Directorate of Distance Education

University of Jammu
Jammu

207

Self Learning Material

For

B. A. SEMESTER - II

Economics

Course No. 201	Semester : II
Unit : I-IV	Lesson No. 1-27

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INDIAN ECONOMY

Editing and Proof Reading by:

Dr. Neelam Chodhary

ECONOMICS

Tittle: INDIAN ECONOMY

Course No. : EC-201	Duration of Maximum marks : 100
Examination : 3 hours	(a) Theory Examination : 80
	(b) Internal Assessment: 20

PREAMBLE

The purpose of this course is to enable students to have an understanding of the various issues / components of the Indian Economy so that they are able to comprehend and critically appraise current Indian economic problems. For this, it is essential to have systemative treatment of the course i.e., section wise. Hence, the contents of the different units have been accordingly devised.

UNIT 1 : STRUCTURE OF INDIAN ECONOMY AND PLANNING :

Basic features of the Indian Economy : Broad demographic features - population size and growth rate, sex, composition, rural composition and occupational distribution; Problem of overpopulation; Population policy of 2000; Planning in India - objectives, strategy, broad achievements and failures ; Objectives and achievements of 11th five year plan (inclusive Economic Growth) and strategy for the 12th plan.

UNIT 2 : AGRICULTURE IN INDIA:

Importance of agriculture in Indian economy ; Causes of low productivity in agriculture in India; Land reforms - need, achievements, weaknesses and suggestions; New Agricultural strategy - Features, achievements, weaknesses and suggestions; Concept and Dimensions of food security, Public Distribution System.

UNIT 3 : INDUSTRIAL DEVELOPMENT IN INDIA:

Role of Industry in economic development; Industrial Policy of 1991; Role and problems of small scale industries ; Role of public sector in the industrial development of India; Major changes in the policy direction of the government towards PSEs in India; The role of the Private Sector in the changed Economic Scenario. New Competition Policy.

UNIT 4 : JAMMU AND KASHMIR ECONOMY :

J&K Economy - Features; Structural transformation; Role of forests and hydropower potential; Agriculture in J&K - Role; Land reforms; Industrial and tourism development; State finances.

NOTE FOR PAPER SETTING :

The question paper will contain two sections. In the first section, two questions from each unit i.e 8 questions in total will be asked. The candidate will be required to answer four questions of 6 marks each, (Choosing one question for each unit) whose word limit will not exceed 250 words each. Second section will contain two questions from each unit i.e. 8 questions in total. The candidate will be required to answer one question from each unit i.e. a total of 4 questions. There will be internal choice with each unit. Each question will carry 14 marks and word limit will not exceed 600 words.

INTERNAL ASSESSMENT (TOTAL MARKS : 20)

20 marks for theory paper in a subject reserved for internal assessment shall be distributed as under :-

i)	Class Test	:	10 marks
ii)	Two written Assignments/ project reports	:	10 marks (05 marks each)

SUGGESTED READINGS :

- Datt, R. And Sundharam : Indian Economy, S. Chand & Co. Ltd., New Delhi
- Dhingra, I.C. : Indian Economy, Sultan Chand & Sons, New Delhi

- Dhar, P. K. : Growing Dimensions of Indian Economy, Kalayani Publishers, New Delhi.
- Dutt, R. C. : The Economic History of India Under Early British Rule, Delhi
- Singh, Jasbir : Economy of Jammu & Kashmir, Radha Krishnan, Jammu.
- Statistical Digest of J&K; Directorate of Statistics and Planning, Latest Edition.
- Misra, S.K. and Puri, V. K. : Indian Economy Himalaya Publishing House, Mumbai.
- Government of India, Economic Survey (Annual), Economic Division, Ministry of Finance, New Delhi.
- Pratiyogita Darpan- General Studies Indian Economy (latest Issue), Upkar Prakashan, New Delhi

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UNIT - I

BASIC FEATURES OF THE INDIAN ECONOMY

-Dr. Neelam Choudhary

STRUCTURE

1.1 Objectives

1.2 Introduction

1.3 Basic features of Indian Economy

1.4 Let us sum up

1.5 Self Assessment Exercise

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1.1 OBJECTIVES

The main objectives of the lesson are:

- To make the learners familiar with the basic features of Indian Economy.

1.2 INTRODUCTION

The economic strength and potential of a country can be gauged through the features that characterise it. The national income, per capita income, contribution of different sectors to the national income, number of people living below poverty line, the educational status of the people, presence or absence of income inequalities etc. give us a glimpse of the living standard of the people and the level of development of that country.

Depending on the levels of development, the countries have been divided into less developed and more developed countries. As far as India is concerned, the situation is not so easy to explain. On the one hand, the colonial past of India put a significant impact on its features for first few decades after independence. So India could not move towards the path of progress initially. However, when conditions became conducive, it started developing and saw its transition from an underdeveloped to a developing economy. Its recent status is an indicator of further positive changes expected in India's growth story. If we take into consideration post Independence period as the base, we have to discuss the features of Indian Economy since the post independence period till date:

1.3 BASIC FEATURES OF INDIAN ECONOMY

Though a lot has now changed both in quantitative as well as qualitative improvement, for many years, certain features of Indian Economy still put it under the category of underdeveloped countries (UDCs). For many years after independence, Indian Economy could be compared with underdeveloped countries, as it possessed certain features true of an underdeveloped country. These included: Low per capita Income, Inequitable distribution of income, Underused natural resources ,Agriculture as the dominant sector, Level of unemployment, Poverty rate, Pressure of population, Use of old techniques of production, Low rate of capital formation ,Low level of Human Development Index etc.

Following are the features of Indian Economy in the present scenario:

Low per capita income: If we compare Indian Economy with developed countries, it lags much behind them in terms of per capita income. For example, according to World Development Report (2014), India's per capita income in 2012 was $1530. US' per capita income was $ 50,120. Hence India's per capita income was 1/33 that of US. In 2013, it (nominal)was $1497 and was placed at No. 120 among 164 countries. In terms of modified system of comparison i.e. purchasing power parity, it was $ 5350 and was ranked 106th. According to IMF's World Economic Outlook, per capita income of India in 2014 was $1627. India's per capita income is 6.69 times lower than the world average per capita income i.e. $10,880.(Source: *Pratiyogita Darpan* 2015 edition of Indian Economy Series)

Income inequalities: An ideal society is the one in which there are not wide variations in income distribution. However, perfect equality, too is hypothetical. As far as India is concerned, according to World Bank estimates, in 2009, Gini Coefficient (which measures income inequality) was 0.339. In 2016, the International Monetary fund in its report stated that Gini Coefficient had risen in India from 0.45 in 1990 to 0.51 in 2013. According to the data of NSSO, 39% of the rural population possesses only 5% of the rural assets, while top 8% households possess 46% of the assets. These disparities are more in urban areas as compared to rural . Throughout the planning period, one of the central objectives has been to remove disparities in income. But the issue remains. However, as per 2015 data, income inequality in India was the lowest among BRICS economies.

Agriculture as the dominant sector and pressure of population on land: Despite some seeds of structural transformation being sown, India still shows the basic features of an agrarian economy. Though the share of agriculture has come down in national income (18% at 2011-12 prices), it has not seen substantial decline in share of employment, as still 65-70% population depends on agriculture and allied activities. Also due to population pressure on land, per capita land availability is very low. It makes mechanization and other ways to improve the productitivity of land difficult. So low productivity of land is also a still unresolved issue in Indian Economy.

Overpopulation: In 2011, Indian Population was 121.08 crore which comprised about 17.7% of world population. India's share in world land area is just 2.42%. About 1.8 crore new persons get added to the existing population every year. So India is an overpopulated country.

Gross capital formation: Due to low income, saving is also low. Gross domestic savings increased from 23.1% of GDP in 1990-91 to 36.9% of GDP in 2007-08. In 2008-09, it decreased to 32%. It again rose to 33.7% in 2009-10. Likewise, the gross domestic capital formation has been observing fluctuations. It was 23.3% in 1993-94, increased to 38.1% of GDP in 2007-08, decreased to 34.3% in 2008-09, improved to 36.6% in 2009-10 and decreased to 32.3%in 2013-14. Low level of capital formation and the fluctuations are another feature of Indian Economy.

Status of Industrialisation: Though much emphasis was put on heavy industrialization from the very beginning, the data show that the results were not as per expectations. In most of the plans, the average annual growth rate of Industrial sector was less than the target growth rate: e.g. in the seventh plan, it was 8.5% against the target of 8.7%.During the 8th plan, it was 8.1% against target of 7.6%. Due to these weaknesses, the manufacturing sector has not been able to contribute much to take the leading role in India's growth story. However, recent steps taken by the govt. may take manufacturing to a higher level, which shall have implications for the Indian Economy.

Services sector: The services sector is arguably the leading sector of Indian Economy. It contributed about 52% to India's GDP in 2014-15. This sector has done exceptionally well in exports, employment, foreign investment flows etc.

Existence of traditional society: Caste system, joint family system and certain rituals still characterise the Indian Economy. Whereas caste system has been associated with occupational immobility, which acts in the way of development, joint family system has been directly linked with disincentive to work. Certain rituals in which so much of unproductive expenditure is incurred continue till date, without being questioned. All these things need to change in the changed circumstances and in accordance with more urgent needs of the economy.

1.4 LET US SUM UP:

To conclude, we can say that Indian Economy possesses features some of which show it as a developing economy, whereas in certain aspects, it is still underdeveloped. But India's recent growth story is expected to raise its level in the international sphere and revise the forecasts.

1.5 SELF ASSESSMENT EXERCISE

- What are the basic features of Indian Economy?
- Explain how Indian Economy has changed from an underdeveloped economy to a developing economy in the post Independence period?

1.7 SUGGESTED READINGS

- *Indian Economy* by Misra and Puri
- Indian Economy by Datt and Sundaram
- *Pratiyogita Darpan*, Indian Economy issue (Latest edition).

UNIT - 1

Semester - II	EC-201	Lesson No.2

BROAD DEMOGRAPHIC FEATURES: POPULATION, SEX COMPOSITION, RURAL-URBAN COMPOSITION,OCCUPATIONAL DISTRIBUTION

-Dr. Neelam Choudhary

STRUCTURE

2.1 OBJECTIVES

The main objectives of this lesson are:

- To discuss the basic demographic features of India
- To enable the learners understand these features
- To make them familiar with concepts of sex ratio, rural-urban composition etc.

2.2 INTRODUCTION

Every country has certain demographic features. In fact, countries differ from each other also in terms of demographic features like the size of population, growth rate of population, composition of population etc. In this lesson, we shall be dealing with these features of Indian Economy.

