Areas and Scheduled Tribes. There are four parts in this provision:

a) **General**: Under this Schedule the expression "State" does not include the states of Assam, Meghalaya, Tripura and Mizoram. The subject to the provisions of this Schedule, the executive power of State extends to the Scheduled areas therein. The governor of the State will make a report for the President annually or whenever required. The president will give direction to the governor for the administration of the Scheduled areas.

b) **Administration and Control**: There would be an Advisory Council set up of not more than 20 members of whom three-fourth shall be the representatives of the Scheduled Tribes in the Legislative Assembly of the State. The Council will advise on matters pertaining to the welfare and advancement of the Scheduled Tribes. The governor monitors the application of any Act of the Parliament or the Legislature in the Scheduled areas. He also is in charge of protecting the tribal land from transfer or alienation of tribal lands into non-tribal hands.

c) **Scheduled Areas**: In this Constitution the Scheduled Areas mean such areas as the President may by order declare to be the Scheduled Areas. He may by any order direct any part wholly or partially to cease to be Schedule area, increase its area or alter by way of rectification of boundaries of any scheduled Area.

d) **Amendment of the Schedule**: Amendment of the Schedule can be done from time to time by the Parliament by way of addition, variation or repeal any of the provisions of this Schedule and, when the Schedule is so amended any reference to this Schedule in this constitution shall be construed as reference to such Schedule as so amended.

The President declared certain areas in the central belt of Madhya Pradesh (Chhattisgarh), Rajasthan, Gujarat, Andhra Pradesh, Bihar (Jharkhand), Orissa, Maharashtra, Himachal Pradesh as Scheduled areas. The characteristic features are that the Governor has special legislative power, as to report to the President and take the advice of the Tribal Advisory Council, however, not bound by it. The Governor has the power to suspend any Act of the Parliament that may not be conducive to the welfare of the Tribals.

2.6.4 Sixth Schedule and Tribal Areas

As per Article 244 (2) and 257 (1) provisions are given as to the administration of the Tribal Areas in the States of Assam, Meghalaya, Tripura and Mizoram. The Scheduled characterizes the autonomy of the districts and the regions. Accordingly these tribal areas are governed by the provisions of the sixth schedule. There are nine districts falling under these States: The North Cachar Hills District; The Karbi Anlong District; Khasi Hills District; Jaintia Hills Distirct; The Garo Hills District; Tripura Tribal Area District; The Chakma District; The Mara District and the Lai District. The main features of this sixth Schedule are:

- Their full authority in respect of matters falling within their jurisdictions
- Self management/governance through autonomous districts; district Councils are elected bodies with corporate status and have power
- To make laws for management of forests, allotment of land and its use
- To make laws on marriage, divorce, inheritance and succession of property
- To regulate money lending
- To constitute village councils or courts to try cases among the tribals
- Has a fund and can establish schools, dispensaries, markets, roads, waterways etc.
- The governor enjoys unique position in autonomous districts. In several respects his position may be equated to that of the President's in relation to the State.
- Governor may appoint a Commission of enquiry and might dissolve a district council on its recommendation or suspend any act or resolution of the district council.
- The writ of the parliament or the state legislature does not run automatically unless the Acts in whole or part are notified by Governor for tribal areas.

Administrative setup is also a factor for unsatisfactory performance of Tribal Development programmes. Planning Commission observed that multiplicity of agencies ahs resulted into diffusion of responsibilities, lack of coordination and difficulty in identifying the concerned officials. Nevertheless, the considerable socio-economic development improvement cannot be denied despite mismatch between input and outputs.

Check Your Progress 2

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) Write down the three main features of reservations for Scheduled Castes and Scheduled Tribes provided in the Constitution.

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2) What are the three main features of the Fifth Schedule?

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3) In what four different ways has the Sixth Schedule helped the North-East Tribals?

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2.7 DEVELOPMENT POLICIES AND PROGRAMMES

2.7.1 Tribal Development Programmes

Way back in 1958 Jawaharlal Nehru had rightly outlined the basic policy of the development of Tribals, "Tribal people should be afforded opportunity to develop along the lines of their own genius and we should avoid imposing anything on them. We should try to encourage in every way their own traditional culture". (Verrier Elwin, 1958)

Taking this policy into account the post independent period has seen number of programmes for the development of tribals. In order to achieve this objective a special tribal development administrative setup was organized right from after the independence. The broad framework of administration is given below:

- Under Article 338 of the Constitution, a special officer known as Commissioner for Scheduled Castes and Scheduled Tribes has been working since November 1950. The ministry of Home Affairs was initially in charge of the work related to the welfare of Scheduled Tribes till 1964. It came under the Department of Social Security, and in 1966 was recognized under the Department of Social Welfare and is responsible for the welfare of Scheduled Castes and Scheduled Tribes and other backward classes.

- Commissioner for SC and ST groups: It is the medium through which the union government is kept informed of the programmes and implementation of the safeguard and welfare schemes of ST and SC.

- National Commission for SC and ST: The commission shall consist of the Chairperson the Vice Chairperson and five other members nominated by the President. Their power and duties are to investigate and monitor matters relating to the safeguards provided to the ST and SC, inquire into the

complaints regarding deprivation of rights, participate and advice the planning for their socio economic development inform the President of the working of this Commission, that is put in the parliament.

- There are State and district level setups for the tribal programmes that may vary from one state to another. At lower level the District Magistrate and his subordinate staff and officers of various departments are responsible for all development activities related to the Tribals.
- Under the Fifth Scheduled and the Sixth Scheduled (described earlier) there are elaborate provisions for the governance and development of the Scheduled areas.

2.7.2 The Five Year Plans and the ST

- With the First Five Year Plan launched in 1951 the Community Development Programmes were organized under the Block whose in charge was the Block Development Officer. Emphasis was given on rural health, communication and housing.
- The 2nd Five year Plan emphasized on the economic development and set up Special Multiple Tribal Blocks (SMPT). The Ministry and Home Affairs and the State government through blocks jointly implemented the programmes.
- In 3rd Five Year Plan these blocks were named as Tribal Development Block which primarily undertook with priority the economic, education and, health and housing sectors. The blocks were initially consisting of one lakh population later on reduced to 25 thousand with 2/3 tribal population.
- The 4th Five Year Plan introduced the strategy of Tribal Development Agency as additional programme focusing on specific target groups/areas especially in Bihar Orissa and Andhra. The targets were individual families and small farmers.
- The 5th Five Year Plan is known as the landmark of tribal people. The concept of Tribal Sub Plan (TSP) was introduced. The strategy under this concept was that of Integrated Tribal Development Actions (ITDA).
- The 6th Five Year Plan adopted Modified Ares Area Development Approach to cover smaller areas of 10,000 population. In this 50% or more were supposed to be tribals. There are 268 MADA at present.
- Under the 7th and 8th Five Year Plans the Tribal Sub-Plans were consolidated better. Other efforts were also initiated for the development of the Primitive Tribal Groups (PTG).

2.7.3 Tribal Sub Plan

Under this scheme the entire sub plan area was divided into a number of viable Integrated Tribal Development Projects (ITDP). Initially the project coverage was on an average of 3 to 4 lakhs population and in 6 to 7 Blocks. By the end of the 5th Plan there were 179 ITDPs covering nearly 65% of the country's tribal population. Presently there are 191 ITDPs, 268 MADAs,74 PTGs in 15 states/ UT5.

Objectives:

- Narrowing the gaps at the levels of development between tribal and non-tribal areas
- Improving the standards of lives of tribal communities
- Making up for deficiencies in infrastructures for development
- Assisting voluntary agencies to facilitate their participation for socio-economic assistance
- Elimination of exploitation and up gradation of environment

Centrally Sponsored Schemes for Tribal Development are:

- Tribal Development Blocks – Cooperation (under TRIFED)
- Constructions of Tribal Girls' Hostels
- Provision for the Post-Matric Scholarship
- Coaching for IAS, IPS, IFS, State Service Commission services and pre-examination training schemes for tribal candidates

State Plan Schemes for the Tribal Development are:

- Education – pre matric scholarships, stipends, free supply of books, stationery, uniforms and mid-day meals
- Economic development – Subsidy for agricultural implements, seeds, fertilizer, cottage industries, horticulture, and soil conservation
- Health, housing and others – Provisions for housing, drinking water supply, medical and public health aids to voluntary agencies etc.
- Large Sized Multi purpose co-operative Societies (LAMPS) - To free the tribals from the grips of the money lenders and mahajans

Special Central Assistance and grants under Article 275 (1):

- Scheme for development of primitive Tribes
- Tribal Research Institutes
- Construction of hostels for tribal boys and girls
- Ashrama schools in Tribal Sub Plan areas
- Strengthening education of girls in low literacy areas
- Tribal Cooperative Marketing Development Federation of India (TRIFED)
- Coaching centres for Scheduled Tribes
- Grants-in-Aid for NGOs working for Tribal Welfare
- Rajiv Gandhi National Fellowship Scheme (RGNF)
- Vocational Trainings
- National Overseas Scholarship Schemes for Scheduled Tribes

General Criticism: Efforts of planning and programming for the development of Scheduled Tribes are praiseworthy. The life standard OF A GOOD NUMBER OF TRIBALS has come up to a great extent in many areas. Some of them have managed to come into the mainstream of development of the general population. However, in administration the setup is also a factor for unsatisfactory

performance of the Tribal Development Programmes. Planning Commission observed that multiplicity of agencies has resulted in diffusion of responsibility, lack of coordination and difficulty in identification of the concerned officials. Unfortunately, the development programmes for tribal areas have not yielded expected results in terms of input-output ratio.

Suggestions: Firstly, the administrative setup is very complex; it should be made simpler. Secondly, Tribal Sub Plan should be separated from the State plan and thirdly, the main responsibility of Tribal development should rest with the Ministry of Welfare. Once these measures are adopted there would be a considerable change in the functioning and execution of development works.

Check Your Progress 3

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) What are the provisions under Article 388 of the Constitution of India?

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2) What actions were taken in the 1st, 3rd and 5th F Y Plans for the welfare of the Scheduled Tribes?

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3) Under Tribal Sub Plan what are three most important activities for the development of the Scheduled Tribes?

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2.9 CHECK YOUR PROGRESS POSSIBLE ANSWERS

Check Your Progress 1

1) What are the two principal points that distinguish a tribe from a caste?

Ans. The two principal points that distinguish a tribe from a caste are:

a) Social organisation based on egalitarian principle and not on Hindu caste system,

b) No social stigma based on caste system with sense of untouchability.

2) Identify at least three factors that have brought about changes in the socio economic conditions of the tribals.

Ans. The three factors that have brought about changes in the socio economic conditions of the tribals:

a) Taking up to modern education,

b) Diversification of occupation,

c) As a result social mobility.

3) What are the three main points of the social discrimination of Tribals?

Ans. The three main points of the social discrimination of Tribals are:

a) Wide spread poverty,

b) Very high illiteracy,

c) Overall backwardness.

Check Your Progress 2

1) Write down the three main features of reservations for Scheduled Castes and Scheduled Tribes provided in the Constitution.

Ans. The three main features of reservations for Scheduled Castes and Scheduled Tribes provided in the Constitution are:

a) 15% reservation seats in Govt. aided educational Institutions,

b) 7.5% reserved quota jobs in Government/Public Sector employment,

c) Reservation for Lok Sabha and Vidhan Sabha seats in scheduled areas.

2) What are the three main features of the Fifth Schedule?

Ans. The three main features of the Fifth Schedule are:

a) Power given to the Governor for administration of scheduled areas,

b) Reporting to the President by Governor about the implementation of development programme and plans

c) The Governor can suspended any legislature from the State or the Union not suited to the tribals.

3) In what four different ways has the Sixth Schedule helped the North-East Tribals?

Ans. The four different ways through which the Sixth Schedule helped the North-East Tribals are:

a) Autonomy given to the autonomous districts for self-governance,

b) Make laws for the management of forests and land allotment,

c) Funds to establish schools, dispensaries, markets, roads and waterways,

d) To constitute Village Councils to try local cases.

Check Your Progress 3

1) What are the provisions under Article 388 of the Constitution of India?

Ans. The provisions under Article 388 of the Constitution of India are:

a) Establishing of Scheduled Castes and Scheduled Tribes Welfare Society under the Department of Social Welfare,

b) Composition of national Commission for Scheduled Tribes consisting of 5 members

c) District Magistrate and its subordinates made responsible for the development of Scheduled Tribes.

2) What actions were taken in the 1st, 3rd and 5th Five Year Plans for the welfare of the Scheduled Tribes?

Ans. a) In the 1st Five Year Plan launching of Community Development Programme for Scheduled Tribes in Blocks,

b) Under the 3rd Five Year Plan composition of Special Multiple Tribal Blocks (SMPT),

c) Under 5th Five Year Plan introduction of Tribals Sub Plan (TSP).

3) Under Tribal Sub Plan what are three most important activities for the development of the Scheduled Tribes?

Ans. The three most important activities for the development of the Scheduled Tribes are:

a) Tribal Cooperative Marketing Development Federation of India (TRIFED),

b) Large Sized Multipurpose Cooperative Societies (LAMPS), free the Tribals from money- lenders.

UNIT 3 YOUTH IN DEVELOPMENT

Structure

3.1 Introduction
3.2 Youth: Concept and Characteristics
3.3 Role and Status of Youth in Development
3.4 Youth and Family
3.5 Youth and Work Force Participation
3.6 Youth and Health
3.7 Youth Crime and Terrorism
3.8 Youth and Media
3.9 Youth Participation and Citizenship
3.10 Youth Policies and Programmes
3.11 Let Us Up
3.12 References and Suggested Readings
3.13 Check Your Progress-Possible Answers

3.1 INTRODUCTION

It is people who define, make, influence, modify processes of development, and hence, an understanding of the different population groups in society enables us to gain insights into the factors which define development. Youth are a very significant proportion of the population in India, and are critical to the pace of social change. This Unit will help you to understand the salient features of this constituency, and the various societal systems which influence them. This understanding would enable you to analyze the development process and the impact of the development model adopted by the country on the youth. The status of youth is often seen as a sign of the state of the nation. The state and civil society, therefore, feels the need to control and influence the activities of this group. India has a youth policy, schemes and programmes, and these too will be briefly described in this unit.

After reading this unit, you should be able to:

- Define youth and their charactertics
- Explain the role and status of youth in development
- Discuss the youth, crime and terrorism
- Describe national youth policy and programme

3.2 YOUTH: CONCEPT AND CHARACTERSTICS

According to census in India, 2001 youth comprise of 41.05 per cent of the total population in India (Census 2001, see Table 1). India is one of the 'young' countries which has a significant proportion of its population in this age group. Having a large proportion of youth is considered a population 'dividend' as this suggests a large number in the productive and contributing age group. This youth 'bulge' is expected to last till 2050.

Definitions of youth have changed continuously in response to fluctuating political, economic and socio-cultural realities. The National Youth Policy (2003)

defines youth as those persons in the age group of 13 to 35 years. Considering the differential needs, roles and responsibilities of the subgroups within this age group, the youth are further divided into two broad sub-groups, i.e., 13-19 years and 20-35 years. The Policy also states that the youth belonging to the age group 13-19years, which comprises a major part of the adolescent age group, will be regarded as a separate constituency.

Since the United Nations International Youth Year, 1985, the General Assembly of the United Nations has defined youth as the age group between 15 to 24 years, while at the same time it also recognizes the diversity of definitions used by Member States. The Commonwealth Youth Programme includes those in the age range of 15 to 29 years.

It needs to be understood that children, adolescents and youth are not natural, universal categories, and the differences between these groups in a given society cannot simply be seen as physical differences. Thus, one finds overlaps between the chronological definitions of the three life stages, and the legal definitions vary according to the roles expected, and the services to be provided.

- The Convention for the Rights of the Child defines a child as those up to the age of 18 years, which overlaps with the definition of youth. The ICDS considers its beneficiaries (adolescent girls) as those between 11 and 18 years; while the Reproductive and Child Health programme defines adolescents as being between 10 -19 years.
- The legal age for voting in the Central and State elections is 18 years. The permissible ages for marriage are 18 years and 21 years for girls and boys respectively.

Table 1: Population of Youth- (15-24 years)

Country	2012		
	Population (in millions)	Youth (15-24 years) Population in million	Proportion of Youth
China	1358.8	242.2	17.8
India	1205.6	229.0	19.0
USA	312.2	43.9	14.1
Indonesia	240.6	40.5	16.8
Brazil	195.2	33.6	17.2
Pakistan	173.1	37.2	21.5

Source: *Wolrd Population Prospects-The 2012 Revision, UN, 2013*

Table 2: Percentage of Adolescent and Youth Population in India

Year	Adolescent	Youth
1961	19.4	16.7
1971	21.2	16.5
1981	22.6	18.3
1991	21.2	18.3
2001	21.9	18.5
2011	20.9	19.2

3.2.2 Characteristics of Youth

Eisenstadt (1972) defined youth as the period of transition from childhood to full adult status with full membership in the society.

Rosenmayr (1972: 227-28) identifies five conceptual approaches to defining youth.

a) youth as a 'phase in the individual life-cycle' : the physiological and biological growth

b) youth as a 'social subset': forms of behaviour in a roughly determined age range

c) Youth as 'an incomplete status': transition between childhood and adulthood.

d) Youth as a "socially structured generation – unit" : experiencing certain common conditions and generating common activities

e) Youth as " an ideal value concept" : idealism, alert, traits called 'youthfulness'

However, in the conventional sense, youth is considered a phase of high expectations, high risk taking and great enthusiasm, and, hence, a strong force within society. They can be mobilized for physical target achievements (e.g. war) and for psychological purposes (integration of society) by utilizing its capacity for sacrifice, courage, passion and idealism. Youth are futuristic and hence, their thoughts and values, behavior are often determined by their vision of tomorrow. Youth are not a homogenous constituency and can be grouped in several categories such as location (urban, rural, tribal); shelter (those with shelter, homeless); economic class; gender; role (student, non-student); employed, unemployed (Narayan, 2006). Being a large country, the characteristics of youth also vary from State to State and region to region.

The majority comes from the economically deprived sections of society where the psychological and social problems experienced by the individuals are inextricably intertwined with poverty. Poverty also leaves its scars on the emotional and mental growth of an individual and it is seen that a significant number of children do not experience the concept of a 'childhood' and hence, take on young and adult roles at an early age in life. The socially marginalized youth would include those with weakened or severed family and social ties; those with disability; socially stigmatized groups(e.g., eunuchs, delinquents) ; victims of violence and abuse (physical, emotional, sexual); groups that are more vulnerable to substance abuse (street youth) ; refugees and those displaced by natural and manmade disasters ; those in detention.

If youth are persons upto the age of 35 years, then their life experiences have largely been shaped by the events after the 1980s. They are products of post independent India, for whom independence and democracy are taken for granted; technology, media and internet are an integral part of their lives.

Youth can be viewed as,

- A group that has specific life goals and tasks related to their stage of growth, e.g., education, identity, work, family.
- A group that can be mobilized for social and cultural change e.g., participation in societal issues.

Youth as a social category has always been there in the process of globalization – sometime as an actor and mobiliser of change, and many a time as the victim of the process. In terms of opportunities, the urban youth are the most privileged; the rural male youth follow second, while the female rural youth are the most disadvantaged. Urban female youth are slowly gaining in status and power, though there is still tremendous resistance towards gaining equality with their male colleagues.

In this section read about youth and their characteristics and now answer the questions given in check your progress 1

Check Your Progress 1

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) What do you mean by youth?

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3.3 ROLE AND STATUS OF YOUTH IN DEVELOPMENT

In the rural areas, the unorganized sector comprises of landless agricultural labourers, small farmers, those engaged in animal husbandry, poultry and fishing activities, artisans, and forest workers. In the urban areas, it includes construction workers, tradesmen such as carpenters, hawkers, and head load workers and so on.

Unfortunately, a major demoralizing factor is the ever-looming spectra of unemployment after completion of higher education. The **unemployment level** is defined as the labour force minus the number of people currently employed. The **unemployment rate** is defined as the level of unemployment. **Unemployment** can be defined as a state of worklessness for a man fit and willing to work. It is a condition of involuntary and not voluntary idleness.

According to the NSS data (62nd Round, 2005-06), the unemployment rate was 5.26 for youth in the age group of 15-35years; and the work participation rate was 51.18. Youth more than any other group has to pay the social cost of globalization.

For youth, an important transition to work: he/she is meaningfully engaged in some work, and is financially independent. Employment provides time structure, social contact, activity, status, purpose and control. Unemployment results in economic implications, physiological and psychological effects. Women's

participation in the work force is interwoven with caste, class and gender hierarchies**.**

The stage of transition from school to work, and, hence, unemployment is viewed as a serious problem. Migration for employment is on the rise, increased migration to urban locations, leads to overcrowding, lack of adequate infrastructure, and creation of identity issues (insider and outsider). Such a situation has other consequences such as increase in crime, substance abuse, mental illness and so on.

Globalization and modernization have widened the scope of work and enhancing lifestyles (especially the urban middle class). However, many existing crafts and skills are becoming outdated or irrelevant (computer skills, artisans).

In spite of a significant rise in new vocations and careers, students still opt for jobs and careers, which have a status and standing in society. It is also seen that self-employment is the choice of many youth, and due to lack of jobs to offer, the government's emphasis now is also on encouraging people for self-employment (Times of India, September 18, 2000, pg.1). One finds that skilled workers, like carpenters, farmers, blacksmiths, prefer their children to take white collar jobs rather than carry their trades. The number of youth involved in the task of social reconstruction, is very small.

Today, expectations and aspirations for a consumerist lifestyle makes youth more ambitious and aggressive in career advancement.

"*The youth see the private sector as modern, wealthy and professional; the civil service as highly social, classy, arrogant and corrupt; and the armed forces as macho, brave, caring, committed but leading an unsettled life.*" (*The Times of India, May 27, 1995, pg.11*) .

It is well known that in spite of constitutional and legal provisions (Child Labour (Prohibition and Regulation), 1986) children and adolescents continue to be part of the work force. There is not much data on adolescents and youth in the informal sector, such as the street youth, and this needs to be explored. **The schemes** offered by the Government include:

- National Rural Employment Guarantee Act (NREGA), which is an interim arrangement to tide over a period, and ensures minimum 100 days of work. However, this is not implemented in all districts across the country.
- Employment Guarantee Scheme (EGS);
- *Aam Admi Bima Yojana* – Social Safety net for unorganized people.

The World Development Report, 2007 mentions certain key issues which need to be kept in mind when managing the transition from education to work. These are:

- Starting work too early
- Breaking into the job market. "*employment rates for youth are systematically higher than for older generations" pg. 7.*
- Moving to new jobs and up the skill ladder. Especially in poor countries, young people are working very hard, but earning very little.

3.4 YOUTH AND FAMILY

The family is considered the basic unit of the Indian social fabric. The primary site of regulation of behaviour was the joint family system. This is characterized by common production and consumption; interdependence among the members with more emphasis on the family than the individual; and absolute authority of the head of the family (Verma and Saraswati, 2002). Industrialisation, urbanisation, migration of population to cities, the spread of education, changes in the occupational structure and legal measures for the promotion of the status of women, are some of the factors affecting the family. Thus, families have plurality of forms that are determined by class, ethnicity, geographical location and individual choice.

Youth are not only part of the family, but they are also in the process of forming their own family. The Indian family still largely follows a system where the authority is determined by age, gender and generation status. Decision making is by and large, still authoritative, rather than democratic or participative. Crucial decisions related to adult roles such as marriage or career are taken in consultation with or by the head of the family. A majority of youth grows up in an atmosphere of dependence and few choices. It is said that such a personality is dependent on others for decision making, hesitates to take independent responsibilities, and is quick to blame others in the environment for his/her shortcomings (Gore, 1977). Youth face a sense of anxiety between their 'duties' and their individual needs.

An urban lifestyle demands greater initiative, a certain aggressiveness, a capacity to make choices, cope with tensions and take responsibility for one's actions. We have an increasing middle class with youth vying with each other for better education; higher salaries and work mobility, and maybe greater independence from their families. The culture of cities breeds individualism, competition, consumerism and increases economic strains and the family unit also has to make changes and adapt to this new lifestyle. Urban areas, today, are experiencing the first generation of 'liberal' parents. Husbands and wives find new equations in marriage and attempt to be more honest and 'liberal' with children. They have fewer expectations from their children, who are now mainly receivers rather than givers-a trait of a consumerist society. One could expect a more 'self-centered' group of youth with a different value system in the years to come.

A study commissioned by the Hindustan Times (January 26, 2003) in five metros (Delhi, Mumbai, Bangalore, Kolkata, and Chandigarh) and one rural area, of young Indians in the age group of 16 to 24 years, showed that young Indians think very highly of their parents and see them as role models. Thirty percent of the urban youth voted for their parents when asked whom they considered their role model.

Thus, the family continues to be a major transmitter of values, culture, behavior for the youth.