2.3 POPULATION SIZE , GROWTH RATE, OTHER DEMOGRAPHIC FEATURES AND AGE COMPOSITION

2.3.1.[1] Size

As per the census 2011, the population of India was 121.0854 crore. The decadal growth rate (2001-2011) was 17.7%. The rural population growth was 12.3%, whereas that of urban population was 31.8%. In 2011, India's share in world population was 17.5%. The population of India was 1,324,829,784 till 2016 (1.32 Billion). If we see year wise scenario since 2000, the percentage change per year was 1.86% in 2000, 1.67% in 2005, 1.47% in 2010, 1.27% in 2015 and 1.2% in 2016. The share of India in world population during these years was 18.37%, 18.68%,18.88%,18.92% and 17.85% respectively. Having a look at some old figures makes more things clear. The rate of inter-censual population growth was less than 0.6 per cent per annum during 1891-1911, and, in fact, negative during 1911-21. The main factors underlying the slow population growth were the recurrence of epidemics of cholera and plague and famines. Influenza epidemic of 1918-1919 killed almost 5 per cent of population of the country and, as a result of it, the population actually declined during 1911 and 1921. From 1921 to 1951 the rate of population growth fluctuated between 1.06 and 1.35 per cent per annum.

If we compare the addition of 181 million people (between 2001 and 2011) or the growth rate of 17.64% during this period with some old figures, we find that this was the slowest rate of growth in the past century (with exception of 1911-21).

Census 2011 : Some Facts
(At a Glance)

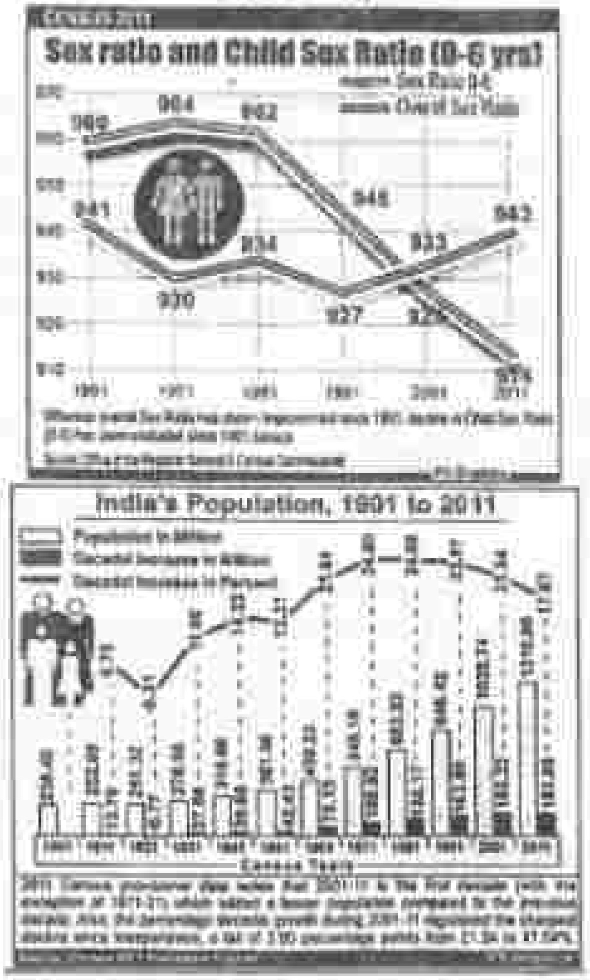

Fig.2.1

Being the second most populous country in the world after China (1.41 Billion), India today represents about 17.85% of the world population. In other words, one out of six people live in India. According to some estimates, India will overtake China as the most populous country by 2030, while some scholars project it to be the year 2022.

India is expected to have more than 1.53 billion people at the end of 2030.

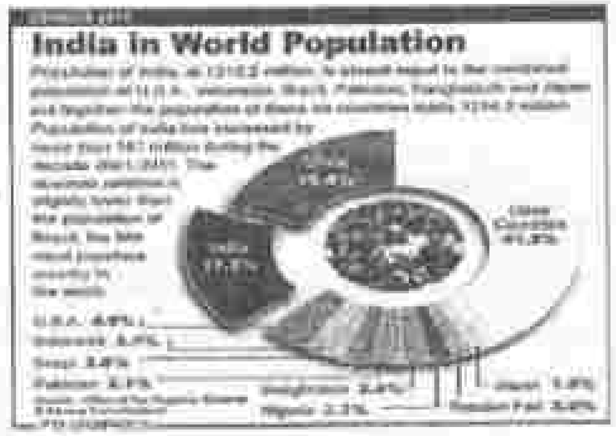

Fig. 2.2

(Source: Pratiyogita Darpan, Indian Economy Series, 2015)

The above figure shows the status of India in world population.

2.3.2 The other demographic features are:

- Density of population (2011) as 382 per sq km (maximum in Delhi-11320, minimum in Arunachal Pradesh-17)
- Birth rate (2013) as 21.4 per thousand population
- Death rate (2012) as 7 per thousand population
- Total Fertility Rate (TFR) per woman (2013) as 2.3
- Maternal Mortality Rate (MMR) as 178 per 100000 live births and
- Infant Mortality Rate (IMR) 40 per thousand live births.(State wise details for these features for major states have been provided in Table 2.2)

India is facing the pressure of population, as every year more people are being added to the existing population than any other country in the world. Few states of India are so populous that the figures can be compared to the population figures of some countries e.g. the figures of census (2001) show that population of Uttar Pradesh was equal to that of Brazil, that of Maharashtra to that of Mexico and that of Bihar more than that of Germany. As per the census (2011), Uttar Pradesh with a population of 199 million was the most populous state, whereas Sikkim was the state with the lowest population and Lakshadweep was the least populated union territory. This is the quantitative aspect.

2.3.3 Age composition

Equally important is the qualitative aspect. Sometimes, figures don't matter or ring alarm bells when some additional factors are taken into consideration. Take, for example, the age composition of any nation. Whether the population is tilted in favour of young or old people plays a very important role in the policy formulation of that nation as well as contributes a lot to the development process of a country, irrespective of alarming population figures in general.

It is in this aspect that India has an edge over many countries of the world. More than 50% of the current population of India is below the age of 25 and more than 65% people are below the age of 35. In 2020, the average age of an Indian shall be 29, that of a Chinese 37 and that of a Japanese shall be 48. By 2030, the dependency ratio of India shall be about 0.4. In a report published by IRIS Knowledge Foundation in collaboration with UN-HABITAT 'State of the urban youth, India': 2012,it was mentioned that every third person in an Indian city today is a youth. The report stated that 'in seven years, India is very likely to become the youngest country in the world'. The report was published in April 17, 2013 issue of *The Hindu* where it was commented that the so called population pressure of the past is expected to transform into 'demographic dividend'. The same report highlights the fact that 15-34 age group population increased from 353 million in 2001 to 430 million in 2011. It is projected to reach 464 million by 2021 and finally decline to 458 million by 2026.

If these figures are to go by, India shall be the youngest country in the world by 2020, with 64% of its population in working age group. As compared to India, most of the western economies as well as China and Japan are ageing economies. This demographic dividend ,according to many scholars ,shall add 2% to the GDP (Gross Domestic Product) growth rate of India. As this window of opportunity shall remain open for a limited time,

India can gain out of it and realise the hidden potential only by adequately equipping the young population to help them tackle the challenges ahead.

CHECK YOUR PROGRESS - 1

1. What trends have been observed in the size and growth rate of population of India?

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2. Write a not eon the demographic of India.

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2.3.4 Sex Composition

The sex composition of a nation depicts the balance between men and women in it. Sex ratio is used to explain the sex-composition. Sex ratio is defined as the number of females per 1000 males in a population. We shall now discuss the sex ratio of India, the figures across different states and the trends in the sex composition.

Tables 2.1

CENSUS YEAR	SEX RATIO
1901	972
1911	964
1921	955
1931	950
1941	945
1951	946
1961	941
1971	930
1981	934
1991	927
2001	933
2011	943

Source: compiled using the data of censuses of the respective years

Having a look at the sex ratio figures of different years of India makes us understand the trends in this ratio. The above table shows this data since 1901. Looking carefully shows us that in all these years of reference, the highest sex ratio was recorded in 1901. Thereafter, it only declined till 1941; marginally increased in 1951; fluctuated and increased from 927 in 1991 to 933 in 2001 and 943 in 2011. State wise figures show that in 1901, as many as eleven states and union territories had a sex ratio of more than one. But since then, all these (except Kerala) have shown declining trend. The states to which overall decline in India's sex ratio can be attributed include: Uttar Pradesh, Bihar, Jharkhand, Orissa, Chhatisgarh, Madhya Pradesh, Gujarat, Maharashtra and Tamil Nadu. In 2011, the highest sex ratio was registered in Kerala (1084 females per 1000 males), followed by Puducherry (1034 females). The lowest sex ratio was found in Haryana (877). In union territories, Daman and Diu (615 females per 1000 males) recorded the lowest, followed by Dadra and Nagar Haveli (775 females).

Different performances across states notwithstanding, there is an improvement in the overall sex ratio of India. But what is more worrisome is the factual data pertaining to child sex ratio (or number of girls in the age group 0-6 per 1000 boys).

The figure (2.1)shows that whereas the sex -ratio has been showing an upward trend at national level since 1991, the graph for child sex ratio has not been encouraging. The sharp decline since 1981 has put an impact on the overall sex composition of the country. The child sex ratio declined from 927 in 2001 to 919 in 2011. The highest child sex ratio was registered in Mizoram (971), followed by Meghalaya (970), whereas Haryana (830) had the lowest figure followed by Punjab (846). It is an issue of grave concern to all, as the sex ratio must improve ; and such poor figures about child sex ratio won't let it happen.

Like in some other countries of Asia, in India also, it has been observed that women have been discriminated against since centuries. This discrimination has been responsible for their poor health, low status , no say in decision making etc. Though corrective measures have been taken since it was found to retard the growth of the society and economy, still it remains visible in different spheres. For example, let us talk about the issue at hand i.e. the sex composition in India. Significant variations in sex ratio at birth point to the interplay of social, cultural and economic factors in gender preferences (UNFPA, 2007). These factors have contributed a lot to the low sex ratio in India. Let us now discuss the causes of low sex ratio in India.

2.3.4.1 Causes of low sex ratio in India

Neglect of the girl child: In Indian society, owing to different social, cultural and other factors, there has been a preference for a boy over a girl since the very beginning. When the latest technology was not available to eliminate girls before birth, in some states of India, they were killed after birth. In some cases, they were forced to die by denying them basic rights to a healthy living. Not only this, women of reproductive age suffered from malnutrition due to lack of care. All these factors can be directly linked to low sex ratio in India at least till some improvement became visible. Apart from this, a predominant notion was that a poor family considers an additional child an asset as the parents expect the children to accompany them to work in the fields. It is more true of boys, as they are more equipped to do manual work. Also, certain household rituals can be performed only by the boys. These factors did lead to discrimination against the girls and hence inter gender mortality differentials both at early level as well as later years of life. These factors might seem irrelevant now, given the fact that now we have moved decades ahead and talk of 'women empowerment', 'gender budgeting,' 'gender equality' etc. But it can't be denied that these socio-cultural as well as economic factors account for bulk of the deterioration in the sex ratio in India for many years. It is equally arguable that the situation in very poor and illiterate societies may still be no better.