3.5 YOUTH AND EDUCATION

Next to the family as an informal system for inculcating education for life and living, the formal education system is a major socializing agent in the life of children and youth.

As per the 2001 census, the all India literacy rate for youth in the age group of 15-34 years is only 60.37%,out of which male is 81.05% and females 71.03%. Progress among females is more than among males; and progress in rural areas is much more than in urban areas (Saraswati, 2007).

The level of higher education is also determined by the size of institutional capacity of the higher education system in the country. The size is determined by:

- Number of educational institutions- universities and colleges;
- Number of teachers and number of students.

From 1950 to 2008, the number of universities have increased from 20 to about 431; colleges from 500 to 20,677, and teachers from 15,000 to nearly 5.05 lakhs. The numbers of students have increased from 1 lakh to over 116.12 lakhs. (UGC, 2008 **).**

Table 3: Education among Youth

Completed Year of Education	Women	Men
No Education	26	10
<5 years completed	7	8
5-7 years complete	18	18
8-9 years complete	20	27
10-11 years complete	15	19
12+ years complete	14	19
NFHS-3, 2006-07		

3.4.2 Access to Higher Education

The access to higher education is measured in terms of Gross Enrolment Ratio (GER) which is a ratio of persons enrolled in higher educational institutions to total population of the persons in age group of 18 to 23 years. While the enrolment rate at the aggregate level is about 11% in 2006-07, it varies significantly across the states and districts. The GER is much lower in states of Arunachal Pradesh, Bihar, M.P, Meghalaya, Mizoram, Rajasthan, Sikkim, Tripura, and Jharkhand. (UGC, 2008)

Education facilities are virtually a monopoly of urban cities and, therefore, a larger proportion of college students are urbanites. However, there are an increasing number of rural youth joining under graduate urban colleges and, hence, most colleges have a mix of urban and rural youth. More colleges have also been started in district towns thus enabling more youth to avail of higher education.

Today, with the government's concerted efforts and several schemes, primary education has improved considerably. Yet, the dropout rate between Classes I and X is around 70%, and only 60-80% clear class X and XII examinations (Govt. of India, 2001). Girls, lower social castes, lower economic classes less likely to do so. Individual factors like aptitude, motivation, gender, income, and

parent's education (especially mother's) are some factors which influence enrolment at secondary levels. Community factors include access to roads, public transport, water, electricity, access to schools (World Bank, 2004, 2007).

The quality of education received at the primary, secondary and tertiary levels differ tremendously and the standards are just not comparable. Even though college education is becoming more accessible, the system itself contributes to class stratification due to differential access to higher education.

Gender and location also determine access to higher education. Increasing competition and the poor quality of education has led to corrupt practices like capitation fees, mass copying and buying of marks.

Some factors which force youth to drop out of education and training:

- Migration and displacement due to manmade disasters (evictions due to development projects, riots, war)
- Natural disasters (tsunami, earthquakes)
- Seasonal migration due to nature of occupation of family/self (landless labourers, construction workers).

Some of the factors which determine the quality of higher education are the curriculum and methodology (level of creativity, competence, problem solving skills); scope for development of interpersonal relationships, autonomy, identity and purpose.

Lifeskills education is increasingly been introduced at the University levels to enable youth to build resilience and cope with the demands of modern society. This has been defined by the WHO as *'the abilities for adaptive and positive behaviour that enable individuals to deal effectively with the demand and changes of everyday life'*. It includes, personal skills, learning skills, awareness of the world; livelihood skills (UNESCO).

3.5 YOUTH AND WORK FORCE PARTICIPATION

One of the landmarks of transition from youth to adulthood is when the person is meaningfully engaged in some work, and is financially independent. The overall workforce in India was 400 million (Census, 2001), and among these, the majority is engaged in the unorganized sector. The Census introduced the categories of 'main' and 'marginal' workers, where the marginal worker is one who has worked for 183 days or less.

Work Participation Rate: (Definition from- censusindia.gov.in) is defined as the percentage of total workers (main & marginal) to total population.

$$\textit{Work participation rate} = \frac{\textit{Total workers (main+marginal)}}{\textit{Total population}} \times 100$$

The unemployment rate among the youth is given in Table-4.

Table 4: Unemployment Rate among Youth according to Usual Status

Age Group	1999-2000	2004-05	2009-10	2011-12
Rural Male				
15-19	6.5	7.9	10.0	11.4
20-24	6.2	6.2	6.4	6.9
25-29	3.2	2.3	2.2	2.8
15-29	5.1	5.2	5.5	6.1
Rural Female				
15-19	3.1	6.7	7.4	8.0
20-24	4.9	9.3	8.6	9.9
25-29	2.4	5.2	4.5	5.8
15-29	3.7	7.0	6.5	7.8
Urban Male				
15-19	15.4	14.0	13.2	14.4
20-24	13.9	12.5	10.1	11.6
25-29	7.5	5.8	4.4	5.3
15-29	11.5	10.0	7.9	8.9
Urban Female				
15-19 14.3	15.3		15.5	15.6
20-24	22.6	25.8	21.7	21.9
25-29	11.5	15.8	14.6	10.8
15-29	16.6	19.9	17.2	15.6

Source: NSS Report No. 554: Employment and Unemployment situation in India, 2011-12

3.6 YOUTH AND HEALTH

One of the oldest definitions of health is provided by the World Health Organization (WHO), 1948, which states,

"Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity." (Preamble to the Constitution of the World Health Organization as adopted by the International Health Conference, New York, 19-22 June, 1946; signed on 22nd July 1946 by the representatives of 61 States (Official Records of the World Health Organization, no. 2, pg.100) and entered into force on 7 April 1948)

This broad definition can be applied equally to developed and developing countries and to both genders. The Definition has not been amended since 1948.

In 1986, the WHO, in the Ottawa Charter for Health Promotion stated that, *Health promotion is the process of enabling people to increase control over, and to*

improve, their health. To reach a state of complete physical, mental and social well-being, an individual or group must be able to identify and to realize aspirations, to satisfy needs, and to change or cope with the environment. Health is, therefore, seen as a resource for everyday life, not the objective of living. Health is a positive concept emphasizing social and personal resources, as well as physical capacities. Therefore, health promotion is not just the responsibility of the health sector, but goes beyond healthy life-styles to well-being.

The development of a nation is directly linked to the health of its people. The National Youth Policy recognizes *that a holistic approach towards health, mental, physical and spiritual, needs to be adopted after careful assessment of the health needs of the youth.*

The areas of focus in the National Youth Policy are,

1) General Health
2) Mental Health
3) Spiritual Health
4) AIDS, Sexually Transmitted Diseases, Substance Abuse, and
5) Population Education

Indicators for ascertaining the health status of a country include life expectancy at birth, infant mortality rate, fertility rate, crude birth rate and crude death rate. This would imply a good diet intake, safe drinking water, good sanitation, and shelter among other basic needs. The National Nutrition Monitoring Bureau (NNMB) data shows that in rural areas 37.4% of adult males and 39.4%of adult females suffered from chronic energy deficiency (CED) in 2000-01. Poor diet and infection during childhood are major factors responsible for this. Iron deficiency and consequent anemia is widely prevalent among pregnant women. The NFHS 3 data showed that, in the age group of 13-35years, 23.2% of the men and 55.3% of the women were anemic. Infectious diseases, non-communicable diseases, death and disability due to injury are more common among the poor. There is also a high prevalence of avoidable deaths due to malaria, T.B., maternal and paternal conditions, due to childhood illnesses such as measles, diphtheria, malnutrition and substance abuse. Lifestyle diseases such as chewing tobacco; drugs, alcohol; asthma and respiratory diseases due to quality of cooking fuel; occupational illnesses are also on the rise.

3.6.1 HIV/AIDS in Youth

Approximately 5.1 million Indians are currently infected with HIV. Poverty, migration, low status of women and stigma are some factors that have led to the spread of this virus in a short span of time (CARAT, 2007). The spread of the virus is largely through sexual transmission (85.7%), and the majority of the HIV infections (87.7%) are in the age group of 15-44 years (CARAT, 2007). Over the years the virus has moved from the urban to the rural and from the high risk to general population disproportionately affecting women, youth and the children. Almost a quarter of the reported AIDS cases were women, half of whom are 15-29 years old. (CARAT, 2007) A significant proportion of new infections that are occurring in women, are married and have been infected by their husbands. UNAIDS estimates that 170,000 children below the age of 15 years are infected with HIV/AIDS in India. This figure however does not include

infected children in the age group of 15-18 years. Also, there are no official figures to assess the number of children affected by AIDS in India. (CARAT, 2007)

Over the years, the health infrastructure of the country has increased at the primary, secondary and tertiary level in the government, voluntary and private sectors. The massive expansion has resulted in the eradication of diseases such as smallpox, leprosy and near eradication of Polio. Yet, India has the largest remaining pool of Polio transmission in the world. (UNDP, 2006) and we are nowhere near achieving the WHO declaration for 'Health for all by 2000'. The health gap between the rich and the poor; exists largely due to lack of access to the poor and to those in the remote regions of the country.

At one level, this generation has more opportunities and spaces to make their lives meaningful. However, it is also seen that they also face the pressures of survival in a competitive environment.

Partly due to poverty, many young people are forced to endure situations – including discrimination, exploitation and social isolation – that render them vulnerable to unprotected sex, and drug and alcohol use.(Burns et al, 2004,cited in Aggleton pg. 15).

Table-5: HIV Prevalence among Youth

Age	Women	Men	Total
15-19	0.07	0.01	0.04
20-24	0.17	0.19	0.18
Residence			
Urban	0.16	0.11	0.4
Rural	0.09	0.08	0.09
Total	0.11	0.09	0.10

Source: NFHS-3

Mental health problems such as acute stress, depression, anxiety attacks, and lack of self confidence and esteem are on the increase as the youth get overwhelmed by the problems faced as a consequence of poverty, competition, and the rat race for survival. Illnesses such as schizophrenia are often equated to 'madness' and causes are attributed to 'spirits' from the 'other world'. In such situations, patients are ridiculed, or worshipped, and most often neglected, abused and rejected. At the same time, it is also well established that the outcome of schizophrenia in developing countries, especially in India is more favourable as compared to that in developed countries. Cohesive family ties, rural economy and supportive environment are cited as possible reasons (Kulhara, 2000: 10). Apart from the stigma attached to mental illness, there are very few therapeutic services available.

3.6.2 Suicides Among Youth

Lack of self-esteem, desperation and complete hopelessness lead to a high incidence of suicides among the youth. Table 3 (A-D) provides the data related

to suicides among the student youth and jobless youth. 11.45% of all student suicides in Maharashtra during 2006 were from Mumbai, according to the National Crime Records Bureau (NCRB) statistics. While pressure to excel has reached a high level in cities like Mumbai, academic pressure is far less in small cities and rural areas.

Table 6.: Incidence of Suicides by Youth in India

3A: Student Suicides

State	Male	Female	Total
West Bengal	639	502	1141
Maharashtra	444	438	882
AP	287	225	512
Karnataka	230	217	447
MP	198	167	365
Total (All India)	3123	2734	5857

Table 3B : Suicides By Job less Youth

City	Male	Female	Total
Chennai	95	131	226
Mumbai	31	70	101
Delhi	45	55	100
Bangalore	41	49	90
Hyderabad	30	27	57
Total (All India)	481	579	1060

State	Male	Female	Total
Tamil Nadu	746	481	1227
Kerala	999	218	1217
Maharashtra	872	72	944
Gujarat	410	46	456
Andhra Pradesh	371	58	429
Total (All India)	7415	1471	8886

Table 3C : Farmer Suicides

State	Male	Female	Total
Maharashtra	4111	342	4453
Andhra Pradesh	2000	607	2607
Karnataka	1450	270	1720
Chhattisgarh	1212	271	1483
Madhya Pradesh	1178	197	1375
Total (All India)	14664	2396	17060

Table 3D: Suicides by Housewives

Causes: Illness, torture

State	
West Bengal	5020
Maharashtra	3653
Tamil Nadu	2354
Andhra Pradesh	2156
Karnataka	1851
Total (All India)	25063

Source : *Anahita Mukherji , Times of India, Mumbai, February 22, 2008, Pg.5.*

3.6.3 Reproductive Health

Youth comprise of a major part of the reproductive age group, and hence, they would influence the trends in population growth. The National Population Policy (2000) refers to addressing issues such as information dissemination, nutrition, contraceptive use, STDs and other population related issues. Mention is made of a health package for adolescents and measures to enforce the legal age of marriage. According to the NFHS (1992-93) 36% of married adolescents/youth in the age group of 13 to 16 years are pregnant with their first child. Though there is widespread information about family planning, access to services and cultural factors impede the use of contraception by young people.

A World Bank report on reproductive health (2009) states that the Maternal Mortality Ratio (in 100,000 live births) in India is 301, and higher than Nepal, Pakistan, and Sri Lanka. According to the report, the median age for marriage in India was still below the legal age at marriage and almost double the numbers of poor girls, aged 15-19 years, are married off compared to rich. The report highlighted that while India has made positive strides in the areas of fertility and infant mortality, the Maternal Mortality Ratio (MMR), immunisation coverage and malnutrition remain areas of concern. (cited in DNA, Mumbai, March 6, 2009, Pg.12.)

3.6.4 Disability

As per the WHO manual, a disability is a restriction or lack (resulting from an impairment) of ability to perform an activity in the manner or within the range considered normal for a human being. These include physical disabilities (Poliomyelitis, Cerebral Palsy, Leprosy, Orthopaedic impairment); mental disability (mental retardation, mental illness); hearing disability; visual impairment; developmental disability (learning disability, attention deficit hyperactivity disorder, autism); multiple disabilities. Disabilities affect the different developmental tasks of youth, such as access to opportunities related to education and work; building a mature identity; forming relationships; understanding sexuality; achieving socially responsible behavior. The Census 2001 shows that 1.67% (7million) of those in the age group of 0-19years are living with disability. Less than 1% of them have access to education.

Activity 5 : In your opinion, why are the suicide rates highest amongst the youth? What are your suggestions to prevent the same?

Activity 6 : Visit an organization working with the disabled youth and review the causes of disability and the services provided. You may select any one disability or multiple disabilities.

Activity 7 : Discuss the reasons for the spread of HIV/AIDS in India

3.7 YOUTH CRIME AND TERRORISM

3.7.1 Youth and Crime

Crime is a breach of laws of a country, wherein some conviction is prescribed by the legal system. Different societies may define behaviours of crime differently, e.g., homosexuality is considered a crime in some countries and not in others.

Vernon Fox (1985) indicates that, *"crime is a socio-political event rather than a clinical condition…….It is not a clinical or medical condition which can be diagnosed and specifically treated."* (pg.28) (cited in Hagan, F.E, 2010).

A normative definition views crime as deviant behavior that violates prevailing norms – cultural standards prescribing how humans ought to behave normally. This approach considers the complex realities surrounding the concept of crime and seeks to understand how changing social, political, psychological, and economic conditions may affect changing definitions of crime and the form of the legal, law-enforcement, and penal responses made by society. (http://en.wikipedia.org/wiki/Crime)

There are some behaviours which are considered a crime, irrespective of age, and some which are more defined by age. e.g., eloping. The crimes usually associated with the youth are rape/sexual offenses; theft; eve teasing; vandalism; kidnapping; suicide; addictions; cyber crimes. According to the National Crime Records Bureau, 60% of all crimes are done by youth.

In contrast to children, youth are usually seen to be trouble makers who indulge in political violence and crime, Boys are seen to be rebellious, disobedient, and stubborn, while girls' sexuality is seen as a problem to be controlled. Statistics show that the incidents of violence are on the rise, e.g,. road rage; intensity of ragging; vandalizing public property; use of firearms for problem solving.

The following table 7 gives the data related to crimes as per the age groups and sex.

Table 7: Persons arrested under *IPC and **SLL cognizable crimes -2007

	Below 18years		18-30years		30 -45 years	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**
IPC	5876	370	126837	8913	93493	10812
SLL	566	24	65598	3082	61375	5114
Total	**6442**	**394**	**192435**	**11995**	**154868**	**15926**

**IPC: Indian Penal Code*

***SLL: Special and Local Laws*

- Some Acts under IPC: murder, rape, kidnapping , dacoity, robbery, arson, dowry deaths, sexual harassment, and violence against women.
- Some Acts under SLL: arms act, gambling act, prohibition act, excise act, explosives act, immoral traffic act, TADA, child marriage restraint act, copyright act, prevention of atrocities against SC/ST.

Today, internet crime or cyber crime are on the increase, and a significant number of those who indulge in this are youth. Such crimes include phishing (tricking people into divulging usernames, passwords), hacking, e.banking fraud, credit card fraud, obscene mails, pornography , identity theft, defacing profiles, targeting strategic websites and propagating undergraound ideology. In a city like Mumbai, the number of such cases grew from 142 in 2005 to 775 in 2008. (Hindustan Times, 2008)

3.7.2 Youth and Terrorism

Today, India and the world is confronted with an increasing phenomenon of terrorism. The Indian National Security Guard Act, 1986, defines a terrorist as:

" *Terrorist means any person who with intent to overawe the Government as by law established or to strike terror in the people or any section of the people, does any act or thing by using bomb, dynamite or other explosive substance or inflammable substances or firearms or other lethal weapons or poisons or noxious gases or other substances (whether biological or otherwise) of a hazardous nature, in such a manner as to cause or as is likely to cause, death or injuries to any person or persons or damage to or destruction of property, or disruption of any supplies or services essential to the life of community."*

An average profile of a terrorist is that of a young educated person, who is disillusioned with the state powers; or has a strong ideology which is anti-state, country or a particular section of the population. The ULFA Movement, Naxalites, LTTE have a strong youth presence at all levels of the organization. The incidents of suicide bombings are also on the rise. These suggest the strong impact of an ideology (political, religious) over a young person's mind, such that the cause takes precedence over his/her life.

3.8 YOUTH AND MEDIA

Mass media are a major influence on youth culture and lifestyle, and it is the urban westernized culture which dominates the mass culture. The messages on the audio – visual media and in Bollywood films are perhaps two factors which bind youth across the country. Film music, dance, overrule the traditional folk music and dance. Norms and values are transmitted through films which often depict the anti-hero, the defiant youth, and at times glorify confrontation with traditions and social norms.

The radio is a popular and most accessible medium reaching out to the rural and tribal masses, as it is also the closest to the oral tradition of learning. In urban areas also the FM channels have become popular due to its interactive nature with the audience.

The total internet users in India are 49 million – 40million urban and 9 million rural. Social networking and sites such as Facebook and Orkut are very popular with the youth, and, hence are on the rise. These have its strengths and limitations. While it can be addictive and cause youth to become dysfunctional, it has also opened up opportunities to interact and socialize with several others.

Television which began with one channel (Doordarshan) has expanded to more than 100 different channels. The number of TV sets in India has increased from 70 million in 1998 to 119 million in 2005; and the number of cable connections has increased from 25 million in 1998 to 62 million in 2005 (New York Times, February 2007, CII-KPMG Report).

Some popular T.V. serials portray extra-marital relationships, and power games within families. The increasing publicity and investments made in beauty pageants for both girls and boys have influenced the notion of good looks and the portrayal of confidence based on western standards. The youth are caught up in this phase of transient value changes.

The media also has a positive impact on the youth through programmes which discuss national issues and provide the youth a platform to express their views. Certain channels on the TV have initiated campaigns related to environment, taken up issues of justice, highlighted the plight of vulnerable groups and so on.

3.9 YOUTH PARTICIPATION AND CITIZENSHIP

Participation may be defined as purposive interaction that helps primary stakeholders at the grassroots level gain access to decision-making processes whether directly or through legitimate institutionalized bodies such as community based organizations and/ or non-government organizations that happen to represent their interests and define their stakes in development projects. (Maiti, Prasenjit, 2006)

Dreze and Sen, (2002, pg.9-10) emphasize the equations between opportunities, power, equality and participation.

".. Participation is intimately connected with demands of equality. At the most immediate level, democratic participation requires the sharing and symmetry of basic political rights – to vote, to propagate and to criticize…….

Divisions of power and influence related to caste, gender and even education can, in many situations, make the socially underprivileged also politically marginalized."

Government reports also accede that youth participation is very limited.

Development programmes in our country are handed down by government, external agencies NGOs and older people. Seldom are opportunities and enabling environments available for programmes based on local initiatives….in the long run it is essential to enable adolescents and youth to become the drivers of development – to assess development needs , prepare plans to meet them, undertake implementation and monitor them. They would thus, be both the participants and the beneficiaries of the programmes. Planning Commission, GOI, 2001

Youth power has been always available for revolutionary, or rebellious activities, or for social movements and protest. They are also known to be loyal and committed to a cause they believe in. Thus, they can be mobilized for collective action and movements. This can also lead to over-identification with ideological and idolization of heroes and this can be exploited by vested interests.

Participation is displayed significantly during the elections. The Naxalites, ULFA, groups in Jammu and Kashmir are political formations led by the youth. Movements such as the Narmada Bachao Andolan, the Chipko movement largely comprise of youth uprisings which question the nature of development and seek structural changes in governance, and in the political, and economic systems. These movements may be initiated by adults but have a large youth following. There is also youth activism nationally and internationally towards issues of sustainable development. e.g, World Social Forum, Green Peace movement. When such movements are within the framework of the constitution, they are considered positive, any others against state is considered antisocial, anti national and so on.

Youth could participate at various levels.

- Accessing and utilizing services and schemes
- Volunteerism
- Membership in youth clubs and associations
- Political participation

In this section read about youth and their characteristics and now answer the questions given in check your progress 2

Check Your Progress 2

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) Explain briefly the education status of youth.

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Activity 11 ..: It is believed that youth are not interested in participating in national politics. What are your views on this? Explain with illustrations.

3.10 YOUTH POLICIES AND PROGRAMMES

3.10.1 National Youth Policy

- The United Nations declared 1985 as the International Year of Youth, with the motto 'Participation, Development and Peace". Coinciding with the International Year of Youth a separate Department of Youth Affairs and Sports was set up by the Government of India. The earlier National Youth Policy was formulated in **1988** and revised in 1998. The latest National Youth Policy of 2003 "*is designed to galvanize the youth to rise up to the new challenges, keeping in view the global scenario, and aims at motivating them to be active and committed participants in the exciting task of National Development."* The policy provides the framework for issues to be worked on by the State.
- The overall thrust of the Policy centers around '**Youth Empowerment'** in the various fields of national life. The other major thrust areas are,
  - Gender Justice.
  - Inter-sectoral Approach.
  - Emphasis on Information and Research Networks.

Objectives of the Policy

i) To instill in the youth, at large, an abiding awareness of, and adherence to, the secular principles and values enshrined in the Constitution of India, with unswerving commitment to Patriotism, National Security, National Integration, Non-violence and Social Justice;

ii) To develop Qualities of Citizenship and dedication to Community Service amongst all sections of the youth;

iii) To promote awareness, amongst the youth, in the fields of Indian history and heritage, arts and culture;

iv) To provide the youth with proper educational and training opportunities and to facilitate access to information in respect of employment opportunities and to other services, including entrepreneurial guidance and financial credit;

v) To facilitate access, for all sections of the youth, to health information and services and to promote a social environment which strongly inhibits the use ofdrugs and other forms of substance abuse, wards off disease (like HIV/AIDS),ensures measures for de-addiction and mainstreaming of the affected personsand enhances the availability of sports and recreational facilities asconstructive outlets for the abundant energy of the youth;

vi) To sustain and reinforce the spirit of volunteerism amongst the youth in order to build up individual character and generate a sense of commitment to the goals of developmental programmes;

vii) To create an international perspective in the youth and to involve them in promoting peace and understanding and the establishment of a just global economic order;

ix) To develop youth leadership in various socio-economic and cultural spheres and to encourage the involvement of Non-Governmental Organizations, Co-operatives and Non-formal groups of young people; and

x) to promote a major participatory role for the youth in the protection and preservation of nature, including natural resources, to obilizati their abundant energies in community service so as to improve the environment and foster a scientific, inquisitive reasoning and rational attitude in the younger generation and to encourage the youth to undertake such travel excursions as would better acquaint them with cultural harmony, amidst diversity, in India, and overseas.

As per the objectives, the major themes in the policy include,

• National integration, Non-violence, Secularism and Socialism	• Global peace and International Perspective
• Citizenship and Community Service	• Youth leadership
• Culture and Arts	• Involvement of NGOs, and Youth Groups
• Employment	• Environment
• Health	• Travel, Cultural harmony
• Sports	• Scientific Rational Enquiry

Due to the changing social realities and the impact of globalization, there are four additional areas of concern for youth at the global level. These include

– Information and Communication Technology (ICT)

– HIV/AIDS

– Conflict prevention

– Intergenerational relations

The key sectors of youth concern mentioned in the policy are,

i) Education

ii) Training and Employment

iii) Health and Family Welfare

iv) Preservation of Environment, Ecology and Wild life

v) Recreation and Sports

vi) Arts and Culture

vii) Science and Technology

viii) Civics and good Citizenship

The Policy lists certain Target Groups who are vulnerable and marginalized, and hence, will be accorded priority.

a) Rural and Tribal youth

b) Out-of –school Youth

c) Adolescents particularly female adolescents

d) Youth with disabilities

e) Youth under specially difficult circumstances like victims of trafficking; orphans and street children

Apart from the National Youth Policy, several States are formulating their own **State Youth policies** as per the contextual needs of their States. Some of these States are, Karnataka, Jharkhand, Madhya Pradesh, and Himachal Pradesh.

Activity 13 : Critique the strengths and limitations of the national youth policy. Read the national youth policy, and reflect on its relevance in your context. Give recommendations for enhancing the policy.

3.10.2 Schemes And Programmes

The Government of India has formulated several schemes and programmes which take into consideration some of the issues of this population.

Sports and Adventure

- The Sports Authority of India (SAI) implements several sports promotion schemes for different age groups. It also implements academic courses through its various institutes all over the country., e.g., the Netaji Subhash National Institute of Sports, Patiala, SAI NS Eastern Centre, Kolkata

- The Laxmibai National Institute of Physical Education, (LNIPE), Gwalior, a deemed University , offers courses at the Bachelors, Masters, and Phil levels.
- Scholarships; Awards; National Welfare Fund for Sports Persons ; Promotion of Sports and Games in Schools ; National Sports Development Fund ; Sports Fund for Pension to Meritorious Sports Persons
- Establishment and Development of Mountaineering Institutes and assistance for promotion of adventure activities.
- Assistance for Scouting and Guiding activities

Participation and Character Development

- The National Service Scheme (NSS) focuses on the development of the personality of students through community service: the scheme covers more than 2.6 million volunteers spread over 200 Universities.
- The Nehru Yuva Kendra Sangathan (NYKS) caters to the need of non-student rural youth through youth clubs: The Youth Ministry website states that this is the largest community based non-political youth organization of its kind in the world. It caters to 80 lakh non-student rural youth in the age group of 13-35 years. 17,000 trained volunteers are enrolled every year.
- Establishment of Youth Hostels to promote youth tourism.
- Programme of National Integration
- Assistance to Youth Clubs in communities.
- National Youth Awards and Youth Club Awards
- Financial Assistance to NGOs for imparting Vocational Training and Entrepreneurial Skills
- Pilot Scheme of National Reconstruction Corps, which provides opportunities to youth to dedicate voluntarily one year of their life to the task of national reconstruction.
- Nodal Agency for United Nations Volunteer Scheme, which helps Indian Nationals to serve as UN Volunteers in developing and underdeveloped countries.
- National Service Volunteer Scheme which provides opportunities to students to involve themselves on voluntary basis in nation building activities.

Youth Institutions

- The Vishwa Yuvak Kendra in Delhi, is involved in a large number of linked activities ranging through training, grassroot level work and policy advocacy. The themes taken up for training include, literacy promotion, skill development, community mobilization, project management, preventive health, substance abuse, sanitation and issues of women.
- Rajiv Gandhi National Institute of Youth Development,(RGNIYD) at Sriperambudur,Tamil Nadu, promotes training of youth functionaries and is a centre of research, evaluation and documentation in the field of youth.

There are also various schemes and programmes which directly or indirectly address the needs of the youth. Some of these are,

The Integrated Child Development Services (ICDS) scheme, the Kishori Shakti Yojana , Mahila Samakya Programme, Reproductive and Child Health Programme, Programmes for addressing the issue of HIV/AIDS

3.11 LET US SUM UP

Youth are the most important and critical group of population in any county. According to Census of India, 2001, youth comprise of 41.05 percent of the total population in India. But the deifications of youth have changed continuously in response to the political, economic and socio-cultural realities across the countries. The educational, employing and health status of youth are key concern as youth contribute significantly to development. India has formulated a national Youth Policy and launched many schemes for the development of youth.

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3.13 CHECK YOUR PROGRESS POSSIBLE ANSWERS

Check Your Progress 1

1) What do you mean by youth?

Ans. National Youth Policy defines youth as those persons in the age group of 13 to 35 years. Considering the flexibility, the youth and divided into two broad sub group i.e. 13-19 years and 20-35 years. Unite4d Nations has defined youth as the age group between 15 to 24 years

Check your Progress 2

1) Explain briefly the educational status of youth?

Ans. As for as educational status of youth is concerned, the GER of India is 11% in 2006-07. However, this varies significantly across the state. All this states that the educational status of youth in India is comparatively lower than developed countries.

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5

ROLE OF PUBLIC, PRIVATE AND SERVICE SECTOR IN DEVELOPMENT

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BLOCK 5 ROLE OF PUBLIC, PRIVATE AND SERVICE SECTORS IN DEVELOPMENT

The role of public, private and service sectors in development is more felt and experienced than read in books and materials as course material. In India, public-sector undertaking (PSU) is a term used for a **government-owned corporation** (company in the public sector). The term is used to refer to companies in which the government (either the Union Government or state or territorial governments, or both) owned a majority (51 percent or more) of the company equity consisting of defense, police, taxation, railways, roads and bridges, postal services. The private sectors contribution is more felt in the realm of service sectors. These include couriers, hotels, taxi, air transport, banking, education, tourism and communications like the telecom services.

Unit 1, **Role of Public Sector in Development,** focuses on various issues relating to contribution of various public sector organizations in development. The spectrum of public sector covers a wide range of industries and products such as steel, coal, copper, zinc, drugs fertilizer, consumer goods like textiles, hotel services etc. The role of Public Sector is seen in big ventures like the railways, and air transport services, but now private sectors have also entered into the fields of public sectors.

Unit 2, **Role of Private/Corporate Sector in Development**, describes the roles of various pprivate sectors in promoting economic growth and reducing poverty in developing countries by building private enterprises, membership organizations representing them, and competitive markets that are stronger and more inclusive. The last 15 years witnessed a phenomenal rise of the growth of private sector in India.

Unit 3, **Role of Service Sector,** the basic characteristic of this sector is the production of services instead of end products. Services (also known as "intangible goods") include attention, advice, experience, and discussion. The service sector includes retails, banks, hotels, real estate, education, health, social work, transport, computer services, recreation, media, communications, electricity, gas and water supply.

Unit 4, **Role of Unorganized Sector in Development**, this sector is a huge sector in the developing countries and in India more than 90 per cent of the workforce is employed in the unorganized sector. The person employed in the unorganized sector is devoid of the service security and social security. The quality of living of the people working in the unorganized sector is poor as compared to those who are working in the organized public and private sector. Therefore any discussion on the role of various sectors in the economy cannot marginalize the role of unorganized sector to economic development particularly in India. This unit deals in detail the role and challenges of unorganized sector in India.

UNIT 1 ROLE OF PUBLIC SECTOR IN DEVELOPMENT

Structure

1.1 Introduction
1.2 Public Sector: Concept and Significance
1.3 Need of the Public Sector
1.4 Contribution of Public Sector to Development
1.5 Problems of Public Sector
1.6 Measures to Improve Performance of the Public Sector
1.7 Decline of State Role and Emergence of Free Market
1.8 Let Us Sum Up
1.9 References and Selected Readings
1.10 Check Your Progress – Possible Answers

1.1 INTRODUCTION

The public sector is that sector which is controlled by national, state or provincial, and local governments. In the United States, the public sector encompasses universal, critical services such as national defense, homeland security, police protection, fire fighting, urban planning, corrections, taxation, and various social programs. In India, it consists of defense, police, taxation, railways, roads and bridges, postal services. The Industrial policy resolution- 1956 classified industries into three categories. The first category comprises of industries included in schedule of the resolution and to remain exclusively under the domain of the government. These included *inter alia*, railways, air transport, arms and ammunition, iron and steel and atomic energy. The spectrum of public sector covers a wide range of industries and products such as steel, coal, copper, zinc, drugs fertilizer, consumer goods like food production, packaged goods, clothing, automobiles and electronics.

After studying this unit you should be able to:

- explain the concept, need and significance of public sector
- examine the role of Public Sector
- discuss the contribution of Public sector to development
- list out the problems of public sector in India
- describe the measures to improve the performance of the public sector
- discuss the decline in the role of the state and emergence of free market

1.2 PUBLIC SECTOR: CONCEPT AND SIGNIFICANCE

1.2.1 Meaning of Public Sector

The Public Sector is referred to as the state sector. It is a part of the state that deals with either production, delivery and allocation of goods and services by

and for the government (or for its citizens), whether national, regional or local/ municipal. Examples of public sector activities ranges from delivering social security, administering urban planning and organizing national defenses, etc.. The part of the economy concerned with providing basic government services. The composition of the public sector varies by country, but in most countries the public sector includes such services as the police, military, public roads, public transit, primary education and healthcare for the poor. The public sector might provide services that non-payer cannot be excluded from (such as street lighting), services which benefit all of society rather than just the individual who uses the service (such as public education), and services that encourage equal opportunity.

In 1991, when the government decided to shift to a liberalized economy with greater reliance upon market forces, a larger role for the private sector was envisaged. Since then the policy thrust has been on reforms such as reduction in the scope of industrial licensing, reforms in the Monopolies and Restrictive Trade Practices (MRTP) Act, reduction of areas reserved exclusively for public sector, disinvestment of equity of selected public sector enterprises (PSEs).

Central Public Sector Enterprises (CPSEs) were classified into two categories - strategic and non-strategic. Strategic CPSEs were identified in the areas of:

- Arms & Ammunition and the allied items of defense equipments, defense air-crafts and warships
- Atomic Energy (except in the areas related to the operation of nuclear power and applications of radiation and radio-isotopes to agriculture, medicine and non-strategic industries).
- Railway transport

All other public sector enterprises were considered as non-strategic. Industrial licensing by the Central Government has been almost abolished except for a few hazardous and environmentally sensitive industries.

The industries reserved for the public sector and where private companies cannot enter are:

- Atomic energy.
- The substances specified in the scheduled to the notification of the Government of India in the Department of Atomic Energy number S.O.212(E), dated the 15th March, 1995.
- Railway transport.

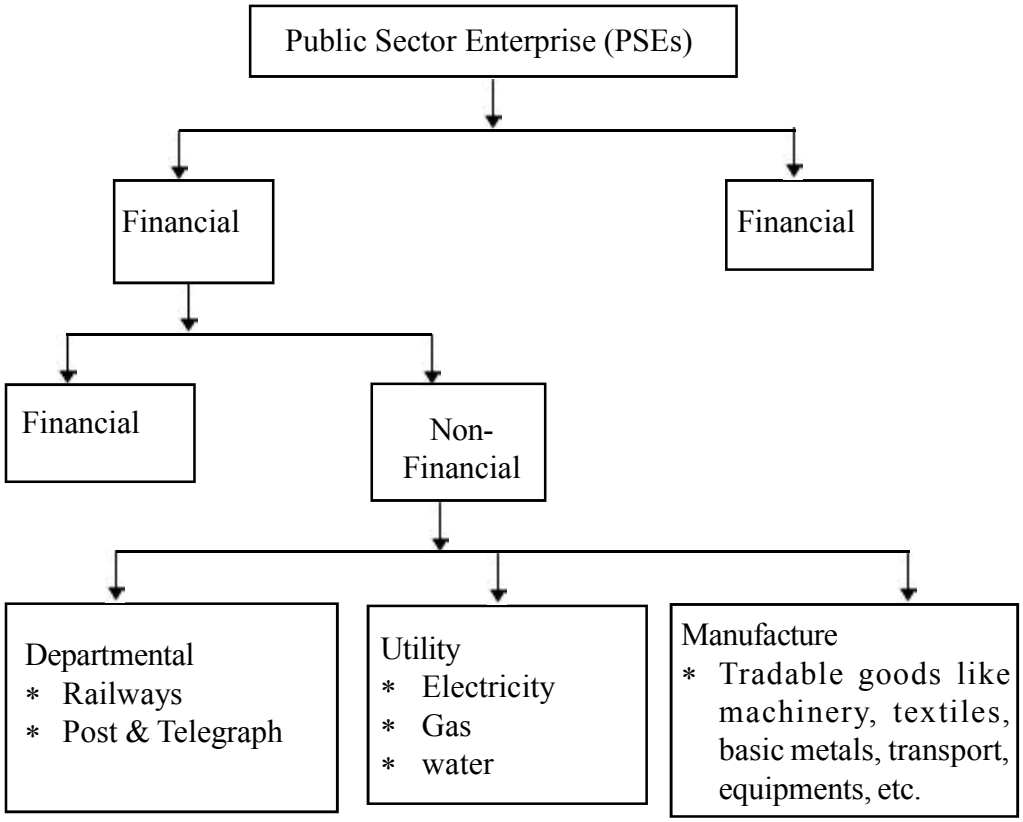
In India, public-sector undertaking (PSU) is a term used for a **government-owned corporation** (company in the public sector). The term is used to refer to companies in which the government (either the Union Government or state or territorial governments, or both) owned a majority (51 percent or more) of the company equity. GOCs can be fully owned or partially owned by Government. As a definitional issue, it is difficult to determine categorically what level of state ownership would qualify an entity to be considered as “state-owned”, since governments can also own regular stock, without implying any special interference. They are mainly in the sectors of defense and power. These include inter alia:

- Balmer Lawrie

- Mazagon Dock Limited
- National Thermal Power Corporation
- Hindustan Aeronautics Limited
- Bharat Electronics Limited
- Hindustan Machine Tools and many other like:

SAIL, BHEL, LIC, ONGC, SBI, UTI, Oil India, GIC, Shipping Corp. DTC, FCI, Fertilizer Corp, Coal India Ltd, Cotton Corp. Cement Corp, BSNL, Airport Authority, Heavy Engg. Corp. NALCO, HPCL, Hindustan Paper, Hindustan Copper, National Jute Corp, Hindustan Cables, IREDA, NIC, National Seed Corp. The grouping of Public Sector enterprises is given in the following chart below.

Public Sector Enterprises in India



Source: J. Flexi Raj, *Indian Economy, Economic Ideas, Development and Financial Reforms*, Deep and Deep Publications, New Delhi-2008.

1.3 NEED OF THE PUBLIC SECTOR

The scope of the public sector and state sector are often the biggest distinction regarding the economic positions of socialist, liberal and libertarian political philosophy. In general, socialists favor a large state sector consisting of state projects and enterprises, at least in the *commanding heights* or fundamental sectors of the economy. Social democrats tend to favor a medium-sized public sector that is limited to the provision of universal programs and public services. Economic libertarians and monarchists favor a small public sector with the state being relegated to protecting property rights, creating and enforcing laws and settling disputes, a "night watchman state".

Public sector has played an important role in the industrial development of India. Before independence there were a few public sector enterprises in India such as Railways, the Posts and Telegraphs, the Port Trusts, the Ordinance Factories, and All India Radio etc. In the early years of independence, capital was scarce and the entrepreneurial resource was not strong enough. Therefore, the 1956 Industrial Policy Resolution gave primacy to the role of the State which was directly responsible for industrial development. The public sector provided the required thrust to the economy and developed and nurtured the human resources. During this era public sector enterprises came to be known as the commanding heights of the Indian economy. According to Prof. Tendulkar, the distinct reference for the public sector in this strategy can be traced to the following reasons.

First, the concentration of economic power that would result from the uncontrolled operation of the market forces can be reduced through the extension in the public ownership of means of production.

Secondly, private investors may demand a higher risk premium for investment in certain industries than would be socially justified. Offshore drilling of oil is one example in this connection.

Thirdly, the scale of investment efforts in certain heavy industries may be beyond the capital-raising capacity of the private sector e.g., steel mills, heavy electrical machinery.

Fourthly, the public sector, through the appropriate price policy for its output will generate investible surpluses for further investment in the economy.

Fifthly, by production as well as distribution of certain universal intermediate inputs like coal, steel, electricity, etc., the State will be able to control the composition of private economic activity in a socially desirable direction.

Finally, the public sector would assume the role of a model employer and its employment and wage policies would have a moderating influence on the corresponding policies in the private sector.

Analyzing these reasons, one finds that public sector was expected to fulfill varied and sometimes conflicting objectives. The generation of investible surplus was bound to conflict with subsidies involved in keeping the prices of certain universal intermediates at low levels as well as the public sector's role as model employer.

1.4 CONTRIBUTION OF PUBLIC SECTOR TO DEVELOPMENT

The public sector has been playing a vital role in the economic development of the country. In fact the public sector has come to occupy such an important place in our economy that on its effective performance depends largely on the achievement of the country's economic and social goals. Public sector is considered a powerful engine of economic development and an important instrument of self-reliance. The main contributions of public enterprises to the country's economy maybe described as follows:

i) Strong Industrial Base

Public sector has significantly contributed to the GDP at factor cost. The share of industrial sector (comprising of manufacturing, construction, electricity, gas, water supply has steadily increased during the planning decades. The government has strengthened the industrial base considerably by placing due emphasis on setting up of industries like iron and steel, heavy engineering, coal, heavy electrical machinery, petroleum, chemical, natural gas, chemicals, drugs fertilizers etc. Because of low profitability potential, theses industries do not find favour with private entrepreneurs in India. The total investment by public sector has increased from 29 crores to 1171844 crores after independence as illustrated in the table-1.

Table 1 Investment in PSUs

Year	No of Units	Total Investment(Rs Crores)
1951	5	29
1961	47	950
1980	179	18,150
1990	244	99,330
2001	242	274,198
2004	242	349,209
2015-2016	244	1171844

Source: *Government of India, Public Enterprise Survey, 2015-16*

Table 2: No. of Operating Public Sector Enterprises

Year	No. of Operating Enterprises
2004-05	227
2005-06	226
2006-07	217
2007-08	214
2008-09	213
2009-10	217
2010-11	220
2011-12	225
2012-13	230
2013-14	234
2015-2016	244

Source: Public Enterprises Survey 2015-16, Vol. 1

ii) Capital Formation

The public sector fosters a powerful process of capital formation. It can collect the savings and make them investment in the productive channels. It

is evident from Indian case. During two decades of our planning about 54% of total investment of India was done by the public sector. Rest was done by the private sector. Of course now the share of investment of public sector is falling after liberalization. It has become now about 30% in the ninth plan. The nationalized bank, SBI,IDBI, Industrial finance corporation, State Finance Corporation, LIC, UTI, etc have played and important role in collecting savings and mobilization of resources. Yet the share of public sector in gross domestic capital formation (GDCF) has remained very significant.

iii) Development of Infrastructure

The infrastructure is the backbone of an economy. The public sector plays the vital role in the process of infrastructural development. The public authority adopts the strategy to make sufficient expansion of irrigation facilities and power and energy, with out which agricultural development is not possible. Without road, railways, and electricity no industrial development can be thought of. Public sector has developed the road, rail, air and sea transport system. The expansion has become manifold only due to the public sector. The public sector does not contribute much to the infrastructural development of the country.

iv) Fillings of Gaps

At the time of independence, there existed serious gaps in the industrial structure of the country, particularly in the fields of heavy industries such as steel heavy, machine tools, exploration an refining of oil, heavy Electrical and equipment, chemicals and fertilizers, defense equipment, etc. Public sector has helped to fill up these gaps. The basic infrastructure required for rapid industrialization has been built up, through the production of strategic capital goods. The public sector has considerably widened the industrial base of the country. The table-3 below shows the performance of central public sector enterprises in India

Table 3: Performance of Central Public sector Enterprises

	1999	2005	2008	2015-16
Running enterprises	232	226	214	244
Capital employed	302,947	585,484	763,127	1938795
Turnover	389,199	837,295	1081,925	1854667

Source: *Misra and Puri (2009) Indian Economy, Himalaya Pub. Mumbai and Public Enterprises Survey 2015-16, Vol. 1*

v) Employment

As on 31.3.2016, the 320 CPSEs employed over 12.34 lakh people (excluding contract workers). Around 30% of the manpower of CPSEs belongs to managerial and supervisory cadres. Total number of employees in CPSEs is declining every year since 2006-07 except during 2011-12, on other hand per capita emoluments has been increasing. The per capita emolument was 3,25,869 per annum in 2006- 07 and has increased to 10,39,732 per annum in year 2015-16. The details of employment in CPSEs and per capita emoluments are shown in Table 4.

Table 4:Public and Private Sector Employment (in Lakhs) in India

Year	Employees (in lakh) (Excluding contract workers	Total Emoluments (Rs. in crore)	Percapita Emoluments
2006-2007	16.14	52586	325869
2007-2008	15.65	64306	410898
2008-2009	15.33	83045	541716
2009-2010	14.90	87792	589210
2010-2011	14.40	98402	683347
2011-2012	14.50	105648	728606
2012-2013	14.02	116363	830263
2013-2014	13.49	122322	906665
2014-2015	12.91	127387	986598
2015-2016	12.34	128263	1039732

Source: *Public Enterprises Survey 2015-16, Vol. 1*

vi) Balanced Regional Development

Public sector undertakings have located their plants in backward and untrodden parts of the county. There area lacked basic industrial and civic facilities like electricity, water supply, township and manpower. Public enterprises have developed these facilities thereby brining about complete transformation in the socioeconomic life of the people in these regions. Steel plants of Bhilai, Rourkela and Durgapur; fertilizer factory at Sindri, Machine Tool plants in Rajasthan, Precision Instruments plants in Kerala and Rajasthan, etc. are a few examples of the development of backward regions by the public sector.

vii) Contribution to Public Exchequer

In recent years, the public sector has made increasing contributions to the public sector in the form of dividend, corporate taxes, excise and customs duty, etc. Due to increase in contribution of all the components to Central Exchequer, the total contribution of CPSEs to the Central Exchequer during the year 2015-16, has increased from 2,00,593 crore in 2014-15 to ‘2,78,075 crore in 2015-16 showing an increase of 38.63%.

Table 5: Contributions of Public Enterprises to Central Exchequer

Plan	Total Contribution	Average
Sixth Plan(1980-85)	27,570	5510
Seventh(1985-90)	69,410	13,880
Eighth Plan(1992-97)	133,780	26,760
Ninth Plan(1997-2002)	269,110	53,822
2002-2004	170,891	85,445
Twelve Plan (2012-2017)	278075	

Source: *Government of India, Public Enterprise Survey, 2003-04*

viii) Foreign Exchange Earnings

Public sector has contributed a great deal in improving the balance of payments position of the county. The public enterprises have saved valuable foreign exchange trough import substitution. Hindustan Steel Ltd., the Bharat Electronics Ltd., the Hindustan Machine Tools, etc are exporting a large percentage of their output and earning foreign exchange.

ix) Development of Ancillary industries

In order to encourage the development of small scale and medium-sized industries in the country, the Government of India has launched a national programme. Public sector ha contributed to this programme by fostering the growth of ancillary industries and satellite planets. Such plants have been established around the major public sector undertakings. There is a strong base of ancillary industries at several centers such as the Bokaro Industrial Complex, the Bhilai Steel Plant, The Rourkela Steel Complex, the Heavy Engineering Corporation at Ranchi, Hindustan Machine Tools at Bangalore, and the units of Bharat Heavy Electrical at Bhopal, Hyderabad and Hardwar.

x) Research and Development

As most of the public enterprises are engaged in high technology and heavy industries, they have undertaken research and development programmes in a big way. Public sector has laid strong and wide base for self-reliance in the field of technical know-how, maintenance and repair of sophisticated industrial plants, machinery and equipment in the country. Through the development of technological skill, public enterprises have reduced dependence on foreign knowhow. With the help of the technological capability, public sector undertakings have successfully competed in the international market an they have secured turnkey projects in several countries of the world.

xi) Community Development

Several public sector undertakings have developed townships to provide all the civic amenities to their employees. These townships consist of houses, etc. Public enterprises have constructed roads and other infrastructural facility to link these townships to other parts of the country. Such townships have been very helpful in improving community life.

xii) Social Justice

Public enterprises have contributed towards the achievement of constitutional objectives. They have been helpful in reducing the concentration of economic power in private hands, in curbing anti-social monopolies, in accelerating public control over the national economy and in bringing about a socialistic pattern of society. Public sector helps in ensuing inclusive process of development.

In addition to the foregoing, the public sector has played an important role in the achievement of constitutional goals like reducing concentration of economic power in private hands, increasing public control over the national economy, creating a socialistic pattern of society, etc. With all its linkages the public sector has made solid contributions to national self-reliance.

Check Your Progress 1

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) D

1) Define public sector and examine its features.

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2) Give the list of industries reserved for the public sector in India.

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3) How does public sector contribute to Central Exchequer?

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4) Explain how investment under public sector has expanded.