Pre-natal sex determination: In the earlier years, it was not possible for a woman to know beforehand whether she was giving birth to a boy or girl. But technological advancements made that possible. With the passing of "Medical Termination of Pregnancy" 1971 act, women could go for abortion and hence terminate the pregnancy in case of birth defect, risk to a woman's health etc. Little could one realize that the new technologies like amniocentesis (sex determination test), ultrasound technology etc. shall be clubbed by parents and medical professionals with the liberal law to act against the most beautiful creation of the world. It must be noted that the government law had nothing to do with sex discrimination. The declining child sex ratio since 1980s substantiates this fact. Initially, cities and big towns made use of this technology, but later the gap between villages and cities got bridged, as it was a profitable venture. Seeing the alarming decline in the child sex ratio, the government banned it in 1994. A number of scholars including Sen (1990- Missing women of Asia),Chakraborty and Sinha (2006), Kaur and Kaur (2007-In Punjab's context), National Institute of Public Cooperation and Child Development (2008) etc. have tried to explain the declining sex ratio in India.

If adequate steps are not taken to check the declining child sex ratio, it will have many repercussions for the society. For the successful journey of the Indian economy on the path of progress, it is very important for the women to actively participate in the workforce. Their workforce participation can't be ensured unless they have sufficient food, moral support etc. and unless a positive mindset welcomes the girls to this world.

Table 2.2

Selected Indicators of Human Development for Major States

S. No.	Major State	Life expectancy* at birth (2009–2013)			Infant Mortality Rate (Per 1000 live births) 2013			Birth-rate (per 1000) 2013	Death-rate (per 1000) 2013	Total Fertility Rate 2013
		Male	Female	Total	Male	Female	Total	Total	Total	Total
1.	2	3	4	5	6	7	8	9	10	11
1.	Andhra Pradesh	65·5	70·4	67·9	39	40	39	17·4	7·3	1·8
2.	Assam	61·9	65·1	63·3	53	55	54	22·4	7·8	2·3
3.	Bihar	67·5	68·0	67·7	40	43	42	27·6	6·6	3·4
4.	Gujarat	66·0	70·5	68·2	35	37	36	20·8	6·5	2·3
5.	Haryana	65·8	70·9	68·2	40	42	41	21·5	6·3	2·2
6.	Himachal Pradesh	69·0	73·1	71·0	33	36	35	16·0	6·7	1·7
7.	Jammu & Kashmir	70·6	74·0	72·0	36	38	37	17·5	5·5	1·9
8.	Karnataka	66·4	70·8	68·5	30	32	31	18·3	7·0	1·9
9.	Kerala	71·8	77·8	74·8	10	13	12	14·7	6·9	1·8
10.	Madhya Pradesh	62·5	65·5	63·8	52	55	54	26·3	8·0	2·9
11.	Maharashtra	69·4	73·4	71·3	23	25	24	16·5	6·2	1·8
12.	Odisha	63·8	65·9	64·8	50	53	51	19·6	8·4	2·1
13.	Punjab	69·1	73·4	71·1	25	27	26	15·7	6·7	1·7
14.	Rajasthan	65·4	70·0	67·5	45	49	47	25·6	6·5	2·8
15.	Tamil Nadu	68·2	72·3	70·2	20	21	21	15·6	7·3	1·7
16.	Uttar Pradesh	62·5	65·2	63·8	49	52	50	27·2	7·7	3·1
17.	West Bengal	68·5	71·6	69·9	30	33	31	16·0	6·4	1·6
	India	65·8	69·3	67·5	39	42	40	21·4	7·0	2·3

Source : Sample Registration System and SRS Statistical Report Office of the Registrar General of India, Ministry of Home Affairs.

2.3.5 Rural-urban composition

Urbanization is an indicator of a developing economy. Unlike a stagnant economy, where there are not many opportunities for the people to move away from the village, in a growing and industrialized economy, there are ample opportunities for educated, skilled as well as semi-skilled people, as the expanding economy absorbs the services of all. Most of the industrialized nations have a high degree of urbanization. But India, being a developing economy, is still primarily a country of villages.

Let us first understand the concepts of rural and urban in Indian context. As provided in Census (2011) document:

An Urban Area (unit/town) is:

- All places with a municipality, corporation, cantonment board or notified town area committee, etc. (known as Statutory Town)
- All other places which satisfied the following criteria (known as Census Town):
  - A minimum population of 5,000;
  - At least 75 per cent of the male main workers engaged in non-agricultural pursuits; and
  - A density of population of at least 400 per sq. km.

Number of Urban Units

- Towns:
- Census 2001 5,161
- Census 2011 7,935 Increase: 2,774
- Statutory Towns:
- Census 2001 3,799
- Census 2011 4,041 Increase: 242
- Census Towns:
- Census 2001 1,362
- Census 2011 3,894 Increase: 2,532

Rural Areas

- All areas which are not categorized as Urban area are considered as Rural Area
- Number of Rural Units (or Villages) in India:
- Villages:
- Census 2001 6,38,588
- Census 2011 6,40,867 Increase: 2,279.

(Source: census 2011)

Let us discuss below the rural–urban composition of Indian Economy and the trends since 1951.

Table 2.3

Year	%age of rural population	%age of urban population
1951	82.7%	17.3%
1981	76.66%	23.34%
2001	72.19 %	27.81 %
2011	68.84%	31.16%

Source: Census for the respective year.

Data reveal a general trend- there has been an increase in the percentage of population living in urban areas since 1951 . The only exception was the period from 1951-1961, when there was decline in this percentage, though there were no social, economic or other reasons to justify this decline. For all other decades, there has been a steady rise in urban population and a decline in rural population. The proportion of rural population (in crores) increased from 74.3 in 2001 to 83.3 in 2011, while that of urban population increased from 28.6 crore to 37.7 crore during this period. The absolute increase in rural population was 9 crores, while in urban population it was 9.1 crores. Scholars comment that it is for the first time after independence that the absolute increase in population has been more in urban areas than rural.

Table 2.4 showing Growth rate of population

	1991-2001 (%)	2001-2011 (%)	Difference (%)
India	21.5	17.6	-3.9
Rural	18.1	12.2	-5.9
Urban	31.5	31.8	+0.3

Another trend observed since 1991 has been that there has been decline in population growth rate from 21.5% during 1991-2001 to 17.6% during 2001-2011. What is more interesting is, there has been decline in the growth rate of rural population also. It decreased from 18.1% to 12.2 during this period.But there was 0.3% increase in urban population.

The increase in population growth rate in urban areas has been attributed to :

- Natural increase
- Migration
- Addition to urban areas.

Inter-state variations in rural –urban composition show the following trends:

The top three States in terms of rural composition in 2011 included Uttar Pradesh (155.11 million 18.6%), Bihar(92.07 million 11.1%) and West Bengal (62.21 million 7.5%). The states which were placed on the bottom were: Sikkim (0.45 million 0.1%), Mizoram (0.52 million 0.1%) and Goa (0.55 million 0.1%).

The states placed on the top with regard to urban population were Maharashtra (50.8 million 13.5%),Uttar Pradesh (44.4 million 11.8%) and Tamil Nadu (34.9 million 9.3%). Bottom Three States were Sikkim (0.15 million, Negligible), Arunachal Pradesh (0.31 million 0.1%) and Mizoram (0.56 million 0.1%).

During 2001-11 period, four States recorded decline in Rural Population . These included: Kerala (by 26%), Goa (19%), Nagaland (15%) & Sikkim (5%).

2.3.6 **Occupational distribution**

Working population of a country plays an important role in its development, as this section of the society is the most productive one. Conventionally, people of age group 15-59 are considered productive, as they constitute the work force of that country.People are engaged in either of the three activities: agriculture, manufacturing, services. What percentage of population is engaged in which occupation (occupational structure) has a lot to do with the development status of a country. Now we'll learn about the occupational structure of Indian Economy.

2.3.6.1 Worker participation rate: The proportion of population engaged in productive activity is called worker participation ratio or worker participation rate. An analysis of Indian labour force shows the following features of this ratio in India:

1. **Low participation as compared to developed countries:**

As per the census data, the labour force participation in India was 39.1% in 2011(It was 43% in 2004 which increased to 40 % in 2009-10). This rate is much lower as compared to many developed nations e.g.US' Labour Force participation rate 'averaged 63% from 1950-2016 period(Source: U.S. Bureau of Labor Statistics); Economic Activity Rate in UK averaged 76.50 percent from 1971 until 2016 (Source: Office for National Statistics).Work force Participation rate needs to increase, given the situation of 'demographic dividend' the gains of which can be reaped by India only if it is well equipped to bring as many people in workforce as possible.

Table 2.5

Total Workers	**Number**	**Rate (%)**
Persons	402,234,724	39.1
Males	275,014,476	51.7
Females	127,220,248	25.6
Main Workers		
Persons	313,004,983	30.4
Males	240,147,813	45.1
Females	72,857,170	14.7
Marginal Workers		
Persons	89,229,741	8.7
Males	34,866,663	6.6
Females	54,363,078	11

(Source: Census 2011 data available on the home page of website of 'The Registrar General & Census Commissioner', Govt. of India.)

2. Lower ratio of females

Another feature of labour force participation in India is that there is a low female participation as compared to her male counterparts e.g. the above table shows that whereas the participation rate of males in 2011 was 51.7%, that of females was 25.6 %.In this regard, an ILO study (Raju 2010) can be quoted in which it is commented: "While the construct of men as bread earners is universal, whether women participate in the labour market or not is a complex issue involving socio-economic and cultural codes which warrants an approach which is multi-layered and socio-culturally and regionally contextualized (Hart, 1997; Elson, 1999; Kantor, 2002; Salway et al., 2005). (Cited by Raju 2010)

Table 2.6 (a)

Work Participation Rate by Sex in India (1971-2011)

Year	Total/Rural Urban	Persons	Males	Females
1	2	3	4	5
1971	Total	33.08	52.61	12.11
	Rural	34.03	53.62	13.42
	Urban	29.34	48.82	6.68
1981	Total	36.70	52.62	19.67
	Rural	38.79	53.77	23.06
	Urban	29.99	49.06	8.31
1991	Total	37.50	51.61	22.27
	Rural	40.09	52.58	26.79
	Urban	30.16	48.92	9.19
2001	Total	39.10	51.68	25.63
	Rural	41.75	52.11	30.79
	Urban	32.25	50.60	11.88
2011	Total	39.8	53.3	25.5
	Rural	41.8	53.0	30.0
	Urban	35.3	53.8	15.4

Source : Office of the Registrar General, India.

As the above table shows, the participation of females has been increasing slowly since 1971. The figure for 1971 was 12.11% whereas for 2011, it was 25.5%. Though there is a slight improvement, the other side of the picture is that still three fourth of our women are outside the workforce.