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1.5 PROBLEMS OF PUBLIC SECTOR

Despite their impressive role, Public enterprises in India suffer from several problems and shortcomings. Some of these are described below:

i) Poor Project Planning: Investment decisions in many public enterprises not based upon proper evaluation of demand and supply, cost benefit analysis

and technical feasibility. Lack of a precise criterion and flaws in planning have caused undue delays and inflated costs in the commissioning of projects. Sometimes, projects are launched without clear-cut objectives and serious thought. Many projects in the public sector have not been finished according to the time schedule. Barauni Refinery was commissioned two years behind schedule and the Tromby fertilizer plant was delayed by three years thereby causing an increase of Rs. 13 crores in the original cost estimates.

ii) **Over-capitalization:** Due to inefficient financial planning, lack of effective financial control and easy availability of money from the government, several public enterprises suffer from over-capitalization The Administrative Reforms Commission found that Hindustan Aeronautics, Heavy Engineering Corporation and Indian Drugs and Pharmaceuticals Ltd. Were over-capitalized. Such over-capitalization resulted in high capital-output ratio an wastage of scare capital resources.

iii) **Excessive Overheads:** Public enterprises incur heavy expenditure on social on overheads like townships, schools, hospitals, etc. In many cases such establishment expenditure amounted to 10 percent of the total project cost. Recurring expenditure is required for the maintenance of such overhead and welfare facilities. Hindustan Steel alone incurred an outlay of Rs. 78.2 crore on townships. Such amenities may be desirable but the expenditure on them should not be unreasonably high.

iv) **Overstaffing:** Manpower planning is not effective due to which several public enterprises like Bhilai Steel have excess manpower. Recruitment is not based on sound labour projections. On the other hand, posts of Chief Executives remain unfilled for years despite the availability of required personnel. As many as 26 public sector units were top[less on January 1, 1987.

v) **Under-utilization of Capacity:** One serious problem of the public sector has been low utilization of installed capacity. In the absence of definite targets of production, effective production planning and control, proper assessment of future needs, adequate supply of power and industrial peace, many industrial peace, many undertakings have failed to make full use of their fixed assets. Under utilization of Installed capacity is another reason for low level of profitability in public sector enterprises. The average capacity utilization in more than 50 per cent of the public enterprises has been less than 75 per cent.

Capacity Utilization

Capacity utilization in these reports has been measured based on the installed/ rated capacity. Wherever installed/rated capacity is not available for various reasons, the assessment of the management vis-à-vis capacity utilization in the enterprises has been accepted. In the case of multiple product units, capacity utilization has been worked out with reference to major products. The detailed enterprises-wise statement, indicating the unit-wise capacity utilization for major products during the last three years is given in the section. The table above discusses enterprise-wise rated capacity and extent of utilization of some of the CPSEs under the various cognate groups.

vi) **Lack of a Proper Price Policy:** There is no clear cut price policy for public enterprises and the Government has not laid down guidelines for the rate of return to be earned by different undertakings. Public enterprises are expected to achieve various socioeconomic objectives and in the absence of a clear directive, pricing decisions are not always based on rational analysis. In addition to dogmatic price policy, there is lack of cost-consciousness, quality consciousness, and effective control on waste and efficiency.

vii) **Inefficient Management:** The management of public enterprises in our country leaves much to be desired. Managerial efficiency an effectiveness have been low due to inept management, uninspiring leadership, too much centralization, frequent transfers and lack of personal stake. Civil servants who are deputed to manage the enterprises often lack proper training and use bureaucratic practices. Political interference in day-to-day affairs, rigid bureaucratic control and ineffective delegation of authority hamper initiative, flexibility and quick decisions. Motivations and morale of both executives and workers are low due to the lack of appropriate incentives.

viii) **Unsatisfactory industrial Relations:** In several public enterprises relations between management and labour are far from cordial. There has been serious and frequent labour trouble in Durgapur Steel Plant, Bharat Heavy Electricals, Bhopal, and in Bangalore-based undertakings. Millions of mandays and output worth crores of rupees have been lost due to strikes and gheraos. Wage disparities have been the main cause of labour trouble in the public sector. The percentage increase in the per cent emoluments of public sector employees had been higher than the percentage increase in consumer price index.

ix) **Lack of Coordination:** Various public enterprises are dependent on one another as the output of one enterprise is the input of another. For instance, the efficient functioning of power and steel plants depends on the production and transportation of coal which n turn is dependent upon supplies of heavy equipment machinery. Despite such interdependence, materials management and research has not been achieved. Coordination in the production programmes of different enterprises at various stages would help to reduce excess stocks and shortages of vital inputs.

To sum up, the public sector of India encounters the following problems:

1) Inefficient Management
2) Faulty Controls
3) Excess Manpower
4) Capacity underutilization
5) Over capitalization
6) Price Policy
7) Delay in Project completion
8) Mounting Losses
9) Political Factors

1.6 MEASURES TO IMPROVE PERFORMANCE OF THE PUBIC SECTOR

1.6.1 Public Sector Policy

The measures to strengthen public sector was spell out in industrial policy resolution, 1991. The industrial policy, 1991 which envisages steps for strengthening public sector in India is narrated below.

The public sector has been central to our philosophy of development. In the pursuit of our development objectives, public ownership and control in critical sector of the economy has played an important role in preventing the concentration of economic power, reducing regional disparities and ensuring that planned development serves the common good.

The Industrial Policy Resolution of 1956 gave the public sector a strategic role in the economy. Massive investments have been made over the past four decades to build a public sector which has a commanding role in the economy. Today key sectors of the economy are dominated by mature public enterprises that have successfully expanded production, opened up new areas of technology and built up a reserve of technical competence in a number of areas.

After the initial exuberance of the public sector entering new areas of industrial and technical competence, a number of problems have begun to manifest themselves in many of the public enterprises. Serious problems are observed in the insufficient growth in productivity, poor project management, over-manning, lack of continuous technological up gradation, and inadequate attention to R&D and human resource development. In addition, public enterprises have shown a very low rate of return on the capital invested. This has inhibited their ability to re-generate themselves in terms of new investments as well as in technology development. The result is that many of the public enterprises have become a burden rather than being an asset to the Government. The original concept of the public sector has also undergone considerable dilution. The most striking example is the takeover of sick units from the private sector. This category of public sector units accounts for almost one third of the total losses of central public enterprises. Another category of public enterprises, which does not fit into the original idea of the public sector being at the commanding heights of the economy, is the plethora of public enterprises which are in the consumer goods and services sectors.

It is time therefore that the Government adopt a new approach to public enterprises. There must be a greater commitment to the support of public enterprises which are essential for the operation of the industrial economy. Measures must be taken to make these enterprises more growth oriented and technically dynamic. Units which may be faltering at present but are potentially viable must be restructured and given a new lease of life. The priority areas for growth of public enterprises in the future will be the following.

- Essential infrastructure goods and services.
- Exploration and exploitation of oil and mineral resources.
- Technology development and building of manufacturing capabilities in areas

which are crucial in the long term development of the economy and where private sector investment is inadequate.

- Manufacture of products where strategic considerations predominate such as defense equipment.

At the same time the public sector will not be barred from entering areas not specifically reserved for it.

In view of these considerations, Government will review the existing portfolio of public investments with greater realism. This review will be in respect of industries based on low technology, small scale and non-strategic areas, inefficient and unproductive areas, areas with low or nil social considerations or public purpose, and areas where the private sector has developed sufficient expertise and resources.

Government will strengthen those public enterprises which fall in the reserved areas of operation or are in high priority areas or are generating good or reasonable profits. Such enterprises will be provided a much greater degree of management autonomy through the system of memoranda of understanding. Competition will also be induced in these areas by inviting private sector participation. In the case of selected enterprises, part of Government holdings in the equity share capital of these enterprises will be disinvested in order to provide further market discipline to the performance of public enterprises. There are a large number of chronically sick public enterprises incurring heavy losses, operating in a competitive market and serve little or no public purpose. These need to be attended to. The country must be proud of the public sector that it owns and it must operate in the public interest.

1.6.2 Steps to Strengthen Public Sector

i) Portfolio of public sector investments will be reviewed with a view to focus the public sector on strategic, high-tech and essential infrastructure. Whereas some reservation for the public sector is being retained there would be no bar for areas of exclusivity to be opened up to the private sector selectively. Similarly the public sector will also be allowed entry in areas not reserved for it.

ii) Public enterprises which are chronically sick and which are unlikely to be turned around will, for the formulation of revival/rehabilitation schemes, be referred to the Board for Industrial and Financial Reconstruction (BIFR), or other similar high level institutions created for the purpose. A social security mechanism will be created to protect the interests of workers likely to be affected by such rehabilitation packages.

iii) In order to raise resources and encourage wider public participation, a part of the government's shareholding in the public sector would be offered to mutual funds, financial institutions, general public and workers.

iv) Boards of public sector companies would be made more professional and given greater powers.

v) There will be a greater thrust on performance improvement through the Memoranda of understanding (MOU) systems through which managements

would be granted greater autonomy and will be held accountable. Technical expertise on the part of the Government would be upgraded to make the MOU negotiations and implementation more effective.

vi) To facilitate a fuller discussion on performance, the MOU signed between Government and the public enterprise would be placed in Parliament. While focusing on major management issues, this would also help place matters on day to day operations of public enterprises in their correct perspective.

1.7 DECLINE OF STATE ROLE AND EMERGENCE OF FREE MARKET

After adopting the policy of open market, Government of India dismantled its development strategies and very enthusiastically overhauled its entire economic system with denationalization, delicensing, devaluation, and disinvestment. Now the pendulum of economic growth in India is swinging from over commitment of public sector to over enthusiasm of the private sector. Policy of open market has now become the global phenomenon. This model has very substantial core of truth, which spreads the message of over optimism of instant change. It essentially relates to the external sector and modern industrial-urban sector. This policy advocates for Liberalization, Privatization and Globalization (LPG) of the economy. This world wide movement owes its origin to several factors:(1) the external debt crisis (2) excessive fiscal profligacy and unmanageable foreign exchange deficit,(3) disenchantment with the system of central planning, corruption and inefficiency,(4) rise of Reaganism and Thatcherism,(5) The collapse of socialist regimes in Eastern Europe and (6) spectacular growth of East and southeast Asian countries

And Indian economy has the experience of two decades in this development paradigm.

Table 6: Annual growth rate of National Income and Per Capita Income

Plan	National Income %	Per-Capita Income%
First	3.6	1.8
Second	4.1	2
Third	2.5	0.2
Fourth	3.3	1
Fifth	5	2.7
Sixth	5.4	3.2
Seventh	5.8	3.6
Eighth	6.7	4.6
Ninth	5.5	3.5
Tenth	7.8	6.1
Eleventh	7.9	6.5
Twelfth	5	3.7

Source: *Public Enterprises Survey 2015-16, Vol. 1*

The role of public sector has been steadily decreasing in both industrial sector and service sector almost in every country of the world. In India the role of private sector has increased in the service sector like education, health, insurance and banking.The post liberalization period has marked a distinct upturn of the growth trajectory. The stagnation of the economy seemed to have been over by mid seventies.

Table 6 shows annual growth rate of income from first five year plan (3.6%) to twelfth five year paln (5%)., growth rates have improved and were impressive in comparison to the pre-reforms period. The Per capita income has progressed from 1.8 percent to 3.7 percent.

The agricultural sector that lagged behind is now growing and contributes 15.79 percent of GDP. The growth rate in the industrial sector and service sector has become very impressive. The table 7 shows that the share of agriculture in GDP has increased from 2011 to 2014 from 14.37% to 15.79 %. Where as the share of industry is 24.77 percent of the GDP while service sector contributes 59.93 percent for the same.

Table 7: **Contributions to GDP Growth in India**

Sectors	Contribution to GDP growth (%)		Share in Real GDP (%)
	2011-12	2013-14	
Agriculture	14.37	15.79	6.1
Industry	26.13	24,77	29.02
Services	54.91	59,93	53.66

Source: Government of India, Public Enterprise Survey, 2015-16

Liberalization regime has provoked widespread restructuring and consolidation of Indian Industry. The private sector is vigorously restructuring itself to correct past inefficiencies of pre reforms era and promote competitiveness.

But unfortunately a large part of the economy particularly the agricultural sector still remains unorganized and backward. This vast unorganized sector can not be integrated automatically with the mainstream of market-led economy. The problems and constraints associated with the agricultural sector have not improved under the new reforms regime. The root of this incompatibility lies in the growing urban bias and rural neglect.

Check Your Progress 2

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) Explain how over capitalization has affected the public sector.

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2) How public sector suffers from poor project planning?

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3) What are the shares of agriculture and industry in the GDP?

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4) Discuss how service sector is growing rapidly under free market regime.

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1.8 LET US SUM UP

In this unit we dealt with the definition and significance of public sector in the process of economic development. We examined the role and performance of public sector in India. We analyzed the significance of public sector units in industrial sector and service sector. We analyzed the problems and constraints of public enterprises of India. We also analyzed the declining trend of public sector due to the emergence of free market in India.

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1.10 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress 1

Answer 1: Public Sector is referred to as the state sector. It is a part of the state that deals with either the production, delivery and allocation of goods and services .Public sector activity ranges from delivering social security, administering urban planning and organizing national defenses. The composition of the public sector varies by country, but in most countries the public sector includes such services as the police, military, public roads, public transit, primary education and healthcare for the poor.

Answer2: The **List of industries reserved for the public sector in India is as follows**

- Atomic energy.
- The substances specified in the scheduled to the notification of the Government of India
- Railway transport.

Answer3: The public sector in India contributes to Central Exchequer very significantly. Public sector has made increasing contributions to the public sector in the form of dividend, corporate taxes, excise and customs duty, etc. The total contribution from the public enterprises to the Exchequer increased from Rs. 11,074 crores in 1982-83 to Rs. 23, 972 crores in 1986-87.

Answer4: The share of industrial sector (comprising of manufacturing, construction, electricity, gas, water supply has steadily increased during the planning decades. The government has strengthened the industrial base considerably by placing due emphasis on setting up of industries like iron and steel, heavy engineering, coal, heavy electrical machinery, petroleum, chemical, natural gas, chemicals, drugs fertilizers etc. Because of low profitability potential, theses industries do not find favour with private entrepreneurs in India. The total investement by public sector has increased from 29 crores to 349209 crores after independence

Check Your Progress 2

Answer1: The over capitalization has really affected the public sector of India. The Administrative Reforms Commission found that Hindustan Aeronautics, Heavy Engineering Corporation and Indian Drugs and Pharmaceuticals Ltd. Were over-capitalized. Such over-capitalization resulted in high capital-output ratio and wastage of scare capital resources.

Answer2: The public sector suffer from poor project planning investment decisions in many public enterprises are not based upon proper evaluation of demand and supply, cost benefit analysis and technical feasibility. Lack of a precise criterion and flaws in planning have caused undue delays and inflated costs in the commissioning of projects. Many projects in the public sector have not been finished according to the time schedule.

Answer3: The post liberalization period has marked a distinct upturn of the growth trajectory. The stagnation of the economy seemed to have been over by mid seventies. The share of agriculture in GDP has been steadily decreasing after economic reforms. It has decreased from 28% to 19% from 1994 to 2004. Where as the share of industry has remained at the same level of 26% of GDP of India

Answer4: The growth rate of Indian economy has improved very impressively in comparison to the pre-reforms period. The service sector's growth is 7.5 during that period. The private corporate sector in India has responded favourably to economic reforms with large investments. The overall post reforms growth rate of output has been robust at an average of 6.8 percent. The share of service sector in the GDP has significantly increased to about 55% during last decade.

UNIT 2 ROLE OF PRIVATE/CORPORATE SECTOR IN DEVELOPMENT

Structure

2.1 Introduction
2.2 Private Sector: Concept and Significance
2.3 Corporate Sector and Foreign Direct Investment
2.4 Role of Private Sector in Development
2.5 Problems of Private Sector
2.6 Corporate Governance
2.7 Corporate Social Responsibility
2.8 Public-Private Partnership
2.9 Let Us Sum Up
2.10 References and Selected Readings
2.11 Check Your Progress – Possible Answers

2.1 INTRODUCTION

In economics, the private sector is that part of the economy which is run by private individuals or groups, usually as a means of enterprise for profit, and is not controlled by the state. By contrast, enterprises that are part of the state are part of the public sector and non-profit organizations are regarded as part of the voluntary sector. A variety of legal structures exist for private sector business organizations, depending on the jurisdiction in which they have their legal domicile.

Private sector enterprises are characterized by ownership and management in the hands of private individuals and are guided by personal initiatives and profit motive.

Private Sector Development is a strategy for promoting economic growth and reducing poverty in developing countries by building private enterprises, membership organizations representing them, and competitive markets that are stronger and more inclusive.

After studying this unit you should be able to:

- explain private sector in policy framework
- examine significance of corporate sector in India
- point out the contribution of FDI to economic growth
- explain the role of private sector in development
- explain the problems of private sector
- define corporate governance
- describe corporate social responsibility and public-private partnership

2.2 PRIVATE SECTOR: CONCEPT AND SIGNIFICANCE

India has a mixed economy in which both private sector and public sector are allowed to operate. In 1948 industrial resolution divided the industries into three categories: i) Three industries in which state was given exclusive monopoly ii) six industries, where the state has the exclusive right to setup new units but the existing private units were allowed to operate, iii) eighteen industries where regulations and direction are necessary and iv) all other industries not included in the above three categories, where private sector was allowed the freedom to operate. The 1956 industrial policy divided all industries into three categories. i) seventeen industries (schedule –A) whose future development was to be the exclusive responsibility of the state ii) twelve industries (schedule B) where the state would increasingly establish new units but the private sector would not be denied to set up their units. iii) all other industries (not listed in schedule A or B) where the private sector was given full freedom to operate. However the private sector had to operate with the provisions of industries Act, 1951 and other relevant legislations of the government. The 1956 industrial policy stated that, "industrial undertakings in the private sector have necessarily to fit into the framework of the social and economic policy of the state and will be subject to the control and regulations in terms of the industries development and regulation Act and other relevant legislations. The government of India has duly emphasized the mutual coexistence and mutual dependence and cooperation of private and public sector. Therefore private sector had the space to expand its business activities. it took full advantages of the loopholes and exceptions in the legislations. Its elbow room allowed by 1956 policy expanded in different business activities, even in areas exclusively reserved for the state sector. The working of the industries development and regulation acts was full of flaws as the licensing committee worked in a very haphazard and ad hoc manner. The "licensing raj" was adverse for industrial development. Therefore new industrial policy of 1991 abolished the licensing system and ushered in new era liberalization, where the role of the public sector was diluted. Doors of foreign investment considerably opened and numerous incentives and initiatives granted to the private sector to expand its business activities. The 1991 policy was welcomed with unbridled enthusiasm by the private sector. It encouraged the private units with lower tax, less red-tapism, less government interference. It created more space for the private sector. It opened the doors to multinational companies and raised the competition from abroad as tariffs were reduced substantially. Many domestic producers suffered from shrinking market share due to their low quality and price. The corporate world expanded significantly. Many new entrants got the space in the market.

The private sector plays the following dominant role in Indian economy

1) It has an extensive modern industrial sector
2) It has become the powerful driver of development
3) It has led to the growth of Small scale industries
4) It has huge employment and investment potential
5) It plays significant role in health and education sector

2.2.1 Significance of Corporate Sector in India

The phenomenal growth of private sector of India can be attributed to political will, financial reforms, usage of more advanced technology, young and large English speaking working class. The 7-8 % of annual GDP growth rate India is the one of the highest growth rate in the world. The last 15 years witnessed a phenomenal rise of the growth of private sector in India. The opening up of Indian economy has led to free inflow of foreign direct investment (FDI) along with modern cutting edge technology, which propelled India's economic growth. Market changed as soon as the markets were opened for investments. This saw the rise of the Indian private companies which prioritized customer's need and speedy service. This further fueled competition amongst same industry players and even in government organizations. Further, the government of India also divested some of its enterprises to ensure smooth operation of these companies which was otherwise were loss making. It also went further and forged joint venture private Indian companies, especially in sectors like, telecommunication, petroleum, housing and infrastructure. This inculcated healthy competition and benefited the end consumers, since the cost of service or products come down substantially.

The private sector companies are decreasing their price bands to remain alive in the competition. Further, the big private Indian companies are offering mouth watering benefits in the form of gifts, rebates and even holding lucky draws to stay ahead in the race of 'market supremacy'. Gone are the days when 'brand loyalty, accounted for big customer base. Today, general Indian customers are trendy, flexible and are extremely flexible with their choice. Steady growth of private sector has sent a sense of urgency and insecurity amongst main market players. Defensive methods of protection of Brands against competitors are becoming popular. Legal instruments like patents, trademarks, industrial designs and copyrights filing has increased many fold and so is counter claim and litigation. Further, Mergers and Acquisitions, collaborations and licensing has become a popular amongst private Indian companies.

The best thing that has happened to the overall Indian market with the growth of private sector is that it has helped to shed bureaucracy and lengthy official process and supplemented it by customer eccentric service, good work ethics, professionalism and transparency of accounts.

Some positive effects of the growth of private sector in India are as follows:

- Manufacturing registered 11.9% growth
- The passenger vehicles sector grew by 11.61% during April-May 2007
- Electricity, gas & water supply performed well and recorded an impressive growth rate of 8.3%
- Construction growth rate rose to 10.7%
- Trade, hotels, transport and communication registered a growth rate of 12%
- Financing, insurance, real estate and business services recorded an impressive growth rate of at 11% during the 1st quarter of this fiscal
- Exports grew by 18.11% during the 1st quarter of 2007-2008 and the imports shoot up by 34.30% during the same period

- The food sector is estimated to be of US$ 200 billion and it is expected to grow to $310 billion by 2015
- Merchandise Exports recorded strong growth

2.3 CORPORATE SECTOR AND FOREIGN DIRECT INVESTMENT

After independence the attitude towards foreign capital was one of fear and suspicion. It was due to colonial exploitation of raw materials and draining away of resources from our country. But after 1991, we invited FDI (foreign Direct Investment) was given importance with the following arguments:

1) It makes improvement in balance of payment position of the country
2) It helps in grater harnessing of natural resources and mineral wealth
3) It promotes basic infrastructure for economic development
4) It helps in filling up the technological gap
5) It can sustain a high level of investment with high risk

We have adopted following approaches to attract FDI in India.

- improving domestic infrastructure
- providing targeted fiscal incentives ,(tax concessions, specific subsidies etc)
- promoting local skills development to meet investor needs and expectations;
- establishing broad-reaching FDI promotion agencies
- improving the regulatory environment and decreasing red-tapism
- engaging in international governing arrangements

The FDI has not gone to all sectors of India. The top eight sectors which have attracted FDI in India are as follows:

a) Automotive components
b) Financial services (banking and non banking)
c) Electric Power plants
d) Coal Washeries
e) Coal –bed methane explorations and recovery
f) Telecommunication equipments and service
g) Hospitality industry
h) Food processing industry

But the flow of FDI is prohibited by Government of India in the following sectors:

1) Retail Trading
2) Lottery business
3) Gambling and betting
4) Nidhi company
5) Trading in transferable development rights

6) Sector/ activity not opened to private investment.

Private sector has played a very dominant role in the process of economic growth. The GDP and per capita GDP have increased steadily after economic reforms adopted in nineties. It is observed from the following table-2 that the NNP of India has achieved a growth rate of 8.8% and per capita income has registered a forth rate of 7.2% during 2004-09. Before the introduction of economic reforms in the 1990's, FDI inflows were concentrated in the manufacturing activities in India, which was due to the import substituting industrialization programmes that encouraged the tariff-jumping investments to capture the protected domestic market. However, the trends clearly changed towards an increase in FDI in the territory sector that encompassed mainly the services' activities. The following Table 1 presents the Major Sector- wise FDI Inflows in India.

Table 1

MAJOR SECTOR- WISE FDI INFLOWS IN INDIA *[amount in US $ million]*

No	Sectors	YEAR													TOTAL	CGR
		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (p)		
1	Services sector	266 (6.60)	209 (3.41)	326 (6.47)	269 (6.22)	469 (7.75)	581 (6.48)	4664 (20.43)	6615 (18.98)	6138 (14.66)	4353 (11.53)	3296 (9.46)	5216 (11.20)	4833 (13.11)	**37235 (12.83)**	37.99
2	Construction sector	260 (6.45)	804 (13.12)	537 (10.66)	472 (10.92)	562 (9.29)	691 (7.71)	3985 (17.46)	3743 (10.74)	2028 (4.84)	2862 (7.58)	1663 (4.76)	3141 (6.75)	1332 (3.61)	**22080 (7.61)**	18.41
3	Telecommunication sector	78 (1.94)	813 (13.26)	223 (4.43)	116 (2.68)	129 (2.13)	680 (7.59)	478 (2.09)	1261 (3.61)	2558 (6.11)	2554 (6.77)	1665 (4.78)	1997 (4.29)	304 (0.82)	**12856 (4.43)**	22.26
4	Computer Hardware & Software Sector	406 (10.08)	468 (7.63)	397 (7.88)	366 (8.48)	602 (9.95)	770 (8.59)	2614 (11.45)	1410 (4.05)	1677 (4.00)	919 (2.43)	780 (2.24)	796 (1.70)	486 (1.32)	**11691 (4.03)**	6.72
5	Drugs & Pharmaceutical sector	12 (0.30)	21 (0.34)	29 (0.58)	69 (1.60)	92 (1.52)	72 (0.80)	205 (0.90)	2350 (6.74)	2130 (5.08)	774 (2.05)	209 (0.60)	3232 (6.95)	1123 (3.05)	**10318 (3.56)**	52.96
6	Chemical sector	37 (0.93)	46 (0.75)	62 (1.23)	20 (0.46)	78 (1.29)	406 (4.53)	205 (0.90)	229 (0.66)	749 (1.79)	362 (0.96)	2354 (6.75)	4041 (8.68)	292 (0.79)	**8881 (3.05)**	40.49
7	Automobile sector	90 (2.23)	152 (2.48)	146 (2.90)	198 (4.58)	271 (4.48)	268 (2.99)	376 (1.65)	675 (1.94)	1152 (2.75)	1208 (3.20)	1299 (3.73)	923 (1.99)	1537 (4.17)	**8295 (2.86)**	27.38
8	Power sector	84 (2.08)	88 (1.44)	178 (3.54)	183 (4.23)	166 (2.74)	129 (1.44)	157 (0.69)	967 (2.78)	985 (2.36)	1437 (3.81)	1272 (3.65)	1652 (3.54)	536 (1.46)	**7834 (2.71)**	28.27
9	Metallurgical sector	17 (0.42)	18 (0.29)	27 (0.54)	32 (0.74)	192 (3.17)	153 (1.72)	173 (0.76)	1177 (3.38)	961 (2.30)	407 (1.08)	1098 (3.15)	1786 (3.84)	1466 (3.98)	**7507 (2.59)**	53.11
10	Petroleum & Natural Gas sector	81 (2.01)	83 (1.36)	145 (2.88)	161 (3.73)	156 (2.58)	110 (1.23)	89 (0.39)	1427 (4.10)	412 (0.98)	1272 (3.37)	556 (1.60)	332 (0.72)	558 (1.51)	**5382 (1.86)**	20.92
	FDI Inflows in other Sectors	2608 (66.96)	3428 (55.92)	2965 (58.89)	2436 (56.36)	3334 (55.10)	5101 (56.92)	9880 (43.28)	14989 (43.02)	23083 (55.13)	21591 (57.22)	20655 (59.28)	23440 (50.34)	24393 (66.18)	**157999 (54.47)**	25.99
	Total FDI Inflows in India	**4029 (100)**	**6130 (100)**	**5035 (100)**	**4322 (100)**	**6051 (100)**	**8961 (100)**	**22826 (100)**	**34843 (100)**	**41873 (100)**	**37745 (100)**	**34847 (100)**	**46556 (100)**	**36860 (100)**	**290178 (100)**	26.61

Source: www.dipp.nic.com
Note: Figures in parentheses denote major sector's share in the total FDI inflows in India. P-Provincial

Table 2: Average annual growth rates in India

Period	Growth of NNP	Growth rate of Percapita income
1951-81	3.4	1.2
1981-96	5.5	3.3
1997-03	5.8	3.9
2004-09	8.8	7.2

Source: *Government of India, Economic Survey, different years*

The service sector has improved impressively during the 9th and 10th plan. But 11th plan is emphasizing more on industry. It aims to achieve 9% growth rate through the strong growth of 10.13% in industrial sector. It is shown in table -3 below.

Table 3: Sectoral Growth rates

Plan period	Agriculture	Industry	Services	Total
9th Plan(1997-01)	2.44	4.29	7.87	5.52
10th plan(2002- 06	2.13	8.90	9.28	7.59
11th Plan(2007-12	4.0	10.13	9.11	9.0

Source: *Planning Commission (2007) Eleventh Five Year Plan (2007-12, Vol.1. 0*

The structure of Indian economy has significantly changed after the privatization movement in India. The dominant of agriculture in terms of its contribution to the national GDP has declined from 35% to 17% from 1984 to 2009. The private entrepreneurs of India are dominating in the service sector, which has become the main driver of economic growth today. But reliance on agriculture still remains far greater than in some other third world countries such as Indonesia, China, Mexico, Brazil and Korea.

Check Your Progress 1

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) What are the major dominant roles played by the private sector in the Indian Economy?

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2) Mention any five positive effects of the growth of private sector in India?

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3) Name the top eight sectors which have attracted FDI in India?

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2.4 ROLE OF PRIVATE SECTOR IN DEVELOPMENT

i) Private Sector and Poverty Alleviation

It is argued that private sector by providing employment and producing large scale consumer goods and services helps the economy in poverty reduction. Brainard and La Fleur in their article 'The Private Sector in the Fight Against Global Poverty' highlighted that by generating jobs, serving the underserved, promoting innovation and spurring productivity, indigenous private sector development can raise the living standards and promote opportunities.

ii) Private Sector and Employment

The private sector has supplemented and complemented government endeavour in providing employment and thereby helping in solving the problem of unemployment in the country. Although there are complains of exploitation, yet it has provided livelihood to a large section of unemployed who otherwise could not find a place in public sector. The investment in private sector is growing day by day and so also is the employment.

During 2000-2011, workforce employed in Central Government, State Government, Quasi Government- State and Local Bodies declined by a Compound Annual Growth rate (CAGR) of -2.77%,-0.28%,-2.04% and -0.96% respectively, whereas workforce employed in Quasi Government-Central, Act Estts. (Private which is Falling within the preview of Act) and Non Act. Estts. (Private which is not falling within the preview of Act) grew by a CAGR of 0.49%, 2.91% and 2.25% respectively. Maximum growth of workforce employed in terms of CAGR was observed for Act Estts. sector (2.91%) and maximum decrement in terms of CAGR was observed for Central Government sector (-2.77%). At the end of financial year 2010-11, a total of 2.8999 Cr work force was employed in the organized sector which includes both public and private sector. While, public sector (Central Government, State Govt, Quasi Government and Local Bodies) had 61% of the total workforce and private sector (Act Estts. and Non Act. Estts.) had 39% of the total workforce employed.

Table 5: Employment in Private sector of India (in lakhs)

Year	Private sector	Public sector	Total	% of Private sector
1971	67	111	178	38
1981	74	155	229	32
1991	77	190	267	29
2001	87	191	278	31
2007	93	180	273	35

Source: *compiled from Economic Survey of Government of India, different years*

iii) Private Sector and Infrastructure

The participation of the private sector of Indian economy is desired by the government of India for infrastructural development including specific sectors

like power, development of highways and so on. The contribution of public sector in these sectors has been arrested due to the shift of the attention of the Indian government to issues like population increase, industrial growth. The main reasons behind the low contribution of the private sector in infrastructural development activities are that:

- The small and medium scale companies in the private sector of Indian economy suffer from lack of finances to welcome the idea of extending their business to other states or diversify their product range.
- The private sector of Indian economy also suffer from the absence of appropriate regulatory structure, to guide the private sector and this speaks for its unorganized framework
- The unorganized framework of the private sector is interrupting the proper management of this sector resulting in the slowdown of its development.

iv) Private Sector and Agriculture

Agriculture and allied sector is the dominant primary sector completely managed by private sector and contributes more than 30 percent of the domestic GNP. It also provides employment to nearly 67 percent of the working population. Now a days the corporate sector is also playing important role in the promotion of agriculture through contract farming. The private sector like Tata Chemicals, Mahindra and Mahindra Reliance etc are found involved in the contract farming programme in Punjab being sponsored by Punjab Agro Foodgrain Corporation. They are providing employment to the local people for promotional activities. From this point of view it can be said that the private sector is dominant in the case of agriculture and allied occupations.

v) Private Sector and Trading

The private sector is playing important role in retail and wholesale trading. This sector is enjoying almost monopoly status. The government is seen to be least suited to render these services. Although, they sometimes try to create artificial shortage by hoarding, yet their role in wholesale and retail trade cannot be underemphasized.

vi) Private Sector and Education

India's improved education system most particularly the higher education system is often cited as one of the main contributors to the economic rise of India. Much of the progress in education has been credited to various private institutions. The private education market in India is estimated to be worth $40 billion in 2008 and will increase to $68 billion by 2012. However, India continues to face stern challenges. Private enterprise in education became even more important when the Indian economy went through liberalization and we realized the existence of professional opportunities in fashion design, computers, media, jewellery design, travel and tourism, hotel management, bioinformatics, private security, management, insurance, etc. During the eighties and nineties private institutions seriously considered entering into the educational fold to tap the huge demand for newer courses and created an entirely new educational vista for Indian students.

Some of the advantages of education developed through private sector are as follows:

i) Despite the higher cost of education at private institutions, there is enthusiasm among potential students because traditional colleges and universities offering highly subsided education are not always in a position for proactively updating facilities, infrastructure or curricula.

ii) Public sector institutions were able to offer limited seats and hence entry was highly competitive. Privately funded or corporate funded educational institutions thus came to be viewed as a viable option by students keen to get education in the desired field when they wanted it.

iii) The entry of private sector in education has been on the basis of a realistic recognition of the needs and interests of the population. It has added new dimensions and alternatives for the education-hungry population.

iv) Private educational enterprises offer greater variety of educational choices that match the greater variety of educational needs and interests inherent in a radically expanded and more heterogeneous student population. They provide alternate or non-conventional educational avenues.

v) Not just variety but modernity in course content appeals to the students craving direct relationship between the job market and formal education. Short-term, part-time, placement-oriented courses have a niche opportunity successfully catered by private institutions.

vi) Private sector involvement has undoubtedly helped to raise the general level and variety of educational opportunities. It has helped many students to tap rapidly emerging and evolving local as well as global career opportunities.

vii) There is scope for public-private partnership in education for more effective utilization and management of funds invested in premier government institutions and upgradation of technologies to deliver newer programmes and improved quality of service.

vii) Private Sector and Health

For the last five decades, the government has systematically nurtured the private health sector. This unwritten policy of the government runs parallel to the neglect, and now gradual, withdrawal of the state from the responsibility of people's health. Such a consistent support and encouragement to the private health sector are very important reasons for the failure to provide universal basic health care to all people of the country.

Today there are approximately 11,25,000 practitioners of different systems registered with various medical councils in the country. Of them, only 125,000 are in government service (including those in central health services, the armed forces, railways, state insurance etc). That leaves about a million doctors floating around in the private sector, not to mention tens of thousands of additional unqualified and unregistered medical practitioners. About 60 % of all practitioners are concentrated in cities. Similarly, 84 % of hospital beds are today located in urban areas, whereas 75 % of the population still

resides in villages. This selective concentration of health care providers is a major concern to be addressed. The State offers subsidies, loans, tax waivers and other benefits for the setting up of private practice, hospitals, diagnostic centres and pharmaceuticals. Thus, with such support the private health sector has grown into a giant – it is the largest private health sector in the world. With 60-80 % of health care sought in the private sector, and households contributing 4-6 % of their incomes, there's a whopping Rs. 400-600 billion health care market in India.

Some of the advantages are as follows:

1) The investment in the private health sector is huge
2) The quality of service and facilities in private hospital are better
3) The service is patient –friendly and more sensitive to people
4) The service is more efficient ,prompt, and instant
5) Its functioning is more transparent and accountable
6) The scope of competition among the private competitors is very high
7) The efficiency and quality of health services is steadily improving
8) It generates huge employment opportunities for the doctors and related workers
9) It has specialization and expertise in different branches and different diseases

2.5 PROBLEMS OF PRIVATE SECTOR

The private sector faces the following important problems.

i) Profit Motive:

Almost all industrial houses in the private sector operate with the sole motive of maximizing the profits. They are profit hunters. As a result they are only interested to invest only in those activities, where there is quick profit and high profits. They therefore tend to ignore to build the industrial base of the country. So the capital goods sector and basic industries remain neglected .They only invest in consumer good industries.

ii) Consumer Durables:

The private sector operators focus on the needs of elite class and urban consumers as they have ample purchasing power. Therefore the production pattern is skewed in favour of relatively smaller richer section of the society. The industrial units tend to produce only consumer durables like electronics and automobiles for the elitist section. Therefore the core economic activity suffers as production structure of the country is distorted.

iii) Monopoly Concentration

The big industrial and business houses tend to expand continuously. Therefore the MRTP act was in place to curb this trend. After economic reforms of 1991 in India, ironically there is less or unfair competition which results in concentration of wealth in few hands. This has happened in India.

iv) Infrastructural Bottleneck

The business sector of India faces always the severe problem of infrastructure bottlenecks. The most important is power shortage and lack of transport facilities. Acute power shortfalls, unscheduled powercuts, erratic power quality delay in new power connection and high energy costs adversely affects the performance and competitive strength of industries in India.

v) Diminishing Net value added

The net present value is defined as the amount generated over and above the cost of raw material which go to the production system after allowing for the depreciation charges. It indicates the efficiency of production process. Many industries in the private sector have reported a decline in the share of net value added in output in a number of years. It only implies that the same amount of raw material has generated less output. Thus the level of efficiency has been declining.

vi) Trade deficit

A large number of private sector sector companies have been resorting to massive imports in the post liberalization period in order to upgrade their technology in a bid to brace up to global competition. As a result their import expenditure has increased at a much faster rate than their export earnings. This has pushed up the trade deficit of many developing countries including our country.

vii) Industrial Disputes

As compared to public sector companies the private sector companies suffer more from industrial disputes. Differences and conflicts between owners and workers regarding wage, bonus retrenchment and other issues frequently emerge. Although there is arbitration boards, works committee for settlement of industrial disputes, the employers have better bargaining capacity. Taking advantage of this, they often refuse even the refuse the genuine demands of workers and conflicts assume the shape of a long drawn out struggles. So industrial often results in strikes and lockouts. It results in huge loss of man days and production leading to lower GDP.

viii) Foreign competition

Private sector suffers from severe foreign competition. The economic reforms of 1991 have opened up the gates to foreign investors. The process of globalization and integration of the Indian economy with the global economy has led to unequal competition- a competition between giant MNCs and dwarf Indian firms. Indians felt excited with the euphoria of liberalization and higher economic growth. But foreign competition means lager imports, cheaper imports, more foreign investment and larger opportunities for MNCs to raid and takeover and predating process. Even the large Indian firms are just operating like pygmies compared to MNCs. Many of them have been gobbled up and others are waiting their turn with bated breath.

ix) Industrial Sickness

The private sector units big or small face the problems of industrials sickness. Significant amount of loanable funds are locked up in sick industrial units,

which causes the wastes and affects the healthy growth of the entire industrial sector. As on March 2007, the total sick units were 1.18 lakhs with a bank credit of Rs30333 crores. Sickness is caused by both internal factors like finance, production, technology, management and external factors like market demand, recession and input supply, government policies.

x) Industrial finance

The small, medium and large private firms in the private sector confront the serious problem of industrial sickness. Huge amount of loanable funds and finance of financial institutions are locked up in sick industrial units causing wastages of resources. It adversely affects the healthy growth of industrial economy of India. At the end of March 2007, the there were 1.18 lakh sick units involving a bank credit of Rs.30,333 crores. Besides the external causes, the internal causes of industrial sickness refer to inefficiency, poor management of the private firms.

2.6 CORPORATE GOVERNANCE

Corporate governance is a multi-faceted subject. It is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled. Corporate governance also includes the relationships among the stakeholders involved and the goals for which the corporation is governed. The principal stakeholders are the shareholders, the board of directors, employees, customers, creditors, suppliers, and the community at large. An important theme of corporate governance is to ensure the accountability of certain individuals in an organization through mechanisms that try to reduce or eliminate the principal-agent problem. The positive effect of corporate governance on different stakeholders ultimately is a strengthened economy, and hence good corporate governance is a tool for socio-economic development

Parties involved in corporate governance include the regulatory body (e.g. the Chief Executive Officer, the board of directors, management, shareholders and Auditors). Other stakeholders who take part include suppliers, employees, creditors, customers and the community at large. In corporations, the shareholder delegates decision rights to the manager to act in the principal's best interests. A board of directors often plays a key role in corporate governance. It is their responsibility to endorse the organization's strategy, develop directional policy, appoint, supervise and remunerate senior executives and to ensure accountability of the organization to its owners and authorities. The Company Secretary, is a high ranking professional who is trained to uphold the highest standards of corporate governance, effective operations, compliance and administration. All parties to corporate governance have an interest, whether direct or indirect, in the effective performance of the organization. Directors, workers and management receive salaries, benefits and reputation, while shareholders receive capital return. Customers receive goods and services; suppliers receive compensation for their goods or services. In return these individuals provide value in the form of natural, human, social and other forms of capital.

2.6.1 Principles

Key elements of good corporate governance principles include honesty, trust and integrity, openness, performance orientation, responsibility and accountability,

mutual respect, and commitment to the organization. Commonly accepted principles of corporate governance include the following:

1) Rights and equitable treatment of shareholders:
2) Interests of all legitimate stakeholders:
3) Role and responsibilities of the board
4) Integrity and ethical behaviour and decision making.
5) Disclosure and transparency
6) Independence of external auditors

Corporate Governance is much broader. It must include a fair, efficient and transparent administration and strive to meet certain well defined, written objectives. Corporate governance goes well beyond laws and rules. The quantity, quality and frequency of financial and managerial disclosure, the degree and extent to which the board of Director (BOD) exercise their *trustee* responsibilities and the commitment to run a transparent organization- should be constantly evolving. Perpetuation of the organization for its own sake is counterproductive.

2.6.2 Mechanisms and controls

Corporate governance mechanisms and controls are designed to reduce the inefficiencies that arise from moral hazard and adverse selection. There are two types of controls in corporate governance.

a) Internal corporate governance controls
b) External Corporate Governance Controls

The corporate governance has the following systemic problems:

1) Lobbying process is worse for the company.
2) Monitoring costs is very high.
3) Supply of accounting information is not perfect.

2.7 CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility (CSR) is also known as corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance. It is a form of corporate self-regulation integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its support to law, ethical standards, and international norms. Consequently, business would embrace responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, CSR-focused businesses would proactively promote the public interest by encouraging community development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Essentially, CSR is the deliberate inclusion of public interest into corporate decision-making, and the honoring of a triple bottom line: people, planet, profit.

The CSR is linked to the rise in popularity of ethical consumerism over the last two decades. Development of business ethics is one of the forms of applied ethics that examines ethical principles and moral or ethical problems that can

arise in a business environment. In the increasingly conscience-focused marketplaces of the 21st century, the demand for more ethical business processes and actions is increasing. Simultaneously, pressure is applied on industry to improve business ethics through public initiatives. Corporations are re-branding their core values in the light of business ethics. The term "CSR" came in to common use in the early 1970s. It implies that stakeholder, should benefit from the business activity of shareholders . ISO 26000 is the recognized international standard for CSR. The UN has developed the Principles for Responsible Investment as guidelines for investing entities.

Thus the CSR refers to the following:

a) It is an aid to an organization's mission.

b) It represents the social obligation and core values of the company

c) It upholds the interest of the customers and society at large.

d) It is a part of business ethics, involving social accounting

e) It is community-based and conscience-focused business

f) It integrates both stakeholder and shareholder of business

Corporate Social Responsibility has been defined and redefined in many ways. Proponents argue that there is a strong business case for CSR, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits.

2.7.1 Advantages of CSR

The economy exists to serve human beings, so all economic entities have an obligation to the society. Others, such as Patricia Werhane, argue that CSR should be considered more as a corporate moral responsibility. As discussed above, many CSR proponents point out that CSR has the following advantages.

1) It improves long-term corporate profitability by maximizing interests of society as a whole

2) It reduces risks and inefficiencies while offering a host of potential benefits

3) It enhances brand reputation and employee engagement

4) It can be an aid to recruitment and retention

5) It builds the customer loyalty and stakeholders goodwill

6) It integrates environmental aspects of business operations

2.8 PUBLIC-PRIVATE PARTNERSHIPS

The public- private partnership (PPP) is one of the most popular reforms of the last decade in public financial management. A growing number of countries show interest in PPP as it is the best antidote to the worldwide downturn in infrastructure investment. It is found in Europe that between 1990 and 2005, more than a thousand partnerships had been signed in the European Union alone, representing an investment of almost 200 billion euros.

The PPP refers to the arrangement in which the private sector supplies infrastructure assets and services traditionally provided by governments. There

is the presence of external financing in the activities of the Government. The PPPs are government contracts with the private sector that, through their flexibility and complexity, put the public entity's assets at significant risks. This is because they are partially exempt from traditional procurement schemes and regulations and are used by ministries less trained than their private sector counterparts to develop efficient risk management procedures.

In this rapidly evolving area, the consensus currently crystallizes on following points:

1) PPPs should be limited to projects delivering greater Value for Money
2) the contractibility of the quality of service,
3) the transfer of a significant share of risks to the private sector,
4) the presence of competition or incentive-based regulations,
5) a sound institutional and legal framework,
6) a sufficient level of technical expertise in the government, and
7) the proper disclosure of PPP commitments, along with government guarantees

Check Your Progress 2

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) Describe the role of private sector in providing employment to the masses.

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2) What are the key principles of corporate governance?

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3) Mention the problem of infrastructural bottleneck faced by private sector

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4) What is Corporate Social Responsibility (CSR)?

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2.9 LET US SUM UP

In this unit we dealt with the definition and significance of private sector in the process of economic development. We examined the role of private sector in economic growth of India. We analyzed the significance of corporate sector in infrastructural development, industrial development, education and health care. We analyzed the problems and constraints of private enterprises of India. We discussed about corporate governance, corporate social responsibility and public-private partnership in Indian context. We also analyzed the merits and demerits of privatization process in India.

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2.11 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress 1

Answer 1: The private sector plays the following dominant role in Indian economy

1) It has an extensive modern industrial sector
2) It has become the powerful driver of development
3) It has led to the growth of Small scale industries

4) It has huge employment and investment potential

5) It plays significant role in health and education sector

Answer 2: Some positive effects of the growth of private sector in India are as follows:

- Manufacturing registered 11.9% growth
- The passenger vehicles sector grew by 11.61% during April-May 2007
- Electricity, gas & water supply performed well and recorded an impressive growth rate of 8.3%
- Construction growth rate rose to 10.7%
- Trade, hotels, transport and communication registered a growth rate of 12%

Answer 3: The top eight sectors which have attracted FDI in India are as follows:

a) Automotive components

b) Financial services (banking and non banking)

c) Electric Power plants

d) Coal Washeries

e) Coal –bed methane explorations and recovery

f) Telecommunication equipments and service

g) Hospitality industry

h) Food processing industry

Check Your Progress 2

Answer 1: The private sector has supplemented and complemented government endeavour in providing employment and thereby helping in solving the problem of unemployment in the country. Although there are complains of exploitation, yet it has provided livelihood to a large section of unemployed who otherwise could not find a place in public sector.

Answer 2: Commonly accepted principles of corporate governance include the following:

7) Rights and equitable treatment of shareholders:

8) Interests of all legitimate stakeholders:

9) Role and responsibilities of the board

10) Integrity and ethical behaviour and decision making.

11) Disclosure and transparency

12) independence of external auditors

Answer 3: The business sector of India faces always the severe problem of infrastructure bottlenecks. The most important is power shortage and lack of transport facilities. Acute power shortfalls, unscheduled powercuts, erratic power quality delay in new power connection and high energy costs adversely affects the performance and competitive strength of industries in India.

Answer 4: The CSR refers to the following:

g) It is an aid to an organization's mission.

h) It represents the social obligation and core values of the company

i) It upholds the interest of the customers and society at large.

j) It is a part of business ethics, involving social accounting

k) It is community-based and conscience-focused business

l) It integrates both stakeholder and shareholder of business

UNIT 3 DEVELOPMENT OF SERVICE SECTOR

Structure

3.1 Introduction

3.2 Service Sector: Concept and Role

3.3 Important Services Sectors in India

3.4 Factors contributing to the Growth of Service Sector

3.5 Challenges of Service Sector

3.6 Measures for Promotion of Service Sector

3.7 Let us Sum up

3.8 References and Suggested Readings

3.9 Check your progress - Possible Answers

3.1 INTRODUCTION

In the previous two chapters you read about role of public and private sector in Indian economy. Unlike these two sectors there is another sector called the service sector which now a days plays an important role in Indian Economy. This unit will deal in detail with the tertiary or service sector. The tertiary sector is now the largest sector of the global economy as well as of Indian economy. It is also the fastest-growing sector. It is also known as the service sector or the service industry. It is one of the three economic sectors, the others being the secondary sector and the primary sector. For the last 30 years there has been a substantial shift from the primary and secondary sectors to the tertiary sector in all industrialized countries. The service sector consists of the "soft" parts of the economy. It is composed of various activities where people offer their knowledge and time to improve productivity, performance, potential, and sustainability. The basic characteristic of this sector is the production of services instead of end products. Services (also known as "intangible goods") include attention, advice, experience, and discussion. The service sector includes retail, banks, hotels, real estate, education, health, social work, transport, computer services, recreation, media, communication, electricity, gas and water supply.