3. Low ratio in urban areas

Another trend is a higher work participation rate in rural areas as compared to urban areas. As shown in the above table, the figures for all the censuses show that rural persons' participation in labour force was much more than urban ones. This is true of both males and females, but the degree of difference is more between rural and urban women, as compared to males. For example, the latest census shows that work participation rate of female workers in rural areas was at 30.0 as compared to the work participation rate of 15.4 per cent in urban areas (Census). There are many reasons for a high labour force participation in rural areas. Some of them are: agriculture and allied activities, upon which most of the rural population depends demand joint efforts of all the members of family, including females. Another reason is the intensity of poverty more in rural areas, due to low productivity and hence less income. So all the members need to work, even if their contribution is minimal. Scholars generally agree on this point that more participation, in particular in manual work means existence of poverty. So the so called "underprivileged communities" like peasants, artisans etc. are more engaged in work. As the data shows, Urban women's participation in workforce is very low. This can be due to the fact that most of the women accompany their husbands to a town/city and are housewives. Another difference between rural and urban women is with regard to their participation in the context of reproductive age group. The inverted U-shaped curve in the rural graph is smooth and does not indicate marked variation for the reproductive age groups. The urban graph, however, is erratic and women in early reproductive ages have lower workforce participation rates as compared to later ages, suggesting married women's compulsion to opt out of the labour market when children are young (Dowling and Worswick, 1999; Banerjee and Raju, 2009).(Cited by Raju 2010)

4. Inter-state variations

The data for workforce participation varies not only in terms of gender or the area being urban or rural but also in terms of different states. For example, the table below shows the participation of women across different states.

Table 2.6(b)

STATES AND UNION TERRITORIES RANKED ACCORDING TO THE FEMALE WORK PARTICIPATION RATE 2001 AND 2011

Sr. No	State/ Union Territories	Female Work Participation Rate		Rank in	
		2001	2011	2001	2011
1	2	3	4	5	6
1	HIMACHAL PRADESH	43.7	44.8	2	1
2	NAGALAND	38.1	44.7	7	2
3	CHHATTISGARH	40	39.7	3	3
4	SIKKIM	38.6	39.6	6	4
5	MANIPUR (Excl. 3 Subdivisions)	39	38.6	4	5
6	MIZORAM	47.5	36.2	1	6
7	ANDHRA PRADESH	35.1	36.2	10	7
8	ARUNACHAL PRADESH	36.5	35.4	8	8
9	RAJASTHAN	33.5	35.1	11	9
10	MEGHALAYA	35.1	32.7	9	10
11	MADHYA PRADESH	33.2	32.6	12	11
12	KARNATAKA	32	31.9	13	12
13	TAMIL NADU	31.5	31.8	14	13
14	MAHARASHTRA	30.8	31.1	15	14
15	JHARKHAND	26.4	29.1	19	15
16	ORISSA	24.7	27.2	20	16
17	UTTARAKHAND	27.3	26.7	17	17
18	DADRA & NAGAR HAVELI	38.7	25.3	5	18
19	TRIPURA	21.1	23.6	23	19
20	GUJARAT	27.9	23.4	16	20
21	ASSAM	20.7	22.5	24	21
22	GOA	22.4	21.9	22	22
23	JAMMU & KASHMIR	22.5	19.1	21	23
24	BIHAR	18.8	19.1	26	24
25	KERALA	15.4	18.2	32	25
26	WEST BENGAL	18.3	18.1	28	26
27	HARYANA	27.2	17.8	18	27
28	ANDAMAN & NICOBAR ISLANDS	16.6	17.8	30	28
29	PUDUCHERRY	17.2	17.6	29	29
30	UTTAR PRADESH	16.5	16.7	31	30
31	CHANDIGARH	14.2	16	33	31
32	DAMAN & DIU	18.6	14.9	27	32
33	PUNJAB	19.1	13.9	25	33
34	LAKSHADWEEP	7.3	11	35	34
35	DELHI	9.4	10.6	34	35

Source: Office of the Registrar General, India.

As shown in the table, the State of Himachal Pradesh had the highest female work participation rate (44.8 %) whereas the lowest was reported in case of Delhi (10.6 %).(census 2011). The above table also makes a comparison of states in this regard for two time periods, 2001 and 2011.

2.3.6.2 Occupational distribution By occupational distribution or structure is meant the distribution of population of a country in primary, secondary and tertiary activities. By primary sector, is meant agriculture and allied activities like forestry, fishing, mining etc. Secondary sector includes manufacturing, construction etc. It is also called as the industrial sector. Tertiary or services sector includes transport, trade, banking, insurance, travel etc.

Table 2.7 (1 and 2)

Occupation	*1951*	*1991*	*2001*	*2011-12*
Primary Sector	72.1	66.9	56.7	48.9
Secondary Sector	10.6	12.7	18.2	24.3
Tertiary Sector	17.3	20.4	25.2	26.9
Total	100.00	100.0	100.0	100.0

(Draft 12th Plan, Economics Survey 2013-14)

Table 2 : Composition of GDP

	1950-51	*1990-91*	*2000-01*	*2013-14 (P)*
Agriculture (including) allied activities	53.1	29.6	22.3	13.9
Industry	16.6	27.7	27.3	26.1
Service (excluding construction)	30.3	42.7	50.4	59.9

(Source : Economy Survey 2013-14)

2.3.6.2.1 Shift in the occupational distribution of population or structural transformation

It is usually observed in case of many economies that as an economy grows, it undergoes structural changes. The changes are of two types:

- Decline in the percentage of labour force engaged in agriculture.
- Decline in the relative share of agriculture in GDP.

Let us now discuss the case of Indian Economy

Have a look at tables above. We find that since 1951, the share of primary sector in employment has come down from 72.1% in 1951 to 48.9% in 2011. But still it has got the maximum share in employment structure. Likewise, we find that share of agriculture has fallen significantly in India's GDP which is a welcome change. A situation like this is referred to as 'structural retrogression' by many scholars. It means a situation in which the share of agriculture in GDP decreases, but due to lack of expansion of services in secondary and tertiary sectors, not many people can be diverted away from agriculture to non-agricultural activities. So agriculture continues to provide job to many people. This feature of Indian Economy makes it a backward country despite so much of development.

This situation can be further explained in this way: one of the factors affecting occupational structure is the development of productive forces. Labour remains less productive if unskilled, illiterate or no technological improvement is done. Being unproductive, more labour force is required to do the same job in less developed countries as compared to developed ones. This is particularly true of agriculture where advanced technologies take long to reach as compared to other sectors. As argued by Colin Clarke, as an economy grows, productivity does not increase in all sectors uniformly. Traditional farming methods are not easily changed. Only when improved technology is introduced in agriculture, productivity of labour increases in agriculture. Since few labourers can now do the same job, there is diversion of labour from agriculture to other activities. Says Colin, "The speed of the inter-sectoral transfer of labour force depends much on the rate at which productivity increases in the primary activities in relation to that in other activities." (Colin Clark, *Economic progress and occupational distribution*). Perhaps the

advancement in technology in agriculture in India is still at a very low level as compared to other sectors. This to some extent explains the existing situation in India. There is sufficient decline in contribution of agriculture to GDP without a corresponding decline in employment.

There are inter-state variations also. Census data show that states like Kerala, Punjab, west Bengal and Tamil Nadu have succeeded in diverting the workforce from agriculture to non-agricultural activities. For example, in 2001, Kerala had only 23.26% of workers engaged in agriculture (39.26% in Punjab, 43.94% in West Bengal); Kerala had also the lowest percentage of cultivators (7.19%). The maximum percentage of cultivators was in Himachal Pradesh (65.56%) whereas, the highest percentage of agricultural labourers was in Bihar (48.18%).

CHECK YOUR PROGRESS - 2

1. Discuss the sex composition of India. Also explain the main reasons for the low sex-ratio.

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2. Write a note on the occupational distribution of Indian Economy.

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2.4 LET US SUM UP

By now, you must have understood the demographic features of Indian Economy. We discussed about the size and growth rate of Indian population, sex and age composition, occupational distribution and structural transformation.

2.5 SELF ASSESSMENT EXERCISE

1. Discuss the major trends in the population growth of India.

2. Discuss the age composition of Indian Economy. What implications shall it have for the Indian Economy?

3. What is structural transformation? Explain it in Indian context.

4. What is urbanization? What observations do you make about the urbanization of the Indian Economy?

5. 'India has a low sex ratio'. Justify. To what factors do you attribute this phenomenon?

2.6 SUGGESTED READINGS

- *Indian Economy* by Misra and Puri (Latest edition).
- Indian Economy by Datt and Sundaram (Latest edition).
- *Pratiyogita Darpan*, Indian Economy issue (Latest edition).

END NOTE

1. A Part of Sub-Section 2.3.1 has been taken from lesson of the existing study material, to which the script writer has not contributed.

UNIT - I

Semester - II	EC-201	Lesson No.3

PROBLEM OF OVERPOPULATION, POPULATION POLICY OF 2000

-Dr. Neelam Choudhary

STRUCTURE

3.1 OBJECTIVES

After going through this lesson, the learner shall

- Understand the basic causes of overpopulation of India
- Understand the population policy of 2000.

3.2 INTRODUCTION

Most of the developing countries are passing through one or the other stage of the theory of demographic transition. This theory has three stages, the first stage of high birth rate -high death rate, second or intermediate stage of high birth rate-low death rate and the final stage of low birth rate-low death rate. Of these, second stage is the one responsible for overpopulation or population explosion. India entered the third stage during the last two decades, as the crude birth rate decreased from 33.9 per thousand persons in 1981 to 23.5 per thousand in 2006. The figures for crude death rate are 12.5 per thousand and 7.5 per thousand respectively. The birth rate in 2013 was 21.4 per thousand population, whereas the death rate (2012) was 7 per thousand population. So, though both birth rate and death rate have declined, the difference between the two is sufficient for causing overpopulation in India.

According to Todaro and Smith, "Quantitatively, the rate of population increase is measured as the percentage yearly net increase (or decrease) in population size due to natural increase and international migration. Natural increase means the excess of births over deaths, or the difference between fertility and mortality." Since the population increase in most of the developing countries has been attributed mainly to natural increase, let us now discuss the factors responsible for overpopulation in India:

3.3' CAUSES OF THE RAPID GROWTH OF POPULATION OR OVERPOPULATION

CAUSES OF THE DECLINE IN THE MORTALITY RATE

The cause of the death is not generally accurately reported, and it is thus difficult to say as to what factors brought down rate since Independence. Nevertheless from the survey data and the studies of villages and urban areas it is possible to identify at least some factors, which have contributed to the decline of mortality during the past few decades.

Elimination of famines :

Recurrence of famines in India under the British was a major cause of high mortality rate. Since Independence, the situation has considerably improved. During the seventies and eighties the government's capacity to cope with the conditions created by droughts was put to test several times. The government faced the crisis without large food imports, as it could gear up its distribution system to meet the challenged. This factor, in all probability, is the most important single factor bringing down the mortality rate.

years of age.

6. Prevent and control communicable diseases.
7. Promote the small family norm to achieve replacement levels of total fertility rates.
8. Bring about convergence in implementation of related social sector programmes to make family welfare a people centered programme.