Examples of service sector employment include: Government, Healthcare/ hospitals, Public health, Waste disposal, Education Banking, Insurance, Financial Services, Legal Services, Consulting, News Media, Hospitality industry (e.g. restaurants, hotels, casino), Tourism, Retail sales Franchising, Sales and Real estate

After studying this unit you should be able to:

- Explain the concept and role of service sector
- Examine the factors contributing for rapid growth of service sector
- Discuss the contribution of service sector to economic growth
- Describe various challenges of service sector
- Narrate various measures required for the promotion of service sector

3.2 SERVICE SECTOR: CONCEPT AND ROLE

3.2.1 Service Sector in India: Meaning and Composition

The tertiary or service sector provides a service, not an actual product. Services or the "tertiary sector" of the economy covers a wide gamut of activities like trading, banking & finance, infotainment, real estate, transportation, security, management & technical consultancy among several others.

In the National Income Accounting in India, service sector includes the following:

1. Trade, hotels and restaurants (THR)
   - 1.1 Trade
   - 1.2 Hotels and restaurants
2. Transport, storage and communication
   - 2.1 Railways
   - 2.2 Transport by other means
   - 2.3 Storage
   - 2.4 Communication
3. Finance, insurance, real estate and business services
   - 3.1 Banking and insurance
   - 3.2 Real estate, ownership of dwellings and business services
4. Community, social and personal services
   - 4.1 Public administration and defense (PA&D)
   - 4.2 Other services

3.2.2 Growth of Service Sector in India

India is the 4th largest economy and 2nd fastest growing major economy of the world today. India ranks 50 out of 117 economies in terms of competitiveness. Its rank is 15th in service sector of the world. Strong growth across sectors promises not just to beat back the recession blues but also cement India's position as a leading growth center in Asia alongside China. FDI in India are flowing into mainly three service sub sectors : Telecommunication equipments and services, Financial services (banking and non banking) and Hospitality industry. More than two decades of opening up has produced new dynamism in India People force of India is growing fast. India is the largest English speaking country in the world. Therefore India has experienced hyper growth of its service sector.

ndian economy is classified in three sectors — Agriculture and allied, Industry and Services. Agriculture sector includes Agriculture (Agriculture proper & Livestock), Forestry & Logging, Fishing and related activities. Industry includes 'Mining & quarrying', Manufacturing (Registered & Unregistered), Electricity, Gas, Water supply, and Construction. Services sector includes 'Trade, hotels, transport, communication and services related to broadcasting', 'Financial, real estate & 'Public Administration, defence and other services'.

Services sector is the largest sector of India. Gross Value Added (GVA) at current prices for Services sector is estimated at 73.79 lakh crore INR in 2016-17.

Services sector accounts for 53.66% of total India's GVA of 137.51 lakh crore Indian rupees. With GVA of Rs. 39.90 lakh crore, Industry sector contributes 29.02%. While, Agriculture and allied sector shares 17.32% and GVA is around of 23.82 lakh crore INR.

At 2011-12 prices, composition of Agriculture & allied, Industry, and Services sector were 15.11%, 31.12%, and 53.77%, respectively. Accordingly, now the sector wise Indian GDP composition in 2014 was as follows: Agriculture (17.9%), Industry (24.2%) and Services (57.9%). Total production of agriculture sector is $366.92 billion. India is 2nd larger producer of agriculture product. India accounts for 7.68 percent of total global agricultural output. GDP of Industry sector is $495.62 billion and world rank is 12. In Services sector, India world rank was 11 and GDP was $1185.79 billion. Contribution of Agriculture sector in Indian economy is much higher than world's average (6.1%). Contribution of Industry and Services sector is lower than world's average 30.5% for Industry sector and 63.5% for Services sector.

Service Sector in India today accounts for more than half of India's GDP. According to data for the financial year 2014, the share of services, industry, and agriculture in India's GDP was 55.1 per cent, 26.4 per cent, and 18.5 per cent respectively. The fact that the service sector now accounts for more than half the GDP marks a watershed in the evolution of the Indian economy and takes it closer to the fundamentals of a developed economy. There was marked acceleration in services sector growth in the eighties and nineties, especially in the nineties. While the share of services in India's GDP increased by 21 per cent points in the 50 years between 1950 and 2000, nearly 40 per cent of that increase was concentrated in the nineties. While almost all service sectors participated in this boom, growth was fastest in communications, banking, hotels and restaurants, community services, trade and business services. One of the reasons for the sudden growth in the services sector in India in the nineties was the liberalization in the regulatory framework that gave rise to innovation and higher exports from the services sector.

The boom in the services sector has been relatively "jobless". The rise in services share in GDP has not been accompanied by proportionate increase in the sector's share of national employment. Some economists have also cautioned that service sector growth must be supported by proportionate growth of the industrial sector, otherwise the service sector grown will not be sustainable. In the current economic scenario it looks that the boom in the services sector is here to stay as India is fast emerging as global services hub.

Table 1: Contribution of Service Sector to Economic Growth

Sectors	1950/ 51	1960/ 61	1970/ 71	1980/ 81	1990/ 91	2000/ 01	2007/ 08	2008/ 09
Agriculture	55.3	50.8	44.3	37.9	31.4	23.9	17.8	17.0
Industry	15.1	18.8	22.1	24.1	25.9	25.8	26.5	25.8
Services	29.8	30.4	33.6	38.0	42.7	50.3	55.7	57.3

Source: *Reserve Bank of India, Handbook of Statistics of Indian Economy, 2008-09and Government of India, Economic Survey, 2009-10, New Delhi*

The service sector has unprecedented growth in India over last sixty years. The sectoral share of service sector has increased from 29% in 1950s to 57% in 2009. But the share of agriculture in GDP has decreased from 55% to 17% during the same period. It is seen from the following table 2.

Table 2: Sectoral Share of GDP in India

	Sector	GVA (Rupees in Crore) at Current Prices						
		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	%Share
1	Agriculture Sector	1,501,816	1,680,798	1,932,692	2,067,935	2,172,910	2,382,289	17.32
1.1	Agriculture, forestry & fishing	1,501,816	1,680,798	1,932,692	2,067,935	2,172,910	2,382,289	17.32
2	Industry Sector	2,635,052	2,921,262	3,188,270	3,455,221	3,683,358	3,989,791	29.02
2.1	Mining & quarrying	261,035	285,776	295,716	313,844	296,041	309,178	2.25
2.2	Manufacutring	1,409,986	1,572,830	1,713,445	1,883,929	2,065,093	2,278,149	16.57
2.3	Electricity, gas, water supply & other utility services	186,668	215,164	259,840	279,456	321,765	338,396	2.46
2.4	Construction	777,363	847,492	919,269	977,992	1,000,459	1,064,068	7.74
3	Services Sector	3,969,789	4,603,255	5,245,305	5,947,260	6,595,670	7,378,705	53.66
3.1	Trade, hotels, transport, communication and services related to broadcasting	1,413,116	1,664,083	1,874,443	2,095,337	2,294,367	2,538,162	18.46
3.2	Financial, real estate & prof servs	1,530,691	1,776,023	2,069,386	2,363,328	2,632,432	2,896,300	21.06
3.3	Public Administration, defence and other services	1,025,982	1,163,149	1,301,476	1,488,595	1,668,871	1,944,243	14.14
	GVA at basic prices	8,106,656	9,205,315	10,366,266	11,470,415	12,451,938	13,750,786	100.00

Source: Ministry of Statistics and Programme Implementation, Planning Commission, (2017) Govt of India

Major Services' Sector-wise performance and some recent Government policies till 2017 to boost the growth of the sector are as follows:

Tourism

India's Tourism sector has been performing well with Foreign Tourist Arrivals (FTAs) growing by 9.7% to 8.8 million and Foreign Exchange Earnings (FEEs) at 8.8% to US$ 22.9 billion in 2016. FTAs during 2017 were 10.2 million, with a growth of 15.6%, while FEEs from tourism were US$ 27.7 billion, with a growth of 20.8% over 2016. Domestic tourist visits grew by 12.7% to 1,614 million in 2016 from 1,432 million in 2015. Tamil Nadu, Uttar Pradesh, Andhra Pradesh, Madhya Pradesh and Karnataka were the Top 5 Destination States in 2016.

Various initiatives have been taken by the Government to promote tourism include the introduction of the e-Visa facility under three categories of Tourist, Medical and Business for the citizens of 163 countries; launch of Global Media Campaign for 2017-18 on various Channels; launch of 'The Heritage Trails' to promote the World Heritage Sites in India; launch of International Media Campaign on various international TV channels; Celebration of 'Paryatan Parv' having 3 components namely 'Dekho Apna Desh' to encourage Indians to visit their own country, 'Tourism for All' with tourism events at sites across all states in the country, and 'Tourism & Governance' with interactive sessions & workshops with stakeholders on varied themes. FTAs on e-Tourist Visa grew by 143% to 10.8 lakh in 2016, and further grew by 57.2% to 17.0 lakh during 2017.

IT-BPM

India's Information Technology – Business Process Management (IT-BPM) industry grew by 8.1% in 2016-17 to US$ 139.9 billion (excluding e-commerce

and hardware) from US$129.4 billion in 2015-16, as per NASSCOM data. IT-BPM exports grew by 7.6% to US$116.1bn from US$ 107.8 billion during the same period. E-commerce market is estimated at US$ 33bn, with a 19.1% growth in 2016-17.

To further promote this sector, many initiatives have been taken, which include the establishment of BPO Promotion and Common Services Centres to help create digital inclusion and equitable growth and provide employment to 1.45 lakh persons, mostly in the small towns; setting up a separate Northeast BPO promotion Scheme with 5000 seats and having employment potential of 15000 persons; preparing the draft Open Data Protection Policy law; besides long-term initiatives like Digital India, Make in India, Smart Cities, e-Governance, push for digital talent through Skill India, drive towards a cashless economy and efforts to kindle innovation through Start-up India.

Real Estate

The Indian Real Estate sector has begun to show signs of improvement with the total FDI of US$ 257mn in H1 2017, which is more than double the total FDI in 2016 full year. Some of the recent reforms and policies taken by the Government of India related to Real Estate Sector include the Pradhan Mantri Awas Yojana (PMAY) with the government sanctioning over 3.1 million houses for the affordable housing segment in urban regions till November 2017. Of this, about 1.6 million houses have been grounded and are at various stages of construction, and about 0.4 million houses have been built under the mission. PPP policy for affordable housing was also announced on 21st September 2017 for affordable housing segment to provide further impetus to the ambitious 'Housing for all by 2022' mission. Credit Linked Subsidy Scheme (CLSS) under PMAY was extended to the Middle Income Group (MIG) segment, which got included in the scheme from 1st January 2017. With the enactment of Real Estate (Regulation & Development) Act, 2016, it is anticipated that accountability would lead to higher growth across the real estate value chain, while compulsory disclosures and registrations would ensure transparency.

R&D

The professional Scientific & Technical activities which include R&D services grew by 17.5% and 41.1% in 2014-15 and 2015-16 respectively. India-based R&D services companies, which account for almost 22% of the global market, grew at 12.7%. However, India's gross expenditure on R&D has been at around 1% of GDP. India ranks 60th out of 127 on the Global Innovation Index (GII) 2017, improving from 66th rank in 2016. Buoyed by the Government's support which includes important Schemes of different Ministries/Departments, the R&D sector in India is all set to witness robust growth in the coming years. According to a study, engineering R&D market in India is estimated to grow at a CAGR of 14% to reach US$ 42 billion by 2020. India is also expected to witness strong growth in its agriculture and pharmaceutical sectors as the Government is investing large sums to set up dedicated research centres for R&D in these sectors.

3.2.4 Contribution of Service Sector to Employment

It is important to point out that, within the services sector employment growth rate is highest in finance, insurance, and business services, followed by trade, hotels and restaurants and transport etc. the community social and personal services

occupy the last rank in growth rates of employment. Even though there has been substantial growth of service sector after the globalization, commensurating to its growth, the employment absorbing capability of the service sector is slow. It is found that during 1990s although the service sector growth was from 42 percent to 48 percent of GDP, during the same period, the employment share of the services actually declined by about one percentage point during the decode. In other words, it can be concluded that while activity has shifted to services, employment creation in services has lagged far behind.

Indian Economy is classified in three major sectors;

Agriculture & Allied Sector: This sector includes forestry and fishing also. This sector is also known as the primary sector of the economy. At the time of Indian independence this sector had biggest share in the Gross Domestic Product of India. But year by year its contribution goes on declining and currently it contributes only 17% of Indian GDP at current prices. It is worth to mention that agriculture sector provides jobs to around 53% population of India.

Industry Sector: This sector includes 'Mining & quarrying', Manufacturing (Registered & Unregistered), Gas, Electricity, Construction and Water supply. This is also known as the secondary sectors of the economy. Currently it is contributing around 31% of the Indian GDP (at current prices).

Services Sector: Services sector includes 'Financial, real estate & professional services, Public Administration, defence and other services, trade, hotels, transport, communication and services related to broadcasting. This sector is also known as tertiary sector of the economy. Currently this sector is the backbone of the Indian economy and contributing around 53% of the Indian GDP.

Services sector is the largest sector of India. Gross Value Added (GVA) at current prices for Services sector is estimated at 73.79 lakh crore INR in 2016-17. Services sector accounts for 53.66% of total India's GVA of 137.51 lakh crore Indian rupees.

Industrial sector contributes 29.02% with GVA of Rs. 39.90 lakh crore. While, Primary Sector of the economy i.e. Agriculture and allied sector contributes 17.32% and its GVA is around Rs. 23.82 lakh crore at the current prices in the FY 2016-17.

Table 3: Three sectors of the Indian economy in the FY 2016-17 at the current price.

Sector	GVA (Rupees in Crore) at current prices (2016-17)	Percentage share
1.0 Agriculture Sector	2,382,289	17.32 %
1.1 Agriculture,forestry & fishing	2,382,289	17.32 %
2.0 Industry Sector	3,989,791	29.02 %
2.1 Mining & quarrying	309,178	2.25 %
2.2 Manufacturing	2,278,149	16.57 %
2.3 Electricity, gas, water supply & other utility services	338,396	2.46 %

2.4	Construction	1,064,068	7.74 %
3.0	**Services Sector**	7,378,705	53.66 %
3.1	Trade, hotels, transport, communication and services related to broadcasting	2,538,162	18.46 %
3.2	Financial, real estate & prof servs	2,896,300	21.06 %
3.3	Public Administration, defence and other services	1,944,243	14.14 %
GVA at Current Prices		**13,750,786**	**100.00 %**

Source: Economic Survey Report 2017-18. Government of India.

The above table shows that the service sector is the backbone of the Indian economy; contributing the most in Indian GDP followed by the industrial sector. But the declining percentage of the agriculture and allied sector in the Indian GDP is the cause of concern for the policy makers because this sector still provides livelihood to around 53% population of the country but its contribution in the economy is declining year by year.

Check Your Progress 1

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) What are the service sectors to which FDI flows are significant?

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2) Which service sectors are fluctuating after the global financial meltdown?

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3) What are the constituents of service sector in India?

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4) What is the trend of contributions of three sectors in our economy?

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3.3 IMPORTANT SERVICES SECTORS IN INDIA

3.3.1 Financial Sector

Some of the important services sectors in India follow:

Financial sector and financial services sector have grown considerably in recent years, catalysed by deregulation in the 1990s. The financial sector consists of two types of market: Money market and capital market. The privatization process in banking and insurance sector of India has been very powerful. International acquisitions and internal growth have swollen the banks' combined balance sheets .The foreign commercial banks have subsidiaries and branch offices in India and elsewhere. Total assets of the commercial banks have significantly increased. Many other credit institutions and non banking institutions currently operate in every country including India: Life Insurance Company (LIC) represents the largest portion of total assets of insurance companies.

There are three types of Insurance in India

1. Life Insurance - guaranteeing a specific sum of money to a designated beneficiary upon the death of the insured, or to the insured if he or she lives beyond a certain age.
2) Health Insurance - against expenses incurred through illness of the insured.
3) Liability Insurance – for property such as automobiles, property and professional/business mishaps.

Because of extensive reforms undertaken in the banking sector after 1991, the performance of banking sector has improved significantly. The operating profits and net profit of public sector banks has increased by 33% 28.3% during 2008-09.There were 15 old private sector banks and 7 new private banks (Axis, HDFC, ICICI, Development Credit Bank Ltd, Indus Ind. Ban ltd, Kotak Mahindra Bank Ltd and Yes Bank Ltd) have started operating in India. The operating profits of old private banks were 33.2 % while it is 24.6 % in case new private banks during 2008-09. The net profit of old private and new private banks rose by 21.8% and 12.1% respectively during 2008-09.

3.3.2 IT and Software Sector

The Indian information technology (IT) industry has played a major role in placing India on the international map. India is witnessing resurgence in the service sector most dramatically in IT sector, Bio Technology etc. Some Indian firms in IT business have become world-beaters. India is meeting almost 70 % of worldwide BPO demand. Multinational firms come to India for lower cost and ultimately

stay here for quality. The Indian IT sector is growing rapidly and it has already made its presence felt in all parts of the world. The industry is mainly governed by IT software and facilities for instance System Integration, Software experiments, Custom Application Development and Maintenance (CADM), network services and IT Solutions. IT has a major role in strengthening the economic and technical foundations of India. Indian professionals are setting up examples of their proficiency in IT, in India as well as abroad. The sector can be classified into 4 broad categories - IT Services, Engineering Services, ITES-BPO Services, E Business. IT Services can further be categorized into Information Services (IS) outsourcing, packaged software support and installation, systems integration, processing services, hardware support and installation and IT training and education.

The IT/ITES industry provides direct employment to the about 2.23 million and indirect employment to the 8 million people. Due to the high demand of India's vaunted IT outsourcing sector, companies have been forced to raise wages by 10 to 15 per cent. IT sector is dynamic sector which is continuously evolving. As per NASSCOM, IT exports in business process outsourcing (BPO) services attained revenues of US $ 48 billion in FY 2008-09 and accounted for more than 77 percent of the entire software and services income. Over the years India has been the most favourable outsourcing hub for firm on a lookout of offshore their IT operations. The factors behind India being a preferred destination are its reasonable priced labour, favourable business ambiance and availability of expert workforce.

Top Software Companies in India

There are number of software companies in India which have been doing well. However, some of the top Indian software companies can be listed as:

Tata Consultancy Services	MphasiS
Wipro Limited	IBM India
Infosys	Patni Computer Systems
HCL Technologies	L&T Infotech
Tech Mahindra	i-flex Solutions

Check Your Progress 2

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) What are the new private banks in India?

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2) What are different types of insurance in India?

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3) What are the constituents of capital market in India?

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4) What are the different types of business in IT sector?

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5) What are the factors contributing for the success of IT sector of India?

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3.3.3 Indian Telecom Industry

Indian Telecom Industry is the fifth largest and fastest growing in the world. It has provided 110.01 million connections. It is currently expected to contribute nearly one percent to India's GDP. The subscriber base has grown by 40% in 2005 and is expected to reach 250 million in 2007. Over the last 3 years, two out of every three new telephone connections were wireless. Consequently, wireless now accounts for 54.6% of the total telephone subscriber base, as compared to only 40% in 2003. Wireless subscriber growth is expected to grow at 2.5 million new subscribers every month in 2007. The wireless subscriber base skyrocketed from 33.69 million in 2004 to 62.57 million in FY 2004 -2005. The wireless technologies currently in use Indian Telecom Industry are Global System for Mobile Communications (GSM) and Code Division Multiple Access (CDMA). Telecom Industry in India is regulated by 'Telecom Regulatory Authority of India'

(TRAI). It has earned good reputation for transparency and competence. Three types of players exist in Telecom Industry in India:

- State owned companies like - BSNL and MTNL.
- Private Indian owned companies like - Reliance Infocom and Tata Teleservices.
- Foreign invested companies like - Hutchison-Essar, Bharti Tele-Ventures, Escotel, Idea Cellular, BPL Mobile, Spice Communications etc.

The Indian Telecom Industry services is not confined to basic telephone but it also extends to internet, broadband (both wireless and fixed), cable TV, SMS, IPTV, soft switches, etc.

3.3.4 Foreign Trade in Services

The largest service sub sector in India is trade. The share of this sector in GDP was almost 12 per cent or more throughout the period of planning. Now it has become more than 14%. This sector registered a growth of about 6% per annum in 1980s, 7% per annum in 1990s and it is more than 9% per annum in the current decade. There are number of services which are traded across the countries. Transport and insurance are traditional components of trade in India. With the spread of telecommunication and computer technologies, virtually all types of commercial services have become tradable among countries. The liberalization policies of nineties and the removal of regulatory obstacles have fueled the steady growth of foreign investment and trade in services.

3.3.5 Hospitality and Tourism Sector

Tourism is the second largest industry of the world and sixth largest industry in India. Tourism comprises the largest component of the tertiary sector. It constitutes the major item in the world trade, which is growing at a faster rate than the world trade in tangible goods. It has now become a highly organized industry representing about 12 percent of world's gross income. World's revenue from this business has been constantly growing at a faster rate. In developing countries Tourism is also one of the largest industries with fastest expansion in its range and dimension. It is an industry with great employment potential. In fact one in every 16 workers worldwide owns his or her job to tourism sector. It has emerged as the most lucrative business of the world, having tremendous potentiality for earning foreign exchange, yielding tax revenue to the state, promoting ancillary industries, generating income and employment and developing backward regions through various linkage effects. Indian tourism as a sector of economic significance received the widest recognition after II world war.

There are many other ancillary services and informal activities having direct effects on tourism. Ancillary services having direct connectivity with tourism are: handicrafts, souvenir industry, horticulture, floriculture, leisure and entertainment services, and activities of all personals dealing with tourists across the counter in customs, immigration, airports, airlines, railway stations, ferry services, museums, bus terminals, taxi stands, banks, medicals , police stations, post offices, communication, advertising, shopping centers, sports and many other organizations both in the private and public sector.

3.3.6 Hotel Industry

Hotel accommodation is the significant segment of hospitality industry of India. The 'Incredible India' destination campaign and the recently launched 'Atithi Devo Bhavah' (ADB) campaign have also helped in the growth of domestic and international tourism and consequently the hotel industry. Hotel Industry in India has witnessed tremendous boom in recent years. Hotel Industry is inextricably linked to the tourism industry and the growth in the Indian tourism industry has fuelled the growth of Indian hotel industry. The thriving economy and increased business opportunities in India have acted as a boon for Indian hotel industry. The arrival of low cost airlines and the associated price wars have given domestic tourists a host of options. Growth story of hotel industry of India seconds only to China in Asia Pacific. Hotel industry of India has the supply of 110,000 rooms. According to the tourism ministry, 4.4 million tourists visited India in 2009 and at current trend; demand will soar to 10 million in 2010 - to accommodate 350 million domestic travelers. With tremendous pull of opportunity, India is a destination for hotel chains looking for growth. The World Travel and Tourism Council, India, data says, India ranks 18th in business travel and will be among the top 5 in this decade. Sources estimate, demand is going to exceed supply by at least 100% over the next 2 years. Hotel Industry' is adding about 60,000 quality rooms, currently in different stages of planning and development MNC Hotel Industry giants are flocking India and forging Joint Ventures to earn their share of pie in the race. Government has approved 300 hotel projects, nearly half of which are in the luxury range. Sources said, the manpower requirements of the hotel industry will increase from 7 million in 2002 to 15 million by 2010.

3.4 FACTORS CONTRIBUTING TO THE GROWTH OF SERVICE SECTOR

The service sector has rapidly grown due to many reasons. The following factors have mainly contributed towards its growth.

Liberalization Policy

The globalization process after 1991 has considerably liberalized the industrial and trade policies and opened up the banking, insurance, transport and communication sectors to private entrepreneurs. This liberalization has boosted the growth of service sector in India. Some sectors which are more liberalized, like banking, IT, communication, insurance services have experienced faster growth.

Technological Advancement

Growth of service sector is also stimulated by technological advancement. New activities and new products emerge as a result of technological breakthrough. The technological advancements that have positive impact on economic growth in India are the increasing use of internet in case of IT sector, expansion of cellular phone in case of telecom sector and wider use of ATM/credit cards in case of banking sector.

Splintering

With maturing of the economy specialization takes place. Industrial units tend to outsource some of the activities which were previously undertaken by them. They

use and hire the services of the specialist contractors and sub contractors to provide accounting, R/D, cleaning, legal and security services, etc. This process of specialization splintering leads to a growth in the share of services in GDP, even when GDP itself not growing. Jobs outsourced are counted as service sector contribution to GDP rather than being subsumed in manufacturing value-added.

Sectoral Interdependence

The growth of industry and other sectors has positive impact on the service sector because the interdependence among sector has also increased. There is direct and reverse interrelationship between industry and service sector. The impact of manufacturing sector on service sector is significant. But the contribution of service input to manufacturing in 1980 was only 1% of output growth, while it has increased substantially upto 25% in 1990s. This implies that increasing use of services in manufacturing favourably affects the TFP (total factor productivity)

Demand-side impetus

Demand for different type of services increased by leaps and bounds after 1991.The share of services in the consumption basket increase d by 3% pointes each decade; that is from 8% to 11% during 1960-61, 14% during 1970-71, 17% during 1980-81 and 20% during 1990-91. Thereafter the trend changed significantly, when private sector consumption of services increased to 31% and during 2016-17 it increased even higher. Thus the growth of service sector is due to the impetus given by domestic consumers as well as foreign buyers.