In pursuance of the National Population Policy, 2000, a National Commission on Population was set up. The Commission was expected to review the implementation of National Population Policy from time to time. Analogous to the National Commission, State level Commissions on Population too had been set up with the objective of ensuring the implementation of the Population Policy.

An Appraisal of the Population Policy

In the foregoing analysis we have clearly underlined the need for an imaginative population policy to deal with the present population problem. Unfortunately in this country the government has failed to formulate such a policy. Nowhere in the world, rate of population growth has declined without the spread of education among the masses and substantial improvement in their standard of living, and yet in India these aspects have been very much ignored in the government's drive to bring about a fall in the fertility rate. Greater reliance on family planning programme to realise this objective in a social environment, which is non-receptive to the programme, clearly betrays the understanding of the problem. To be more specific, three major defects in the approach of the government are as follows :

Over-emphasis on contraceptives. According to B.R. Sen, the Population problem has not been correctly understood in India. The programmes, which were formulated in the country to restrict the population growth from time to time, were invariably based on the assumption that increasing the supply of contraceptives and popularising their use could solve the problem. No one ever seriously thought of raising the standard of living of the mass of the people in the countryside to bring about a fall in the rate of population growth. B.R. Sen rightly asserts that poverty of these people provides them an inducement to have more children and perhaps this is the major cause of our population problem. Therefore, if attack has to be made on poverty, particularly in rural areas this will require extra developmental efforts in the countryside.

Inappropriateness of Coercive methods. No one disputed the urgency of restricting population growth in this country. Infact, people belonging to various strata of the society and subscribing to different ideologies now favour that on the question of population control national consensus must be evolved. But there is less agreement on measures. There are many experts who still believe that development is the only effective measure to restrict population growth. Some others would like to continue family planning drive with development efforts. In India, most of the demographers and economists who favour pursuit of a vigorous family planning programme do not approve of the coercive methods, which the government had adopted in 1976. The experience in respect of forced sterilization clearly suggests that coercive methods hurt the dignity of people and are counter-productive. Despite the efficacy of sterilization for family limitations, the criterion for incentives and disincentives should be number of children and not evidence of sterilization.

Adhocism and shifting family planning approach. Analysis of the family planning programme during the past four decades reveals very clearly that the objective of bringing down the birth rate to a sustainable level remains as elusive as it was two decades before. This is particularly true because of the arbitrary, uninformed and unimaginative nature of the decision making at the highest level of organization. D. Benerji has rightly attributed the failures of the family planning programme to the lapses in the decision making which got compounded by a succession of blunders by successive decision-makers.

In India, the family planning programme in spite of all its limitations has made some impact in the urban areas. Similar success in the rural areas is not easy to realise. Pravin Visaria argues, "To motivate the millions of couples dispersed in India's villages to think about the consequences of their individual behaviour for the abstract aggregate called the community or the country is an extremely difficult task. As and when they see a limitation of their family size to be in the interest of their family and/or their own children, they are unlikely to lag behind the better educated with respect to the adoption of contraception."

Self-Assessment Questions :

1. Discuss the main features of population policy in India.

2. Give a critical appraisal of population policy in India.

Milestones in the Evolution of the Population Policy of India

- 1946

  Bhore Committee Report

- 1952

  Launching of Family planning Programme

- 1976

  Statement of National Population Policy

- 1977

  Policy Statement on Family Welfare Programme

Both statements were laid on the Table of the House in Parliament, but never discussed or adopted.

- 1983

The National Health Policy of 1983 emphasized the need for securing the small family norm, through voluntary efforts and moving towards the goal of population stabilisation. While adopting the Health Policy, Parliament emphasized the need for a separate National Population Policy.

- 1991

The National Development Council appointed a Committee on Population with Shri Karunakaran as Chairman. The Karunakaran Report (Report of the National Development Council (NDC) Committee on Population) endorsed by NDC in 1993 proposed the formulation of a National Population Policy to take a "a long term holistic view of development, population growth and environmental protection" and to "suggest policies and guidelines (for) formulation of programs" and "a monitoring mechanism with short, medium and long term perspectives and goals" (Planning Commission, 1992). It was argued that the earlier policy statements of 1976 and 1977 were placed on the table, however, Parliament never really, discussed or adopted them. Specifically, it was recommended, "a National Policy of Population should be formulated by the Government and adopted by Parliament".

* 1993

An Expert Group headed by Dr. M.S. Swaminathan was asked to prepare a draft of a national population policy that would be discussed by the Cabinet and then by Parliament.

* 1994

Report on a National Population Policy by the Expert Group headed by Dr. Swaminathan. This report was circulated among Members of Parliament and comments requested from central and state agencies. It was anticipated that a national population policy approved by the National Development Council and the Parliament would help produce a broad Political consensus.

* 1997

On the 50th anniversary of India's Independence, Prime Minister I.K. Gujral promised to announce a National Population Policy in the near future. During 11/97 Cabinet approved the draft National Population Policy with the direction that this be placed before Parliament. However, this document could not be placed in either House of Parliament, as the respective Houses stood adjourned followed by dissolution of the Lok Sabha.

* 1999

Another round of consultations was held during 1998, and another draft National Population Policy was finalized and placed before the Cabinet in March 1999. Cabinet appointed a group of Ministers (headed by Dy. Chairman, Planning Commission) to examine the draft Policy. Group of Ministers met several times and deliberated over the nuances of the population Policy. In order to finalise a view about the inclusion/exclusion of incentives and disincentives, the Group of Ministers invited a cross-section of experts from among academia, public health professionals, demographers, social scientists, and women's representatives.

The Group of Ministers finalised a draft population policy, and placed the same before Cabinet. This was discussed in Cabinet on 19 November, 1999. Several suggestions were made during the deliberations. On that basis, a fresh draft was submitted to Cabinet.

Control of epidemics :

Cholera and small pox were the two major causes of epidemics before Independence. Now small pox is completely eradicated and cholera is very much under control. Consequently, the mortality rate has registered some decline. At the time of Independence cholera was a major endemic source of mortality in certain parts of the country. But over the years deaths due to cholera have declined.

Overall Improvement in Health facilities :

More people have now physical and economic access to health facilities. They are more aware now than earlier. Hygiene and other issues are being taken care of. All this has resulted in a decline in death rate.

Education :

Literacy is positively related to eating habits, hygiene etc. of the people. Due to widespread illiteracy earlier, people were neither aware of what nutrients are required by the body to stay healthy nor had the purchasing power. Now due to improvement in literacy rate, in particular of women, people have become conscious about their health. They take preventive and curative steps. An educated mother takes area of the whole family including herself in a betterway. She knows when the children are to be immunized etc. Indian society too has seen an improvement in literacy rate which had an impact on death rate.

Decline in Poverty :

Though we have still not got rid of poverty, there has been a substantial decline in the number of people living below poverty line. There has been diversion of people away from agriculture to other areas. An overall improvement in living conditions of the people means that they are well fed or at least fulfill the minimum requirements of living a decent life. They don't fall sick frequently, as compared to the earlier time when most of them remained undernourished and even died of hunger.

CAUSES OF THE HIGH BIRTH RATE

The birth rate is still high in India and the expectations that it would decline significantly as a result of family planning programme have been belied. It is surely higher than what the economy can sustain at the existing level of development. States which have done well in literacy improvement (e g Kerala, Tamil Nadu etc.) have a lower Birth rate as compared to other states.

Economic Factors :

Economic environment of a country influences human behaviour to a great extent. Even fertility has its basis in the economic life of the country. These economic factors, viz., the occupational distribution of the population, the extent of urbanization and the spread of poverty, have considerable bearing on the birth rate of the country. Total fertility rate in 2013 was 2.3.

1. Predominance of agriculture : In agrarian societies children have never been considered an economic burden. Harvesting, weeding and sowing times - covering over half the year - are the peaks of productive activity corresponding to an acute need of labour". It is, in fact, in this period that child labour is required in agriculture. For many decades this mindset of the society was responsible for a high birth rate.

2. Slow Urbanization process and predominance of villages : The proportion of urban population in India 1991 was 25.72 per cent as against 17.62 per cent in 1951. In 2011, it was 31.16% .Due to staggering industrialization, the process of urbanization has been slow in this country, and it has failed to generate social forces, which usually bring down the birth rate. The urbanization, which has taken place in India, has not been accompanied by the types of social change, which favour lower birth rates. Indeed, the social system and family structure of rural life seem to survive transplantation to the town or city quite remarkably.

3. Poverty : At a lower income level of the family the benefits of having an additional member to the family generally exceed the cost of his upbringing. Benefits accruing to the family from a child take the form of expected services, income and social security provided by the child. The poor have no other economic asset than their own labour and the more

the number of earners in the family, the more then amount of family earnings. The lower survival rate further reinforces the preference for children. This keeps the birth rate high.

Social Factors :

Contribution of social factors to the high birth rate is tremendous in this country. Universality of marriage, relatively lower age at the time of marriage, religious and social superstitions, joint family system, lack of education and a very limited use of contraceptives are only a few important social factors which arrest significant decline in fertility. Let us now examine these factors in some detail:

1. **Near Universality of Marriage :** Marriage is both a religious and a social necessity in India. The custom of arranged marriages under which parents feel that marrying daughters is a social obligation results in near universality of marriage. It is believed that with more spread of education, attitudes of people towards marriage would change and an increased proportion of women might then decide not to marry at all.

2. **Lower Age at the Time of Marriage :** The relatively lower age at the time of marriage in the country is also believed to be responsible for high fertility. Women marrying between 20 and 24 have the same fertility, as those marrying before the age of 20. Only when the marriage age reaches 25 or over, some reduction in fertility occurs. Though a trend has started of late marriage, still the cases of early marriage can't be ruled out.

3. **Religious and Social Superstitions :** Most Indians on account of their religious and social superstitions, desire to have children having no regard for their economic conditions. Hindus in any case must have a son, because according to their religion certain rites can be performed by only him and none else. They should also have a daughter as the giving of a daughter in marriage is also an act of "high religious merit".

4. **Joint Family System :** In India, where social relations in the countryside are still by and large pre-capitalist, joint family system is very much common at it conforms to the concrete reality of the time. In cities, however, the process of its

disintegration has started. The joint family system induces young couples to have children, though they may not be in a position to support them. In a joint family their economic burden is carried by the earning members in the family.

5. Lack of Education:

If we see the data of census of any year, we find that Birth Rate is high (or has failed to decline) in those states, where still literacy is at a low level. Uneducated people are not aware of the implications of having more children. Hence birth rate remains high.

3.4[2] POPULATION POLICY

Though it is not possible to decide as to what is the optimum size of population for India under the existing conditions, yet no one denies the fact the existing population of this country is larger than that can be sustained at is current level of development. Furthermore, the population explosion that has taken place has some what nullified the gains of economic growth. This situation demands a clear and straight forward population policy.

National Population Policy, 2000

The National Population policy, 2000 outlined immediate, medium-term and long-term objectives. The immediate objective was to meet needs of contraception, health infrastructure, health personnel and to provide integrated service for basic reproductive and child health care. The medium-term objective was to lower down the total fertility rates to the replacement level by 2010. The long-term objective was to achieve a stable population by 2045.

In this broad framework, the national population policy, 2000 aimed at the following:-

1. Reduce material mortality rate to below 100 per one-lakh live births.
2. Reduce infant mortality rate to below 30 per one thousand live births.
3. Achieve universal immunization of children against all vaccine preventable diseases.
4. Achieve universal access to information/counselling, and services for fertility regularization and contraception with a wide basket of choices.
5. Promote delayed marriage for girls, not earlier than age 18 and preferably after 20

3.5 LET US SUM UP

In this lesson, we discussed the main causes of overpopulation of India. We also discussed the population policy of 2000.

3.6 SELF ASSESSMENT EXERCISE

- What factors led to the overpopulation of India?
- What were the basic features of Indian population policy of 2000?

END NOTE

1. This section has been taken from the old book (study material), Page 58-62.
2. This section has been taken from the old book (study material), page 64-69.

UNIT - I

Semester - II	EC-201	Lesson No. 4

PLANNING IN INDIA : OBJECTIVES, ACHIEVEMENTS AND FAILURES : OBJECTIVES OF ECONOMIC PLANNING

INTRODUCTION

After independence, planning was adopted to regulate the structure and functioning of the economy. In general, planning has been identified in three kinds. In developed capitalist countries the main objective of the planning is to achieve the level of full employment in the economy. In under developed economies the objective of the economic planning is to translate development promises into practices where as in socialist countries the basic objective of planning is to have equal distribution of resources among the different sections of the society. The objective of this unit is to make students familiar with the process of planning in India. It covers the objectives of planning process and their achievements since first five year plan.

The long-term objectives of economic planning in this country have been spelt out in various Plan documents. Upto the Seventh Five Year Plan broadly the main objectives were :

1. Economic growth (approximately 5 per cent per annum increase in the net national product),
2. Self-reliance,
3. Removal of unemployment,
4. Reduction of income inequalities,

5. Elimination of poverty and
6. Modernization.

Some of these objectives were elaborately discussed in the Second and Third Five Year Plans. In the subsequent plans they were simply reiterated. Various plans, however, did not place equal emphasis on these objectives. Whereas earlier plans laid stress on rapid economic growth more than any other objective, the Fifth and Sixth Plans attached great importance to self-reliance, generation of employment and removal of poverty. In the Seventh Plan modernization was stressed. The government, which assumed office in June 1991 virtually, abandoned these long-term objectives of economic planning. Its entire concern was to implement a programme of macro-economic stabilization through fiscal correction. Moreover, the trade, industrial and public sector policies aimed at undermining the very system of economic planning. The government's lack of commitment towards economic planning can be appreciated from the remarks of the Deputy Chairman of the Planning Commission in the preface to the Eight Plan document that the Eight Plan is a Plan "for managing the transition from centrally planned economy to market led economy".

The Earlier Phase : 1951 to 1980 :

The era of economic planning ushered in 1951. The First Five Year Plan covering the period from 1951 to 1956 had a target of 2.1 per cent per annum increase in national income. This target, in fact, was very modest and even with its realization there could be no increase in per capita national income. The performance of the plan, however, was better and over the period of five-years, national income recorded a 3.6 per cent per annum increase. The per capita income over the plan period increased at the rate of 1.8 per cent per annum. The Second Five Year Plan envisaged a target of 4.5 per unit per annum increase in national income. From a quantitative point of view, this target was not significantly higher than the actual growth performance during the First Plan period. The Second Plan was, however, different from the First Plan in terms of its objectives. Its basic framework was based on the Mahalanobis strategy of development, which gave the highest priority to heavy industries. The implementation of this policy involved rapid development of the public sector. The actual growth rate during the Second Plan, however, turned out to be a little lower than the targeted rate. The national income rose at the rate of 4.1 per cent per annum and the rate of increase in per capita income turned out to be a mere 2.0 per cent per annum.

The Third Plan had aimed at securing an increase in national income of 5.6 per cent per annum. The planners had the confidence that the pattern of investment designed in the Third Plan could sustain this rate of growth during the subsequent plan periods as well. The highest priority in this plan was accorded to agriculture. After the experience of the first two plans, more particularly that of the Second Plan, it had become clear to the planners that among the factors determining the rate of economic growth in this country, agriculture had a unique place. Hence the Third Plan put special emphasis on raising the agricultural output. Further, like the Second Plan, from the point of view of overall economic development, it attached great importance to growth of steel, machine tools and heavy engineering industries on the one hand and energy sources on the other. Thus, in totality the development strategy of the Third Plan was basically the same as that of the Second Plan. During the third Plan period the national income rose only at a modest rate of 2.5 per cent per annum and thus there was a mere 0.2 per cent per annum increase in national income per capita. In brief, from the point of view of economic growth, the third Plan was a miserable flop, and as a consequence, the economy found itself stranded in deep waters. Only bold and vigorous planning could have saved the country. However, contrary to the need of the hour, long-term planning was suspended for full three years. The Fourth Plan thus started in 1969 instead of 1966 which was the scheduled year for its beginning.

The emphasis in the Fourth Plan was on growth with stability. In India's economy, two factors viz., fluctuations in agricultural production and uncertainties about foreign assistance cause greater instabilities. Hence the Fourth Plan laid stress not only on various programmes for raising the agricultural output, but also on creating buffer stocks of food grains so as to ensure regular supply of food. The Planning Commission was convinced that it was a necessary measure for the stability in general price level. In order to eliminate uncertainties in respect of resources for the plan, it was also felt that the dependence on foreign aid was to be minimized. The Planning Commission had visualized the possibilities of accelerating the rate of growth in an atmosphere free from instability and uncertainties. With this perspective the planners had contemplated a 5.7 per cent per annum increase in national income during the Fourth Plan period. In reality nothing of the sort happened and the

growth rate remained stuck at 3.3. New bottlenecks developed - the most notable being in the field of energy and transport. These factors together prevented growth rate from picking up.

In the Draft Fifth Five Year Plan, the target laid down for the increase in GDP was 5.5 per cent per annum, which was considerably higher than what was achieved during the past two decades. The Fifth Five Year Plan in its final form was different from the Draft Plan in a number of respects. The Final Plan aimed at only 4.4 per cent per annum increase in GDP as against the target of 5.5 per cent set in the Draft Plan. For the realization of this objective, the principal emphasis was on raising the investment rate apart from pushing up the productivity level. During the Fifth Plan period the national income recorded a totally erratic growth. The large fluctuations in the rate of growth were mainly on account of the fluctuation in agricultural production. The rate of increase in GDP during the 1974-79 period was 4.8 per cent per annum which looks quite satisfactory when we compare it with the performance of the country during the earlier plan periods. However, the Fifth Plan failed to create any solid foundation on the basis of which subsequent growth process could be sustained. Thus in 1979-80, the economy suffered a major setback and the GDP declined by 5.2 per cent. When we consider the trend growth rate during the first three decades of economic planning, we note that at best it was extremely modest. In this period GDP had increased at the rate of 3.4 per cent per annum.

The Later Phase : 1981 to 2000 :

In the later phase three plans have been completed. The average GDP growth rate of about 5.7 per cent in this period is an improvement over the growth rate of 3.4 per cent per annum during the previous three decades. We shall now analyse the performance of the Indian economy on growth front plan-wise in the later phase.

The Sixth Five Year Plan had aimed at 5.2 per cent per annum increase in GDP. The Plan proposed to pay particular attention to certain aspects of the economy for achieving this growth target. These were : (1) improving the efficiency level of existing capital stock utilization, (2) raising the investment rate, (3) changing the investment pattern to make it more rational from the point of view of growth, and (4) keeping deficit in balance of payments within certain limits so as to prevent emergence of foreign exchange crisis. The growth target set for the Sixth Plan was achieved. This was mainly due to good agricultural performance and a rapid growth in the services sector. Agricultural output during the Plan period increased at the rate of 4.3 per cent per annum against the target rate of agricultural growth of 3.8 per cent per annum. The level of investment is generally considered a major determinant of growth and, in this, the Sixth Plan expectations were fulfilled. However, the saving rate failed to reach the target. The shortfall in the aggregate saving was largely due to the failure of the public sector to generate the desired surplus.

The Seventh Plan aimed at 5.0 per cent annum increase in GDP. This rate was a little higher than the rate of growth realized during the past decade. According to the Planning Commission, this rate was also in line with the growth rate achieved in the Sixth Plan. However, considering the resource constraint and the actual performance of the economy during the first three years of the plan, realization of this target did not look very easy. In the first three years of the Seventh Plan, GDP had increased at a modest rate of 3.8 per cent per annum. However, during 1988-89 and 1989-90 due to bumper harvests the growth rate picked up sharply and the average annual increase in GDP during the whole of the Seventh Plan period turned out to be 5.8 per cent per annum against the target of 5.0 per cent per annum. This overall rate of growth exceeded the target. In isolation this may look quite impressive. However, when we examine as to how the overall rate of growth of 5.8 per cent annum was realized during the Seventh Plan period, the situation appears to be less encouraging. The country did not register a steady rate of growth during the Seventh Plan period. There were marked variations in the rate of growth registered in different years of the plan.

Despite an improvement in the average GDP growth rate, the growth process of the 1980s has been widely criticized. One major criticism of this growth process, which involved high fiscal deficit, was that it was unsustainable as it put pressure on balance of payments and also led to inflation. Another major criticism was that it involved inefficient utilization of resources.

The year 1990-91 was not bad in terms of growth though in this year the economic crisis, which deepened in 1991-92, had already begun. In 1990-91, GDP registered 5.4 per cent increase. This could not be sustained in 1991-92, as in this year adverse effects of

the economic crises arrested the overall growth process. The rate of growth of GDP in this year was only 0.8 per cent and both agricultural and industrial sectors registered negative growth rates of 2.8 and 0.1 per cent respectively.

The Eighth Plan began in a difficult situation. The planners had envisaged a target of 5.6 per cent per annum increase in GDP in the Eighth Plan. As against this, GDP increased at an impressive rate of 6.8 per cent per annum during the Eighth Plan period. In the first two years, the rate of increase in GDP was rather modest - 5.5 per cent per annum. This spectacular economic growth made proponents of economic liberalization in the country unduly optimistic. In the official circles also the decision makers contended that the liberalization package had put the Indian economy on the high growth path. But the fundamentals of the economy were not sound. The saving and investment rates were low. Hence 7.0 per cent per annum growth could not be sustained. The economy thus reverted back to a lower growth path. In 1997-98, GDP growth decelerated to 5.0 per cent from 7.5 per cent in 1996-97. Moreover, during the first three years of the Ninth Plan, the rate of growth of GDP remained merely 5.9 per cent per annum. Thus the misplaced confidence in the capacity of unbridled free enterprise economy to take the country on the higher growth path is now shaken. In fact, during the liberalization phase of the 1990s the rate of increase in GDP has been just 5.8 per cent per annum, which is definitely low and not at all impressive.