3.5 CHALLENGES OF SERVICE SECTOR

Some of the challenges of service sector are narrated below:

i) Indian money market is not integrated with debt and foreign exchange market. According to Y.V Reddy, Governor of RBI, while the base has been created with the variety of products in the money market, the market has not acquired the required depth in terms of both volume and liquidity. Though the banks have expanded their branches in an unprecedented scale, the banking facilities in the country are still inadequate. One branch serves about 160000 population in India while it is only 1200 persons in US. There more competition than cooperation and coordination between various players of money market.

ii) There is no integration between the organized sector and unorganized sector of Indian money market. The indigenous bankers do operate as individuals and private firms, whose volume of operates are unknown. They do not constitute a homogeneous group. They are engaged in many banking and non-banking business, which remain largely unregulated. The credit o f money lender has remained as the necessary evil.

iii) There is absence of organized bill market. There is lack of rational interest rates structure. There is shortage of funds in money market. The market for short-term asset has not yet developed. In terms of organization, resources, stability and elasticity financial institutions are hardly comparable to the money market of London or New York. The emergence of parallel economy and vast amount of black money in India has also caused shortage of financial resources in the money market.

iv) With western imitation through free market policy, rapidity in tourism sector may result in creation of new tourism facilities. These developments in many cases lead to competition and conflict .In turn they have generated a wide range of deleterious environmental impacts. It has many negative social and cultural impacts. The local people of the tourist centers stand to lose in the current process of tourism development. It has become another element of the destructive process, which exploits the local population, damages the environment, promotes consumerism, widens the gap between rich and poor and reinforces the global status quo.

v) Educational system has an unintended consequence of producing an "educational vacuum" for the society at large. Because all good students now are running after lucrative jobs as per the imperative of commodity-centric society and as per the new trend of higher education. Maximization of the short run individual objectives is being done at the cost of long run social objectives. The society ultimately remains neglected and bypassed.

vi) The year 2011 is likely to be a boom for skilled worker in IT & ITES, biotechnology as against the 15 per cent hike in their salaries in 2010. The employers are trying to catch up the highly skilled manpower and the salaries are going through the roof. The youth force of India is contributing to the growth in IT sector. However, the huge numbers of Indian youth are not only unemployed but unemployable on the contrary a large numbers of white collar jobs are waiting for suitable candidates. IT and ITES industry and biotech industry are facing skill manpower shortages. Companies are not only facing the problem of retention difficult and job hoping extensive, but there is a clear shortage of skill. Mainly IT/ITES, academics, engineering, HR, hospitality, insurance and biotechnology sectors, which are driven by the highly skilled manpower but the supply of capable labor is not up to the demand at the point.

vii) The employment generation in service sector has been increasing at a slower rate than the growth of output in the eservice sector over the years. Thus India is witnessed a jobless service sector growth during 1990s. It is very different experience compared to other countries. Service sector accounts for more than 55% of GDP, but its share in employment continues to be very low; less than one-fourth of the total. It means the growth in value addition in service sector is higher than the employment growth in the service sector. It implies that the growth of average productivity of labour is higher than the growth of employment in service sector. For example finance, insurance and real estate business account for 13 % of GDP in 2000, but employed only 1.2 % of the labour force. So service sector alone cannot sustain the present trend of economic growth in the long run.

3.6 MEASURES FOR PROMOTION OF SERVICE SECTOR

Some of the measures required to be taken for the promotion of service sector in India are as follows:

i) Institutional reforms should be made to integrate money market with debt and foreign exchange market. It should facilitate RBI (Reserve Bank of India)

to use indirect tools of monetary regulations. There should be integration between the organized sector and unorganized sector of Indian money market. There should be cooperation and coordination between various players of money market. The RBI should regulate the lending operations of the money lenders and indigenous bankers which is weakening the credit control system. It should stop the exploitation of money lenders and protect the small borrowers by developing institutional sources of credit.

ii) The stringent policy is necessary to curb parallel economy and vast amount of black money in India in order to overcome the shortage of financial resources in the money market. The RBI should mop up the excess liquidity generated on account of the accretion to the foreign exchange assets of the banks to neutralise the monetary impact of capital flows.

iii) Given the synergistic relationship between education, health, nutrition, energy, adequate allocation of public investment should be made on the social overheads and efficient measures should be adopted to magnify its trickle-down effect on rural people. The new approach requires human development goals to be an integral part of the economic development. It should be more and more inclusive process. Community involvement is necessary in order to reduce the urban bias in the emerging health care system. Health for all should entail the removal of various obstacles to these services such as elimination of ignorance, malnutrition, unhygienic housing, contaminated water supply etc. Thus concerted efforts should be made in all directions.

iv) India should adopt a new set of values in tourism development. In order to have a distinguished niche in the international tourism market India should develop its tourism in its own way and vision. In pursuing the efficient and profitable path of tourism development should not result in high environmental distortions. Healthy tourism should not result in unhealthy environment. Unmanaged tourism can be disastrous but organized tourism can only contribute to the genuine prosperity of the region. Suitable policy of the state should be designed to ensure 'green tourism' and 'rural tourism'. In this pursuit more resources should be invested to reinforce the ecosystem rather than making it vulnerable to risks from unplanned activities.

v) The education should be perceived as an integral part of both social development and economic development. Educational reform should aim at promoting: 'neo-professionalism' and 'value-based education.' The knowledge-based society emerges from a progressive educational system. Thus our educational system should promote quality in order to have a knowledge-based society for India. The education should integrate materialism with morality and liberation of mind. The higher education system should help in building a society which automatically rejects any type of malfunctioning and mal-development.

vi) The IT industry should depend more on exports of software products to advanced countries of the world. It should enhance its credibility as a business destination by creating a new model of global delivery, forging the relationship with MNCs, generating saving for the customers and promoting a focus on quality. There should be diversification in order to neutralize the effects of fluctuation in the global demand .There should strong agenda and high priority for R & D activities in service sector

The growth of Indian economy in the post liberalization period has been service-led growth. Thus the future of Indian economy depends on the growth potential of service sector. The dynamism in the service sector plays the crucial role in maintaining the growth momentum of the economy. Service sector now accounts for 70 % of the global output. The characteristics of the service have been altered by the revolution in the services sector. Services can now be produced and exported at lower cost. The old idea of services being non-transportable, non-tradable, and non-scalable no longer holds for a host of modern impersonal services. Therefore India can sustain a service-led growth as there is huge room for catch-up and convergence. Thus industrialization is not the only route to economic development. Thus service sector is highly growth-stimulating with positive externalities for other sectors and remains as the catalytic agent for economic growth. The growth in the service sector has not been uniform. In order to arrive at some policy direction it is imperative to examine the performance of different services and assess the economy's potentials and constraints in these services. We should examine the performance of aggregate as well as disaggregated services in terms of their growth rates; share in GDP, employment, trade and FDI.

Check Your Progress 3

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) What are the factors responsible for rapid growth of service sector of India?

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2) What are the major bottlenecks of Indian telecom industry?

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3) What are the services available in foreign trade?

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3.7 LET US SUM UP

In this unit we dealt with the definition and significance of Tertiary sector in the process of economic growth. We examined the role of service sector in economic growth of India. We analyzed the significance of service sector in IT sector, Banking, Insurance, Trade, infrastructural development, tourism development, education and health care. We analyzed the problems and challenges of service sector of India. We have given the suggestive measure for the improvement of the service sector.

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3.9 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress 1

Answer1: Mainly FDI in India are flowing into mainly three service sub sectors : Telecommunication equipments and services, Financial services (banking and non banking) and Hospitality industry.

Answer2: The highest growth is registered by financing, insurance and real estate, followed by trade, hotel, transport and communication. After global financial crisis construction and trade, hotel and transport sector had quicker recovery than financing and insurance sector of India

Answer3: In the National Income Accounting in India, service sector includes the following:

1) Trade, hotels and restaurants (THR)
2) Transport, storage and communication
3) Finance, insurance, real estate and business services
4) Community, social and personal services

Answer4: The contribution of service sector has been consistently rising from 29% to 68 % in 2007, after which it declines due to world financial crisis. But the contribution of agriculture has fallen to only 7% over the years while the contribution of industry is stagnating in India.

Check Your Progress 2

Answer1: There were 15 old private sector banks and 7 new private banks are: Axix, HDFC, ICICI, Development Credit Bank Ltd, Indus Ind Ban ltd, Kotak Mahindra Bank Ltd and Yes Bank Ltd.

Answer2: **There are three types of Insurance in India**: a) Life Insurance - guaranteeing a specific amount in case of death (b) Health Insurance - against expenses incurred through illness of the insured. (c) Liability Insurance – for property such as automobiles, property and professional/business mishaps.

Answer3: The capital market has two constituents: (1) The financial institutions and (2) the securities Market. The financial institutions e.g IFCI, IDBI, Exim Bank, SIDBI, IDFC, SFCs, LIC etc provide long term and medium term loan facilities. The securities market is divided into (i) the Government (gilt edged) securities market and (ii) the corporate securities market.

Answer4: There are mainly 5 types of business in the IT sectors: Infrastructure Software like OS, middleware and databases. Enterprise Software needed in finance, sales and marketing, production and logistics. Security Software,

Answer5: There are four major factors which have contributed for the success of IT of India. They are: (i) skilled professionals in IT. (ii) demographic factor like 60% of the population belong to age group of 15-65. (iii) vast academic infrastructure.(iv) India has the second largest English-speaking workforce in the world.

Check Your Progress 3

Answer1: The rapid growth of service sector has been possible for following five factors: (i) Liberalization Policy. (ii) Technological Advancement (iii) Splintering (iv) Sectoral Interdependence and (v) Demand-side impetus.

Answer2: Indian Telecom Industry has the following bottlenecks: (i) Slow reform process. (ii) Low penetration- achieving break-even is difficult. (iii) Huge initial investments (iv) Limited spectrum availability and interconnection charges between the private and state operators.

Answer3: After liberalization variety of services are exported and imported. Now it constitutes about 14% of India's GDP. These services are mainly relating to Travel, Transport, Insurance, Software services, Business services ,Financial services etc.

UNIT 4 ROLE OF UNORGANISED SECTOR IN DEVELOPMENT

Structure

4.1 Introduction
4.2 Meaning and Concept of Unorganised Sector
4.3 Unorganised Sector and Employment
4.4 Importance of Unorganised Sector in Indian Economy
4.5 Programmes and Policies for Unorganised Sector and its Workers
4.6 Recommendations of NCEUS to Strengthen the Unorganised Sector
4.7 Let Us Sum Up
4.8 Key Words
4.9 References and Selected Readings
4.10 Check your Progress - Possible Answers

4.1 INTRODUCTION

Informal sector provides the means of livelihood to millions of people in the world. In India it occupies significant place as far as employment is concerned, nine out of ten individuals are engaged in informal sector. However, it is an important but controversial sector of the economy. No doubt it provides huge job but in most of the cases, the jobs are low-paid and the job security is poor. The informal sector broadly consists of all incorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services with a very limited number of workers.

After studying this unit, you will be able to:

- Explain the meaning and concept of unorganised sector.
- Discuss the importance of unorganised sector in Indian economy.
- List out the various programmes and policies of unorganised sector and its workers
- Discuss the contributions and recommendations of National Commission for Enterprises in the Unorganised Sector (NCEUS)

4.2 MEANING AND CONCEPT OF UNORGANISED SECTOR

In India, the terms 'formal sector' and 'informal sector' have not been used in the official statistics or in the National Account Statistics (NAS). Instead, our official agencies use the terms 'organised' and 'unorganised' sectors to denote two major segments, in the production of goods and services in the national economy. As per the conventional understanding, the 'organised sector' comprises enterprises for which the statistics are available from official documents and reports. On the other hand, the unorganised sector refers to those enterprises whose activities or collection of data is not regulated under any legal provision or those do not

maintain any regular accounts. The informal sector units typically operate on a small scale with little or no division between labour and capital as factors of production. A major share of the informal sector is composed of self employed individuals. It is also observed that, the organised sector can be distinguished from the unorganised by the presence of legal protection, size of establishments, capability of the workers to organise themselves in unions, and the systematic manner in which production processes are organised in perceptible patterns.

While using such distinctions, the 'unorganised sector' is often understood as a 'residual sector' that *'covers the area that falls outside the purview of the organised sector'*. For instance, Employment in the unorganised sector has hitherto been derived by Director General of Employment and Training (DGET) as a residual of the total workers minus workers in the organised sector. Such conceptualization of unorganised sector as a 'residual sector', however, fail to capture the informal/unorganised employment in the formal/organised sector-which is a growing phenomenon in Indian economy, in the recent past.

In the context of India, both the enterprise concept (i.e. to define unorganised sector) and the employment concept (i.e. to define unorganised employment) lack in conceptual clarity and uniformity across the sub-sectors of the economy. For instance, the Central Statistical Organisation (CSO) uses the term organised enterprise as small units with 10 or more workers with power or 20 or more workers without power for the manufacturing sector. However, in the absence of similar statistical data, the definition cannot be extended to the service sector.

The vocations, employments and conditions of work are so varied and disparate that it is found difficult to arrive at a convincing and precise definition of the sector. Similarly, as the estimation of the shares of the sector to the total output and the workers of the economy becomes a difficult task, since there is no single or primary criterion or characteristic by which the unorganised sector could be defined or differentiated.

The terms 'organised' and 'unorganised' (and their definitional aspects) also attracted intensive debates, as they have been different from the internationally accepted and popular concepts of 'formal' and 'informal'. However, of late, there is a growing consensus that both these sets of terms (i.e. 'organised/ unorganised' and 'formal/informal') can be used interchangeably such that they are consistent with international definitions adopted by the International Conference of Labour Statisticians and the International Labour Organisation. For instance, two major National Commissions set up by the Government of India (National Commission on Labour 1998-2002 , and National Commission for Enterprises in the Unorganised Sector (NCEUS) 2004-2009) treat the words 'unorganised sector' and 'informal sector' as denoting the same area and, therefore, regarded them as interchangeable terms. In 1996, the fifteenth international conference on labour statistics defined the informal sector as "all unregistered or unincorporated enterprises below a certain size, including microenterprises owned by informal employers who hire one or more employees on a continuous basis and own account operations owned by individuals who may employ contributing family workers and employees on an occasional basis.

The recent contributions of NCEUS in bringing conceptual clarity to the term 'unorganised sector' is worth discussing. The Commission which was mandated to: "review the status of unorganized/informal sector in India including the nature

of enterprises, their size, spread and scope, and magnitude of employment," observed that the definitions being used by various agencies to identify the unorganised/informal sector are not uniform and it varied in certain cases even among different sub-sectors of the economy. To address this aspect, the Commission, constituted a Task Force to examine definitional and statistical issues relating to the sector.

The Task Force formulated a set of harmonized definitions of the sector and informal employment. Accordingly the unorganised sector is defined as that segment of the economy, which: "*…consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers"*. Similarly, `unorganised workers' are defined as: *"those working in the unorganized sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the employers"*.

As the NCEUS used different concepts and methodologies to define and quantify the share of unorganised sector in the national economy, the estimates thus arrived at vary from the existing major data collection agencies. Table 1 provides a comparison of concepts, methodologies and the estimates of CSO (concerning unorganised sector) vis-à-vis those of NCEUS Sub-Group.

Table 1: Unorganised Sector: Comparison of Concepts and Methodologies of CSO and NCEUS Sub-Group

Item	CSO	NCEUS Sub-Group
Definitions of un-organisedsectors	Follows different criteriafor different industrygroups mainly dictated byavailability of data	Proprietary andpartnership enterprisesemploying less than 10workers
Share of Unorganised Sector	Varies between 57 and 60 percent since 1993-94	55.42% in 1999-2000 and 49.94% in 2004-05
Methodology	The GDP estimates ofunorganized sector in eachcompilation category areinitially prepared for abench mark year by usinglabour input method. Thelabour input data isobtained from Census ofSmall Scale Industry,NSS surveys onEmployment &Unemployment, DGETetc. For the subsequentyears, the benchmark yearestimates are extrapolatedwith appropriate physicalindicators and the relevantprice indices.	Value added per workerestimated from 55th, 56thand 57th roundunorganised sectorsurveys. Employmentestimates from 55th and61st Round EUS survey.Apportioning was notlimited only tounorganised sector GDP.In the services sector totalGDP was apportioned.

Source: *NCEUS (2008)*

The National Sample Survey Organization (NSSO), which has been conducting surveys of unorganized enterprises at periodical intervals, generally adopted the following criteria for the identification of un-organized sector:

i) In case of manufacturing industries, the enterprises not covered under the Annual Survey of Industries (ASI) are taken to constitute the un-organized sector.

ii) In the case of service industries, all enterprises, except those run by the government (Central, State and Local Body) and in the corporate sector were regarded as un-organized.

4.3 UNORGANISED SECTOR AND EMPLOYMENT

The employment in the unorganized sector can be broadly categorized into three:

4.3.1 Area and Sex-Wise Employment Status of Informal Workforce

India is an emerging economy with 457.46 million workers in 2004-05. The size of workforce was 396.76 million in 1999-2000. A large chunk of the workforce was engaged in the informal sector. The estimated number of informal sector workers in 2004-05 was 394.90 million in India contributing 86 percent of total workers. Table 2 shows the distribution of informal and formal sector workers by sector and sex between 1999-2000 and 2004-05. In rural areas the share of informal sector workers in each population segment recorded more than 90 percent and the share of female workers is more than male workers in 2004-05 being 94.5 percent and 90.34 percent respectively.

Table 2: Distribution of Informal and Formal Sector Workers by Sector and Sex between 1999-2000 and 2004-05 (in million)

Sector	Sex	Informal Sector		Formal Sector		Total	
		1999-00	2004-05	1999-00	2004-05	1999-00	2004-05
Rural	Male	178.50	197.87	18.24	21.17	196.74	219.04
	Female	98.63	117.21	5.39	6.82	104.02	124.03
	Persons	277.13	315.08	23.63	27.99	300.75	343.07
Urban	Male	51.62	61.94	25.42	28.46	77.05	90.40
	Female	13.89	17.88	5.07	6.12	18.96	24.00
	Persons	65.51	79.82	30.50	34.58	96.01	114.40
Total	Male	230.12	259.81	43.66	49.63	273.78	309.44
	Female	112.51	135.09	10.46	12.94	122.98	148.03
	Persons	342.64	394.90	54.12	62.57	396.76	457.46

Source: *NSSO 55th (1999-00) and 61st (2004-05) Round Survey on Employment and Unemployment, also see A.K. Naik, "Informal Sector and Informal Workers in India", Website : http://www.iari.org*

India's economy grew by 8.0 per cent in fiscal year (FY) 2016 (April 2015-March 2016), the fastest pace since 2011-12. However, in 2016-17 the GDP growth rate slowed down to 7.1 per cent, mostly on account of deceleration in

gross fixed capital formation. IMF's latest growth forecast shows that disruptions caused by demonetization is unlikely to affect economic growth over the longer term, and GDP growth is expected to rebound to 7.2 per cent in 2017-18 and 7.7 per cent in FY 2019 (Table 3).

Table 3: Key economic labour market indicators

Macro	2014-15	2015-16	2016-17
Real GDP (% change y-o-y)[i,a]	75	80	7.1
Investment (% of GDP)	35.7	34.9	33.2
Labour market	2004-05	2009-10	2011-12
Employment (million)[ii,b,c]	457.9	459.0	472.9
Unemployment (million)[c]	11.3	9.8	10.8
Labour force participation rate (%)[d]	63.7	57.1	55.9
Male	84.0	80.6	79.8
Female	42.7	32.6	31.2
Unemployment rate (%)[d]	2.3	2.0	2.1
Male	2.1	1.9	2.1
Female	2.6	2.3	2.3
Share of employment in manufacturing (%)[d]	11.6	11.0	12.5
Male	12.0	11.1	12.2
Female	11.0	10.8	13.2
Share of regular wage and salaried workers (%)[d]	14.4	15.7	17.9
Male	17.3	17.8	19.9
Female	8.4	10.2	12.8
Working poverty rate (%)[iii]			
<US$1.90 per day	35.3	28.4	17.9
>=US$1.90 & <US$3.10 per day	36.5	37.5	35.0
Average real daily wage index (2004-05) = 100)[e]			
Rural	100.0	111.7	122.8
Urban	100.0	129.4	n.a.

Note: a) at 2011-12 prices; b) all ages; c) usual status; d) estimates for persons aged 15 years and above; e) average real daily wage index for regular wage employees aged 15-59 years

Source: i) Ministry of Finance monthly Economic Report, May 2017; ii) National Sample Survery, Employment and Unemployment Schedule, 61st, 66th and 86th rounds; iii) ILO: Key Indicators of the Lobour Market, 9th Edition (Geneva, 2015)

On the employment front, the challenge continues to be to ensure that economic growth translates into better labour market conditions. The vast majority of workers in India are in informal jobs. Although there has been a shift out of agriculture, construction has absorbed more workers than other sectors in recent years. Most of the new jobs being created in the formal sector are actually informal

because workers do not have access to employment benefits or social security. In addition, notable disparities in the labour force participation rates of men and women persist.

Between 1999-00 and 2011-12, there was a considerable increase in rural non-farm employment (12 per cent, as per the usual principal status definition). The greatest increase was in the states of Jammu and Kashmir (33 per cent), Goa (21 per cent) and Punjab (20 per cent). Overall, the proportion of households, whose principal source of income depends on agriculture, declined from 63 per cent in 2002-03 to 58 per cent in 2012-13.8

The largest increase in non-agricultural employment has been in the construction sector, where the share of employment in rural areas increased from 14.4 per cent (1999-00) to 30.1 per cent (2011-12). This has been accompanied by a change in employment status, with a rise in casual wage employment and a decline in selfemployment. Informality persists: the quality of employment remains the main challenge The majority of workers in India are in informal employment. Behind this there are two underlying, but diverging, trends. Firstly, the share of workers in the unorganized sector fell from 86.3 per cent in 2004-05 to 82.2 per cent in 2011-12. At the same time, the share of informal workers in the organized sector (i.e. workers without access to social security) increased significantly because of a greater use of contract and other forms of casual labour. The share of contract labour in organized manufacturing increased from 15.6 per cent at the end of the 1990s to 34.7 per cent in 2011-12. 79 per cent of non-agricultural wage workers had no written contract and only 23.8 per cent were eligible for social security benefits. Because of these countervailing trends, the overall proportion of informal workers in total employment (e.g. unorganized sector workers plus informal workers in the organized sector) has remained relatively stable, at around 92 per cent. Within the overall category of informal workers, the largest group is own-account workers (32.2 per cent), followed by informal employees in the informal sector (30.0 per cent) and contributing family workers (17.9 per cent).

4.3.2 Sector wise Employment Status of Informal Sector

The composition of employment in the organised vs unorganized sector was in the proportion 13:87 in 2004-05 and 17:83 in 2011-12 indicating an increase in organized sector employment from 13 per cent in 2004-05 to 17 per cent in 2011-12. But this increase in organized sector employment was informal in nature (48 per cent in 2004-05 increased to 55 per cent in 2011-12) while the share of organised formal employment decreased (52 per cent in 2004-05 decreased to 45 per cent in 2011-12). But in the unorganised sector the share of formal employment marginally increased from 0.3 to 0.4 per cent and that of informal employment declined marginally from 99.7 to 99.6 per cent. On the whole the number of formally employed increased from 33.41 million in 2004-05 to 38.56 million in 2011-12 , while informally employed increased from 426.20 million to 435.66 million during this period.

As shown in table 4, agricultural sector absorbs 60 percent of workforce in India in 1999-00 which came down to 57 percent in 2004-05. The share of Agriculture sector is more in informal sector workers; it is 68 percent and 64 percent for the respective periods. After agriculture, it is the service sector where 19 percent of

informal sector workers engaged in 1999-00 and this figure increases to 21 percent in 2004-05. The share of industry sector in informal sector workers also increased from 13 to 15 percent in the same period. If we look by industry group after agriculture it is trade and manufacturing sector where a sizeable number of informal sector workers are engaged. Around three forth of the informal sector workers are in the profession of merchants and shopkeepers, wholesale and retail trade and salesmen, shop assistants and realted workers.

Between 2004-05 and 2011-12, total employment in the country rose from 457.9 million to 472.4 million. Over the same period employment in the organised, non-agricultural sector, defined to include all units with 10 or more workers if using power and 20 or more workers if not using power, rose from 28.8 million to 47.7 million, whereas employment in the unorganised sector rose from 185.4 million to 209.6 million. That is organised sector employment stood at 6.3 per cent and 10.1 per cent respectively of total employment in 2004-05 and 2011-12. In absolute terms there were more who joined the unorganised sector's workforce than the number who entered the organised sector between the two years. Even in 2011-12, as much as 86 per cent of workers in the private sector and 50 per cent in the public sector were in units that could be designated as unorganised based on employment size.