Self-Reliance

About five decades ago on the eve of the First Plan, India was dependent on foreign countries at least in three respects. First, despite the fact that Indian economy is essentially agrarian, the output of food grains was not adequate and the country imported big quantities of food grains from the U.S.A. and some other countries. Second, on account of the virtual non-existence of basic industries, transport equipment, machine tools, heavy engineering goods, electrical plant and machines and many other capital goods had to be acquired from developed countries. Third, saving rate being very low, foreign aid had to be obtained in order to step up the investment rate in the country. No one disputes that trade between two equal partners on purely commercial terms is beneficial to both. This may not, however, be correct in respect of underdeveloped countries trading with developed countries from an unequal bargaining position. It has been observed in many cases that developed countries while supplying essential commodities like food grains, machinery and other capital equipment to underdeveloped countries attempt to take full advantage of their strong bargaining position and extort exorbitant price for their products. Often exports of these and other essential goods are used as political weapons to blackmail the Third World countries. Therefore, if some underdeveloped country seriously desires to keep its growth activity free from political pressure of other countries, it has no choice but to become completely self-reliant in food and capital equipment. Further, it has also to minimize its dependence in respect of aid from other countries and the institutions like the IMF and the World Bank.

Broadly these are the reasons why self-reliance was adopted as major objective of economic planning in this country. The emphasis on self-reliance was not much in the first two plans. In the Third Plan, for the first time it was stated the country would endeavour to become self-reliant over a decade or so. The concept of self-reliance adopted in the Plan was, however, narrow. Self reliance was defined merely as overcoming the need for external assistance. In the Fourth Plan, objective of self-reliance was stated in a concrete form. The Plan not only reiterated the government's commitment to reduce its dependence on foreign aid but also decided to do away with concessional imports of food grains from the USA under PL 480. The country made progress along the expected lines during the first three years of the Plan. However, in the fourth year of the Plan, the country faced deterioration in its balance of payments position mainly due to large imports of food grains necessitated by the drought and sharp rise in the international prices of imports. Hence, under the Fifth Plan for tackling the balance of payments problem, two-pronged strategy was adopted in the form of export promotion and import squeeze. This policy and unexpectedly large private remittances considerably improved the balance of payments position.

It is now generally agreed that in the field of self-reliance, India has two achievements to its credit. First, the country is now almost self-sufficient in food. Second, with the growth of iron and steel, machine tools and heavy engineering industries, this country has made considerable advancement towards self-reliance in capital equipment.

Removal of Unemployment

Unemployment problem requires an immediate solution for the elimination of poverty. It is observed that with the rising number of unemployed, poverty expands. Removal of unemployment has thus been mentioned as one of the objectives of economic planning in all the Five Year Plans, but it never got a high priority.

The approach of the Planning Commission till recently has been of not seeing the question of employment generation separately from investment programmes. It was believed that as investment increased employment would also grow. In the Third Plan document, while discussing the objectives of economic planning the Planning Commission had argued that as national income grows in response to increased investment and development outlay, the demand for labour rises and employment expands. This is very simplistic view. The main weakness of this approach is that it ignores the fact that an increase in investment does not automatically create larger employment. For the growth of employment besides an increase in investment, the choice of techniques should also be correct.

Creation of Fresh Jobs in an inadequate Number :

As already stated, the main focus of Indian Plans has been on production targets. The problem of unemployment is generally discussed separately in a passing reference. The objectives of employment are often presented as if employment would rise automatically once the growth targets are achieved. There was no serious concern in the formulation of the strategy for the compatibility of the employment targets with the various output and investment targets. The increase in unemployment over the years in the country is generally attributed to the basic weakness in the approach of the government.

Failure on Income Distribution Front :

Data provided in the Chapter on "Income Distribution in India" bring out the complete failure of the government on the income redistribution front. In fact, the issue of income inequalities in India is closely linked with the inequalities in the ownership of agricultural land and concentration of economic power in the industrial sector. According to the NSS (26th Round), in 1971-72 top 5.44 per cent of the peasant households in this country possessed approximately 39.43 per cent of the agricultural land, as against 1.58 per cent land owned by the bottom 40 per cent. This inequality in the ownership of agricultural land is the basic cause of income inequalities in the countryside. Agricultural labourers do not possess any land and belong to the poorest strata of the society. Small farmers with little land in their possession produce only that much as is hardly enough for subsistence living. In contrast, incomes of big farmers are not only high, but are also steadily rising. Apart from the economic surplus they appropriate, they manage to get credit on easy terms from cooperative credit societies, rural banks, etc. for investment purposes. This had enabled them in recent past to introduce productivity raising technology in agriculture, as a consequence of which their incomes have registered a steep rise. However, Indian plans with their main focus on growth have done little to prevent these continuously growing income inequalities in rural areas.

Strategy to Tackle Poverty Problem :

Until the late 1970s, decision-makers in the government and the Planning Commission were of the view that the trickle down effects of growth could alleviate poverty in the country in the coming years. It was thus stated in *Draft Five Year Plan* 1978-83, "Without any redistribution the poverty percentage should fall from 46 per cent at present to 27 per cent after 10 years if the assumed rates of growth materialized. This was certainly an unwarranted optimism, as the past record of growth in this country did not lend support to it. The government soon recognized this fact. The Planning Commission in the Sixth Plan document thus stated, "The incidence of poverty in the country is still very high. Thus determined measures are necessary to combat poverty. A substantial increase in the overall rate of growth of economy will no doubt create favourable conditions for a reduction in poverty and unemployment. However, in the light of past experience it will be realistic to rely solely on the growth process to find a solution to the problem.

EVALUATION OF THE OBJECTIVES OF ECONOMIC PLANNING :

The main objectives of economic planning as they have been spelt out in various plans cannot be realized simultaneously. Often ignoring the incompatibility between various objectives it is expected that the success will be achieved in all the directions. The experience in the past, has belied these expectations. In India's mixed economy, the objectives of rapid economic growth and reduction in income inequalities seem to be in conflict and the

planners clearly betray awareness of trade-off between them. Obviously with an increase in investment not only employment level will rise, but overall development will also take place. However, this policy will not work in India with the same effectiveness. Shortage of capital is the major obstacle to development in this country. Most of the unemployment in this country is structural in character. The saving rate is not high enough to match the investment rate required for providing employment to everyone. The techniques, which can generate adequate surplus for rapid economic growth are such that will hamper creation of new jobs and will there by accentuate inequalities in income and wealth. If, on the contrary, labour-intensive techniques are adopted so as to create employment opportunity on an extensive scale, adequate surplus required for realizing warranted rate of growth may not be generated.

Key-words :

Self-reliance : An economy, which has minimum dependence in respect of aid from other countries or international financial institutions.

Income in equalities : When the distribution of wealth and income is skewed in favour of upper section of the society and there is gap between rich or poor is called income inequalities society.

SELF-ASSESSMENT QUESTIONS :

1. What is meant by planning process?
2. Explain how is planning important for an economy.
3. Discuss the main objectives of planning in India.
4. "Planning has failed to reduce regional inequalities in India." (Discuss).

SUGGESTED READINGS :

1. Pramit Chaudhuri (1978) The Indian Economy.
2. Govt. of India (1999) Ninth Five-Year Plan.
3. S.P. Gupta (2000) Trickle Down Theory Revised : Role Of Employment And Poverty In India : An Assessment And Analysis.

UNIT - II

Semester - II	EC-201	Lesson No. 5

NINTH FIVE-YEAR PLAN

5.1 INTRODUCTION

For any economy to be on a right track, it is necessary to follow a planned approach to its development processes. India has also adopted a planning process since independence. The planning in India is based on the model of mixed economy where public and private sectors co-exist. The government has to monitor the priorities and performance of the different sectors of the economy. The Ninth Five Year Plan stressed on the policy of growth with social justice and equity. Under this plan efforts were made for economic development and social upliftment of the masses.

The Ninth Plan accepted that with the progressive deregulation of the economy and the large role of the private sector and marked based decision making, planning methods based on input output balances for each industrial sector had become less relevant. It also accepted the fact that in the market-based system, there are greater degrees of uncertainty on the one hand, and a reduction in the instruments available to the government in controlling economic matters, on the other hand. Accordingly, the methodology adopted in the formulation of the Ninth Plan was not based on a deterministic relationship between the Plan and economic performance. In this context, the Plan stated, "It is explicate recognized that there are uncertainties in the system and limitations in the ability of the planning system to accurately predict future trends. Furthermore, it also recognized that the effects of government policies and interventions are not entirely predictable. This is certainly true of economic variables, although it may not be so for the performance in social sectors such as health and education." Accordingly, the planning approach adopted for the Ninth Plan "concentrates on pointing out the likely outcomes and suggests the major directions for

policy intervention."

5.2 OBJECTIVES AND DEVELOPMENT STRATEGY

According to the Planning Commission, the focus of the Ninth Plan can be described as "Growth with Social Justice and Equity." The specific objectives listed in the Plan were as follows :

(i) Priority to agriculture and rural development with a view to generating adequate productive employment and eradication of poverty ;

(ii) Accelerating the growth rate of the economy with stable prices ;

(iii) Ensuring food and nutritional security for all, particularly the vulnerable sections of society ;

(iv) Providing the basic minimum services of safe drinking water, primary health care facilities, universal primary education, shelter and connectivity to all in a time bound manner ;

(v) Containing the growth rate of population ;

(vi) Ensuring environmental sustainability of the development process through social mobilization and participation of people at all levels;

(vii) Empowerment of women and socially disadvantaged groups such as Scheduled Castes, Scheduled Tribes and other Backward Classes and Minorities as agents of socio-economic change and development;

(viii) Promoting and developing people's participatory institutions like *Panchayati Raj* Institutions, cooperatives and self-help groups;

(ix) Strengthening efforts to build self-reliance.

In line with the liberalization process unleashed in 1991 the Ninth Plan argues that our development strategy must be oriented to enabling our broad based and varied private sector to reach its full potential for raising production, creating jobs and raising income levels in society. A vigorous private sector, operating under the discipline of competition and free markets, will encourage efficient use of scarce resources and ensure rapid growth at least cost. Our policies must therefore create an environment, which encouraged this outcome. In this scenario, the Ninth Plan calls for a 'reorientation' in the role of the State with the focus of its attention shifting from regulating and controlling the private sector to increasing its participation in social development especially in rural areas. Therefore the development strategy of the State in the Ninth Plan was on creating the necessary economic and social infrastructure to enable the unhindered operations of the private sector.

As far as public sector enterprises are concerned, the policy of disinvestment was made to continue and resources thus generated used up to finance schemes in social sectors, especially health and education. On the external sector front, the strategy was: (i) dismantling of quantitative restrictions and reduction in import tariff rates, (ii) taking urgent steps in removing the factors containing export growth and using exchange rate policy to support the export effort, and (iii) initiating steps to increase the flow of foreign investment in the Indian economy. The Planning Commission felt that the level of foreign direct investment could be raised threefold by the end of the Ninth Plan.