Table 4: Estimated Number if Informal Sector Workers, Percentage Share of Informal Sector Workers to Total Workers and Average Annual Growth Rate by Industry Group between 1999-00 and 2004-05

Industry Group	Estimated Number of Informal Sector Worker (in million)		Share of Informal Sector Workers to Total (in percent)		Growth Rate (%)
	1999-00	2004-05	1999-00	2004-05	
Agriculture	232.21	252.83	97.70	97.65	1.72
Mining	0.88	0.89	40.55	33.74	0.22
Manufacturing	30.92	39.71	70.19	71.20	5.13
Electricity	0.09	0.09	8.35	6.59	-1.99
Construction	12.92	19.66	73.66	75.58	8.77
Trade	34.29	41.43	93.64	95.54	3.85
Hotels	4.08	5.29	88.30	86.72	5.34
Transport	10.44	14.02	71.42	75.93	6.09
Finance	0.49	0.80	21.91	25.70	10.00
Real Estate	2.02	3.29	75.66	70.74	10.25
Administration	0.80	0.08	7.66	0.90	-37.01
Education	2.29	3.07	27.04	26.88	6.04
Health	1.22	1.64	42.85	44.18	6.03
Community	8.47	7.40	86.82	88.20	-2.67
Household & Extra	1.51	4.70	81.58	98.72	25.42
Total	342.64	394.90	86.36	86.32	2.88

Source: *NSSO 55th (1999-00) and 61st (2004-05) Round Survey on Employment and Unemployment, also see A.K. Naik, "Informal Sector and Informal Workers in India", Website : http://www.iari.org*

4.3.3 State Wise Employment Status of Informal Workforce

The statistics shows that in Andhra Pradesh, Himachal Pradesh, Karnataka, Madhya Pradesh the estimated number of informal sector workers per thousand population was the highest in descending order (table 5). But both in 1999-00 and 2004-05, the share of informal sector workers was highest in Bihar followed by Uttar Pradesh, Rajasthan and Orissa. The mentioned four states are very poor in comparison to other states of India. The incidence of poverty or the percentage of poor living below poverty line in these states is much above the national average. It seems there is a positive correlation between poverty and informal sector.

Table 5: Estimated Number of Informal Sector Workers Per Thousand Population, Percentage Share of Informal Sector Workers to Total Workers and Average Annual Growth Rate by State between 1999-00 and 2004-05

State	Estimated Number of Informal Sector Worker per thousand population		Share of Informal Sector Workers to Total (in percent)		Growth Rate (%)
	1999-00	2004-05	1999-00	2004-05	
Andhra Pradesh	420	443	88.45	88.28	1.01
Assam	267	326	76.70	84.41	7.17
Bihar	313	315	93.71	93.59	1.53
Gujarat	380	386	85.06	82.83	2.32
Haryana	279	334	82.44	83.45	6.82
Himachal Pradesh	437	438	88.47	83.66	2.85
J&K	368	322	87.69	81.65	-2.87
Karnataka	378	424	84.51	86.58	2.88
Kerala	258	250	67.56	63.40	1.98
Madhya Pradesh	384	398	90.47	89.24	2.52
Maharashtra	344	380	81.51	82.00	3.05
Orissa	362	393	89.62	90.08	3.25
Punjab	331	355	85.60	85.23	3.68
Rajasthan	373	393	91.04	91.16	5.51
Tamil Nadu	381	391	81.85	80.76	0.39
Uttar Pradesh	306	338	90.95	92.20	3.91
West Bengal	312	327	86.79	85.42	3.65
Other North Eastern States	314	346	85.13	83.72	5.83
Other States & UTs	197	210	60.39	60.85	1.46
Total	341	362	86.36	86.32	2.88

Note: Bihar includes Jharkhand, Madhya Pradesh includes Chhattisgarh and Uttar Pradesh includes Uttarakhand

Source: *NSSO 55th (1999-00) and 61st (2004-05) Round Survey on Employment and Unemployment, also see A.K. Naik, "Informal Sector and Informal Workers in India", Website : http://www.iari.org*

Table 6: State – wise Distribution of Informal Employment compared with Labour Reform Index

States	State share in All India manufacturing workforce	Labour reform Index	Share of informal workfore in manufacturing in the Stat
Uttar Pradesh	14.44	58	77.45
Andhra Pradesh	7.08	56	91.16
Gujarat	8.71	53	74.29
Rajasthan	4.05	47	85.51
Punjab	3.19	46	93.12
Madhya Pradesh	3.33	46	77.03
Odisha	2.89	44	66.02
Karnataka	5.41	42	91.79
Tamil Nadu	11.11	41	98.54
Maharashtra	10.25	35	99.18
Kerala	2.98	32	78.67
Bihar	2.65	29	98.52
West Bengal	14.18	27	87.82

Source: Calculated using unit level data of NSSO Employment-Unemployment Survey 2011-12

Note: i) Selected States account for 90 per cent share in All India manufacturing sector workforce.

ii) Labour reform index is taken from **Sean Dougherty** article "Labour Regulations and employment dynamics at State level in India" (2008). The index may not capture the labour reform regulations that took place after 2008. The index reflects the extent to which procedural changes have reduced transaction costs, through limiting the scope of regulations, providing greater clarity in their application, or simplifyingcompliance procedure. Lower value (on the scale of 1-100) index implies the number of reforms carried out by state are few.

Data indicates labour market rigidities, poor skill levels, increasing competition from imports as the factors inducing creation of informal employment and decline of formal employment opportunities. Labour market rigidity is blamed on the multiple labour legislations that deters the hire and fire policy. But is labour laws a hindrance? In Table-5, a comparison was made between State-wise distribution of informally employed in the manufacturing sector vis-à-vis the labour reform index which shows that even when the labour reform index is high indicating that even in States like Gujarat where the stringency of labour regulations was lowered by procedural changes, simplifying compliance and limiting scope of regulations, the jobs that were created in the manufacturing sector were informal in nature. Similar is the case with Uttar Pradesh and Andhra Pradesh. Irrespective of labour reforms being a hindrance or otherwise, extent of informal employment was more than 90 per cent in the major industrial States. These findings only indicate that labour reforms alone will not reduce informalisation.

4.4 IMPORTANCE OF UNORGANISED SECTOR IN INDIAN ECONOMY

Predominance of unorganised sector and informal employment has been the central feature of Indian economy, for the past several decades.

Informal activities are the way of doing things characterized by:

i) Easy entry

ii) Reliance on indigenous resources

iii) Family ownership and enterprises

iv) The small scale of operation

v) Labour-intensive and adapted technology

vi) Skill organized outside the formal school system

vii) Unregulated and competitive markets

The growth of formal employment in the country has always been less than that of total employment, indicating a faster growth of employment in the informal sector. Temporal data suggests that within the formal sector also the proportion of informal/unorganized workers is on the increase. For instance, by providing a comparison of the NSSO Employment Data for 55th and 61st Rounds (for 1999-2000 and 2004-2005 respectively) the NCEUS explains that the country is currently in a state of 'informalisation of the formal sector', where the entire increase in the employment in the organised sector over this period has been informal in nature (NCEUS, 2007).

The prominence of the informal sector is duly recognised in the recent policy documents of the Government of India, which discusses the ways and means of employment generation, to benefit the growing mass of unemployed. For instance, a special group constituted by the apex-planning agency of the country (Planning Commission of India) on "Targeting 10 Million Employment Opportunities per year over the 10th Plan Period (2002-2007)" explains that – "exclusively for generating the desirable high level of employment in the country, one has to target the unorganised sector, including small and medium enterprises".

The unorganised/informal sector in India suffers from a low productivity syndrome, compared to the organised/formal sector. The prominent features of the sector are lower real wages and poor working/living conditions. Further, the sector is characterised by excessive seasonality of employment (especially in the farm sector), preponderance of casual and contractual employment, atypical production organizations and work relations, absence of social security measures and welfare legislations, negation of social standards and worker rights and denial of minimum wages. Poor human capital base (in terms of education, skill and training) as well as lower mobilisation status of the workforce further add to the vulnerability and weaken the bargaining strength of workers in the informal sector.

Check Your Progress 1

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) Write the harmonized definition of unorganised sector or informal sector provided by NCEUS.

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2) What are the main problems of informal sector in India?

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4.5 PROGRAMMES AND POLICIES FOR UNORGANISED SECTOR AND ITS WORKERS

Given the prominence of unorganised sector and unorganised sector workers in the Indian economy, there are a multitude of programmes and policies that address the issues related to the sector and the requirements of the workers engaged in the sector.

4.5.1 Sector Specific and Enterprise Oriented Interventions

Since small enterprises are the mainstay of the unorganised sector in India, a large chunk of policy planning for the sector has been focusing on the issue of protecting and promoting smaller production units. Policy instruments adopted by the government to promote the Small Scale Industry (SSI) include: (a) Financial Incentives; (ii) fiscal incentives; (iii) general incentives; (iv) special incentives in backward areas, and (v) reservation of items for SSI.

A major set of schemes and programmes meant for strengthening the unorganised sector are those related to the promotion of small scale enterprises. Micro, Small and Medium Enterprises (MSMEs), including khadi and village/rural enterprises constitute an important segment of Indian economy in terms of their contribution to GDP, exports and employment. The Union Ministry of Micro, Small and Medium enterprises assist the state governments (which have the primary responsibility of promoting MSMEs) in their efforts for promoting growth and performance of smaller enterprises.

The various spheres of intervention of the Ministry, and its allied organisations, so far include: (1) provision of credit from financial institutions/banks; (2) support for technology upgradation and upgradation; (3) integrated infrastructural facilities; (4) modern testing facilities and quality certification; (5) access to modern management practices; (6) entrepreneurship development and skill upgradation through appropriate training facilities; (7) support for product development, design intervention and packaging; (8) welfare of artisans and workers; (9) assistance for better access to domestic and export markets; and (10) cluster-wide measures to promote capacity building and empowerment of the units and their collectives.

One of the major recent policy interventions of the Government to focus on the sector to strengthen it further is the setting up of the National Commission for Enterprises in the Unorganised Sector (NCEUS) as a supervisory and advisory body for the unorganised sector for examining the problems confronting the enterprises in the unorganised/informal sector and making recommendations to provide technical, marketing and credit support to these enterprises.

4.5.2 Social Security Measures for the Unorganised Sector Workers

Due to a growing recognition of the burgeoning informal sector and its resultant adverse implications on labour standards as well as social security systems, during the recent past, the policy planners in India have been paying considerable attention towards designing more effective social safety nets and revamping the existing measures. Of late, issues like targeting, proper identification, expansion of coverage as well as designing of efficient delivery mechanisms received more attention than ever in the history. Along side these aspects, mounting fiscal deficit scenarios forced the governments (both at the centre and in the states) to seek alternative approaches to devise more cost-effective and targeted interventions as well as to seek enhanced participation of and contributions from other stakeholders, such as the employers as well as the social/community actors (including the targeted beneficiaries themselves).

i) Food Security Initiatives

Since mid 1990s, a major area of intervention was in terms of targeting and strengthening the food based social security systems. In 1995, a major scheme on providing mid-day meals was launched through which some amount of cooked food was ensured per day to the children of indigent families. This measure not only acted as a means of nutritional support to the families of unorganized sector labour, but also provided an incentive for school enrolment of their children.

The next remarkable step was the introduction of the Community Grain Bank Scheme, which though launched on an experimental basis in select tribal regions, was generally hailed as an effective and innovative approach to ensure community involvement in the implementation of social security measures. In 1997, the PDS framework prevalent in the country was massively overhauled and a revamped and targeted system (TPDS) was launched, with a progressive and discriminatory pricing mechanism, through which a higher share of overall food subsidy was earmarked to those families below poverty line. These efforts, of streamlining the benefits to benefit the disadvantaged and needy segments of the society, were further supplemented with the introduction of two more programmes, namely Annapurna Scheme and Antyodaya Anna Scheme. While the former aimed at providing some food relief to the elderly in the impoverished families, the latter was objected to abate hunger among poorest of the poor.

ii) Social Insurance and Pension Measures

In the social insurance sector also, the recent past witnessed a remarkable upsurge with the introduction a number of new schemes, the details of which are summarized in Table 2. A major and universal of social insurance scheme (Janshree Bima Yojana) was launched in 2000, along with the Life Insurance Corporation of India (LIC). The implementation of the scheme, which is currently functional and expanding, is designed with the help of some local level nodal agencies, which could be panchayats (local self governments), non-governmental organizations and self-help groups (SHGs) or any other institutionalized arrangements. Another scheme launched in collaboration with LIC in 2001, Krishi Samajik Suraksha Yojana, was aimed at providing some social insurance benefits to the farm workers. However, due to inadequate resources, the scheme was closed later in 2004. Yet another LIC aided scheme was the Varishta Pension

Bima launched in 2003, which is being fully financed by the investments of the beneficiaries. Subsequently, in 2004, a community based Universal Health Insurance System was also launched by the public sector general insurance companies of the country, which aimed at providing some reimbursement of medical expenses; life-cum-accident insurance; and compensation on job loss to the families below poverty line. Some of the other social security initiatives introduced by the Government of India, in recent past, include: Handloom Weavers' Comprehensive Welfare Schemes, Handicraft Artisans Comprehensive Welfare Scheme, Pension to Mastercraftpersons, National Scheme for Welfare of Fishermen and Training and Extension, Aam Admi Bima Yojana and Rashtriya Swasthya Bima Yojana. In 2004, Government also launched a Comprehensive Social Security Scheme for the Unorganized Sector Workers, as a follow up to the recommendations of the Second National Commission on Labour (2002).

iii) Legislative Interventions and Initiatives

There have been some commendable legislative initiatives in the recent past that have bearings on the welfare of unorganized sector workers. In 1996, two umbrella legislations towards regulating the conditions of work and provision of a measure of social security to the group of construction workers, which constitutes one of the largest segments of workers in the unorganized sector – were passed by the Parliament of India.

On the basis of these legislations [The Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 & The Building and Other Construction Workers Welfare Cess Act, 1996], various states are expected to enact state level legislations. Subsequently, the Government notified the Building and Other Construction Workers (ECS) Central Rules, 1998, which stipulated several social security benefits to the construction workers including accident relief, old age pension, housing loans, payment of insurance premium, payment towards educational expenses of children, medical and maternity benefits. Following these Acts, various state governments are currently in the process of enacting their own legislations. So far, six states have enacted such legislations and functioning of the new schemes under these legislations have been attaining momentum in states like Kerala and Tamil Nadu.

The Second National Commission on Labour (NCL), constituted by the Government in 1999 dealt with the social security concerns of unorganized sector in a detailed manner. One of the six special study groups constituted by the commission was on social security and in its final report submitted in 2002, the Commission provided detailed recommendations towards strengthening the social security system in the country. As mentioned elsewhere, in response to the Commission's recommendations, the Ministry of Labour prepared a pilot Unorganized Sector Workers Social Security Scheme (2004), which however met with limited response. Further, the Ministry also prepared an Unorganized Sector Workers Bill, 2004, which contained measures relating to both social security and conditions of work in the informal sector.

iv) Unorganised Sector Workers' Social Security Act, 2008

In 2006, a Draft Bill was proposed by the NCEUS [The Unorganized Workers' Social Security (Draft) Bill, 2006] envisaged a three-pronged approach comprising of health insurance, life insurance and old age security for the benefit

of about 300 million workers in the unorganized sector. A distinct feature of the NCEUS's proposal was its right based approach, as the scheme envisages a legally enforceable entitlement for the beneficiaries. Unlike many other earlier schemes, it makes all unorganized sector workers eligible for the social security, irrespective of their occupation and duration of employment (NCEUS, 2006). Yet another important aspect is that, had implemented, the NCEUS plan would have provided a national floor level social security for all the informal workers throughout the country. Notwithstanding these merits, the bill was not passed though it prepared ground for the **Unorganised Sector Workers' Social Security Act, 2008**, which was by the Parliament and had subsequently received the assent of the President in December 2008. The Act seeks to provide welfare measures for workers in the unorganised sector is considered as the first major step in 60 years to remove the plights of the poor worker in the sector. It is expected that in the first five years, over 34 crore workers in the informal sector (including agricultural workers and migrant labourers) would get the benefits of health, life and disability insurances, old-age pension and the group accident scheme.

v) National Rural Employment Guarantee Act, 2005

A relevant legislation of recent times that has strong and positive implications to the working poor is the National Employment Guarantee Act (NREGA), 2005. NREGA is a step towards legal enforcement of the right to work, as aspect of the fundamental right to live with dignity. The provisions of NREGA, 2005, which are now being implemented country wide ensure at least 100 days of guaranteed wage employment in a year to at least one adult member of very household. The work is to be provided within 15 days of demanding it and to be located within five kilometers distance. The salient features of the resultant National Employment Guarantee Scheme (NREGS) include the self-selection characteristics and the unemployment compensation to be paid by the government, in case the required minimum employment could not be provided.

The available appraisals of the functioning of the NREGS suggest that, while the scheme is found to be effective in certain regions/pockets, its performance is lagging behind in many other regions. Despite the widespread criticism regarding the narrow scope of the scheme (restricted to below poverty line households) and inadequate role of local bodies in selection of the beneficiaries, the efficient implementation of the provisions of this scheme is expected to enhance the social security levels and reservation income of the rural labour households, besides bringing in a rise in the rural wage levels across the country. A major merit of the NREGA, 2005 is that it provided for the first time in history a right based and legally enforceable benefit of livelihood security to the rural poor, by guaranteeing a minimum level of wage employment. The provision of payment of unemployment allowance, in the event of state's failure to provide assured minimum employment.

4.5.3 Problems and Disadvantages of Unorganised Sector

The unorganized sector has a number of disadvantages. The enterprises in the sector are normally small sized establishments with low capital investment per person employed. Due to this, the productivity levels of the unorganized enterprises are lower compared to their counterparts in the organized sector. Given the fact that a large proportion of these units are not registered, their ability to access credit remains rather limited. The small enterprises are also constrained by poor marketing and infrastructural facilities. Small and scattered nature of the

enterprises and the resultant diseconomies of scale also results in difficulties for accessing capital and common infrastructural facilities. With poor infrastructure and resources firms also do not have much scope for entrepreneurship development. Competition from large units is yet another important problem faced by unorganized sector enterprises.

Unorganized enterprises also lag behind in terms of technology. Most of the enterprises use inferior and obsolete technology and invest very little on technology up gradation. Use of inferior and obsolete technology further reduces their productivity and income in the sector. The work and workers in the unorganized sector also share serious disadvantages. The work related disadvantages include: (a) casual nature of employment, (b) lower wages and inferior working conditions; (c) absence of social security measures; and (d) lack of worker collectivity. Workers often do not have any definite employer and the resultant 'multiple employer status' adds to their insecurity of employment (in terms of tenure as well as terms and benefits).

The workers in most unorganized enterprises are characterized by lower educational and skill levels. They are entangled in vicious levels of poverty which reduces their productivity and income levels. Unsanitary conditions prevalent in the unorganized workplaces often cause continuous health hazards to the workers. Unrecorded / unregistered nature of the enterprises poses difficulty in providing training programmes or social security schemes to the workers.

4.6 RECOMMENDATIONS OF NCEUS TO STRENGTHEN THE UNORGANISED SECTOR

Confirming to its mandate, the National Commission for Enterprises in the Unorganised Sector (NCEUS) has recommended several policy prescriptions to strengthen the enterprises in the unorganised sector and to promote welfare of the workers in the informal sector. The Commission, in its final report, observes that we must have very targeted policies for expanding employment, especially in the unorganised sector, which can not be brought up simply by economic growth.

According to the Commission, for expanding employment, a well designed set of policies and programmes have to be adopted and implemented. These measures have to focus especially towards the unorganised sector, which would continue to engage a lion share of the increase in labour force.

In view of the myriad problems and prospects of the informal sector economy, the Commission recommended a strategy of '**leveling up',** the informal economy by advocating a series of promotional policies to strengthen the working conditions, enterprise capacity and so on – to realise higher productivity, along with providing social security and decent conditions of work. The promotional measures suggested by the Commission include:

i) *Creation of a 'social floor':* consisting of provision of a national minimum social security; enforcement of a national floor level wage (called national minimum wage) and a stipulation of minimum conditions of work.

ii) *Skill formation for the informal workers as a critical capability to enhance their productivity and income:* To support skill development in the

unorganised sector, the Commission recommended launching of a National Mission for Development of Skills in the Unorganised Sector.

iii) *Strengthening of NREGA:* The Commission viewed the NEGA as an important component of the full employment strategy for India. Accordingly, the Commission recommended strengthening the programme in the rural area and connecting it up with a programme of urban renewal. It was also recommended to expand the list of assets under NREGA and t vest these assets in the poor.

iv) *Agricultural regeneration through a special programme for marginal and small farmers:* To build capacity of small-marginal farmers through a group based approach, the Commission has worked out a special programme targeting these groups. The principal activities proposed under the special programme include: promotion of marginal-small farmers' groups; enabling greater access to institutional credit; training and capacity building; support for strengthening no-farm activities; gender focused activities; and so on. In this context, the Commission also recommended building up of a National Fund for the Unorganised Sector (NAFUS), comparable to the NABARD for agriculture, to provide finance, marketing and technological facilities.

v) *Development of micro enterprises in the non-farm sector with a focus on development of clusters and Growth Poles:* The Commission recommended for the adoption of Growth Pole model for cluster development. This recommendation involves an upscaling of cluster development efforts through provision of common infrastructure, service centres

Check Your Progress 2

Note: a) Write your answer in about 50 words.

b) Check your progress with possible answers given at the end of the unit.

1) List the major policy instruments adopted by the government to promote the Small Scale Industry.

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2) Name the important food security initiatives, in the recent past, which are beneficial to the workers in the unorganised sector.

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3) NREGA is a step towards legal enforcement of the right to work. Explain.

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4.7 LET US SUM UP

In this unit, we discussed the meaning and concept of unorganised sector and also understood the importance of unorganised sector in India's economy. Subsequently, we also discussed the major programmes and policies for unorganised sector and workers in the sector – focusing on the sector specific and enterprise oriented interventions as well as the social security measures for unorganised sector workers. As part of discussion, we also understood various food security initiatives, social insurance and pension measures, besides the major legislative interventions and initiatives. Towards the end of the unit, we also discussed the major recommendations of the NCEUS to strengthen the unorganised sector.

4.8 KEY WORDS

Unorganised Sector: Unorganised sector is defined as that segment of the economy,

which: "*…consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a Proprietary or partnership basis and with less than ten total workers"*.

Unorganised workers: Unorganised workers are defined as *"those working in the unorganized sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the employers"*.

Social Security: In its simplest sense, the term 'Social Security' implies the protection which society provides for its members, in times of deprivation and loss of income during economic crisis and other contingencies.

4.9 REFERENCES AND SELECTED READINGS

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4.10 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress 1

Answer1: The Task Force formulated a set of harmonized definitions of the sector and informal employment. Accordingly the unorganised sector is defined as that segment of the economy, which: "*…consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers"*.

Answer 2: The unorganised/informal sector in India suffers from a low productivity syndrome, compared to the organised/formal sector. The prominent features of the sector are lower real wages and poor working/ living conditions. Further, the sector is characterised by excessive seasonality of employment (especially in the farm sector), preponderance of casual and contractual employment, atypical production organizations and work relations, absence of social security measures and welfare legislations, negation of social standards and worker rights and denial of minimum wages.

Check Your Progress 2

Answer 1: Since small enterprises are the mainstay of the unorganised sector in India, a large chunk of policy planning for the sector has been focusing on the issue of protecting and promoting smaller production units. Policy instruments adopted by the government to promote the Small Scale Industry (SSI) include: (a) Financial Incentives; (ii) fiscal incentives; (iii) general incentives; (iv) special incentives in backward areas, and (v) reservation of items for SSI.

Answer 2: In 1995, a major scheme on providing mid-day meals was launched through which some amount of cooked food was ensured per day to the children of indigent families. In 1997, the PDS framework prevalent in the country was revamped and targeted system (TPDS) was launched, with a progressive and discriminatory pricing mechanism in favour of families below poverty line. Two more programmes were introduced in 2000, namely Annapurna Scheme and Antyodaya Anna Scheme. While the former aimed at providing some food relief to the elderly in the impoverished families, the latter was objected to abate hunger among poorest of the poor.

Answer 3: The provisions of NREGA, 2005, which are now being implemented country wide ensure at least 100 days of guaranteed wage employment in a year to at least one adult member of very household. The work is to be provided within 15 days of demanding it and to be located within five kilometers distance. The salient features of the resultant National Employment Guarantee Scheme (NREGS) include the self-selection characteristics and the unemployment compensation to be paid by the government, in case the required minimum employment could not be provided.

MDV-109: Development in India – An Overview

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