In the financial sector, the Ninth Plan emphasized the role of financial reform particularly banking sector reforms and capital market reforms. The Plan also advocated reforms relating to insurance and pension funds. It felt that the latter were natural sources for long term capital and could thus be usefully deployed in the financing of infrastructure which needed long term funds. The Plan correctly pointed to the dangers of continuing with unsustainable fiscal deficits year after year. In this context, it advocated the adoption of a long-term fiscal policy with a clear time path for reducing the fiscal deficit to a sustainable level.

5.3 A CRITICAL APPRAISAL

As stated earlier, the focus of the Ninth Plan was on "Growth with social Justice and

Equity." To achieve this purpose, the plan gave a long list of objectives mentioned in the section on "Objectives and Development Strategy" earlier. As is clear from a reading of this long list, the Ninth Plan included everything desirable for the economic development of the country and the social upliftment of the people.

1. **Declining share of public sector in total investment.** In the post-liberalization phase, the share of public sector investment in total investment has declined significantly. Whereas 47.8 per cent of the total investment in the Sixth Plan was by the public sector, this fell to 45.7 per cent in the Seventh Plan and to merely 34.3 per cent in the Eighth Plan. Since the Eighth Plan covered the period 1992-97, one can perhaps say that in the post-1991 period only about one-third of total investment has been in the public sector. The Ninth Plan candidly accepted the position that with the economic reforms of the last few years, some of the traditional instruments of implementing the plans were no longer available. With the steady reduction in the share of public investment, both planned and actual, in total investment, the ability of the government to determine the structure of the economy through its own investment behaviour has eroded significantly.

2. **Too much responsibility on public sector enterprises.** Of the total public sector outlay of Rs. 8,59,200 crore in the Ninth Plan, the public sector enterprises were expected to contribute as much as Rs. 3,40,409 crore (which is 39.6 per cent of the total outlay). Of this, Central PSEs were likely to contribute Rs. 2,85,379 crore and State PSEs Rs. 55,030 crore. However, as against the target of Rs. 1,44,140 crore in the Eighth Plan, the Central PSEs were in a position to mobilize only Rs. 1,30,324 crore (at 1991-92 prices). The State PSEs were expected to mobilize Rs. 4,000 crore but their actual mobilization was, in the fact, negative (at Rs. (-) 2,723 crore). The actual shortfall for both Central and State PSEs was as high as Rs. 16,691 crore 911.3 per cent of the target).

3. **The question of fiscal discipline.** According to the Planning Commission, "the aggregate budgetary support of Rs. 3,74,000 crore for the Ninth Plan is largely predicated upon a strict fiscal discipline calling for containment of non-plan revenue expenditure and raising the tax-GDP ratio to 11.5 per cent by the end of the Plan." Both these expectations are difficult to realise. Because of the continuously increasing expenditures of running the government, non-plan revenue expenditure is not likely to be contained and would, in all

probability, increase with time.

4. **Unrealistic export target.** The exports were targeted to grow at an average rate of 11.8 per cent annum during the Ninth Plan. This was an unrealistic target. In fact, the rate of growth of exports during the first year of the Ninth Plan (i.e. 1997-98) was only 2.1 per cent and during the first nine months of the second year (1998-99) was a meager 0.41 per cent. Therefore, to achieve the overall growth rate of 11.8 per cent per annum over the full Ninth Plan period, exports would have to rise at a very high rate during the last three years of the plan. However, the international economic environment was not conducive to such a rise in export earnings.

Strategy for Tenth Plan :

The strategy adopted by the Tenth five-year plan can be discussed under following heads :

Redefining the role of the government : according to the plan, it is necessary to redefine the role of the government in the new emerging economic scenario. In the past, the government took on too many responsibilities, imposing severe strain on its financial resources and administration capabilities and also shifting individual initiatives.

All pervasive role of the government may have been necessary at a stage where private sector capabilities were underdeveloped, but the situation has changed considerably over the years with strong and vibrant private sector now emerging in the economy. Therefore, the focus of government policies should now shift to providing an environment, which is conductive to the growth of the private sector.

Reappraisal of Macro-Economic Management System

With the growing importance of the private sector in economic matters, and the consequent increase in the sensitivity of the economy to business cycle fluctuations, both the role of the manner of macroeconomic management require a reappraisal. Greater flexibility in fiscal and monetary policies has now become necessary to ensure that the economy is consistently maintained on the feasible growth path.

Laying Down State Level Targets

According to the Tenth Plan, it is important to recognize that the sharp increase in the growth rate and significant improvement in the social indicators that are being contemplated in the Plan will be possible only if there is corresponding improvement in the performance of the laggard States. In order to emphasis this fact, the Tenth Plus lays down State-specific targets for different development goals consistent with the national plan. This is expected to reinvigorate planning at the State level.

Strategy for Equity and Social Justice

According to the Tenth Plan, although growth has strong direct poverty reducing effects, the fictions and rigidities in the Indian economy can make these processes less effective. Accordingly, it is necessary to explicitly address the need to ensure equity and social justice. The Plan proposes the following three-pronged strategy for attaining equity and social justice along with high rates of growth.

1. Agricultural development must be viewed as a core element of the Plan. Since growth in this sector is likely to lead to the widest spread of benefits especially to the rural poor. The first generation of reforms concentrated on the industrial economy and reforms in the agricultural sector were neglected. This must change in the Tenth Plan.

2. The growth strategy of the Tenth Plan must ensure rapid growth of those sectors which are most likely to create gainful employment opportunities and deal with the policy constraints which discourage growth of employment. Particular attention must be paid to the policy environment influencing a wide range of sectors which have a large employment potential. These include sectors such as agriculture in this extended sense, construction, tourism, transport, small-scale industries, retailing, IT - and communication - enabled services, and a range of other new services which also need to be promoted through supportive policies.

3. There will be a continuing need to supplement the impact of growth with special programmes aimed at special target groups, which may not benefit sufficiently from the normal growth process. Such programmes have long been part of our

development strategy and they will have to continue in the Tenth Plan as well. However, it is important to ensure that they are effective in achieving their objectives.

Keywords :

Planning : It is a process through which the development initiatives are taken for the economic progress of a country.

5.4 SELF-ASSESSMENT QUESTIONS :

- Discuss the main objectives of Ninth Five Year Plan.
- Give a critical appraisal of the Ninth Five Year Plan in India.

5.5 SUGGESTED READINGS :

- Planning Commission Government of India, (1999) Ninth Five-Year Plan - 1997-2002.
- Planning Commission Government of India (2003), Tenth Five-Year Plan-2002-07

UNIT - I

Semester - II | EC-201 | Lesson No. 6

ACHIEVEMENTS OF 10TH FIVE YEAR-PLAN

By – Ms. Reena Sharma

STRUCTURE:

6.1 OBJECTIVES

The important objectives of this unit are: -

- To understand the major achievements of 10th five year plan.
- To understand the role of 10th five year plan in different sectors of the econo

6.2 INTRODUCTION

In India, the planned economic development began in 1951 with the inception o first five-year plan. The theoretical efforts for economic development in Indian econ had already begun before independence. In the year 1934, Sir M. Visheshvraya wr book named "Planned Economy for India", which was the first attempt in this direction. In 1938, the Indian National Congress, under the leadership of Pt. Jawahar Lal Nehru, made a national planning committee. Its recommendations could not be implemented due to the beginning of the Second World War and changes in the Indian Political situation. In January 1950, Shri Jai Prakash Narayan published a plan called "Sarvodaya Plan". The government did not accept the entire plan and adopted only a few parts of it. The planning commission was constituted on 15th march, 1950 by the government of India. Uptil now ten five year plans and seven annual plans have been completed. Eleventh plan (2007-12), which was finally approved by NDC (National Development Council) on December 19, 2007 is in operation w.e.f. April 1, 2007.

The Tenth plan (2002-07) has been approved by The National Development Council (NDC). It envisages an ambitious average growth rate of 8% per annum in GDP and doubling the per capita income in ten years. It aims to improve the quality of life by reduction in poverty ratio to 21%. Providing potable water in all villages enrolling all children in school by 2003 and increasing literacy rate to 75% by 2007. It also aims at creating 50 millions jobs during the tenth plan and providing shelter to all by the end of the 11th plan. This will require tremendous efforts for resource mobilization large investment in infrastructure and social sectors improved allocative efficiency of resources eliminating inter state trade barriers investor friendly environment labour law reform efficiency delivery system and people participation.

6.3 MAJOR ACHIEVEMENT OF 10th FIVE-YEAR PLAN

(A) Major educational achievements during 10th five-year plan

(i) Education in rural areas has experienced fundamental changes and new progress made for the universalization of 9- year compulsory education.

During the 10th five-year plan, the state council held national working conference on basic education and national working conference on education in rural areas, specifying educational development in rural areas as a strategic priority. The central Govt. initiated and implemented a serious of projects and policies aiming to accelerate the development of education in rural areas. Through these projects and policies condition for education

provision in rural areas, especially in poverty-stricken areas has been greatly improved and the difficulty of schooling for students from poor families has been further relieved.

(ii) Higher education gains a steady and round growth contributing to the social and economic development in terms of human resource and knowledge.

In 2005 there were 23,000,000 students recruited by various higher education institutions, (HEIs) 10,710,000 more than that of the year 2000.

In 2005, 6,972,500 students newly recruited by HEIs (including regular HEIs, adult colleges and technical colleges), 3,204,900 more than that of 2000 with an average annual increase of 13.1%.

Statistics shows that HEIs play a greater rate in solving important social and economic problem than before. During 10th five-year plan HEIs have won 75 National Natural Science awards, (55.07% of the total), 64 National Invention Awards (64.4% of the total), 433 National Science and Technology Progress Awards (53.57% of the total). Among them, there is one first Prize of the National Scheme Awards and two first Prize of the National Invention Award.

(B) Achievements in the External Sector

There were dramatic changes in the external sector during the plans, which were reflected, in the huge inflow of foreign exchange reserves, growth in exports and imports and to reduction in net external assistance. The stock of foreign exchange reserves reached $ 200 billion on 31 March 2007. This was possible due to reduction in tariff, current account convertibility, foreign investment inflows, market determined exchange rate policy etc.

The actual average growth rate of exports at 23.4% for the plan for exceeded the targeted rate of 12.4% on the other hand, imports grew at 29.1% against the target of 17.1% during the plan.

The current account deficit, which was estimated at 1.6% of GDP has declined to 1.1% at the end of the plan.

(C) Achievement in Industrial Sector

There was impressive growth of the Industrial sector propelled by robust growth in the manufacturing sector. The industrial sector grew at 8.1% per annum as against the plan target of 7.6%. in the last year of the plan, it grew 11.3% a 10-year high within the Industrial sectors, the growth rate of manufacturing was quite satisfactory at 8.8% on an average. In the last years (2006-07) of the plan, it was 12.3%, the highest since 1995-96. But the performance of other sub-sectors, namely, mining and quarrying, and electricity, gas and water supply was disappointing. They grew on an average at 4.3% and 5.2% respectively. Under the use based classification of Industries, the growth rate of capital goods increased from 10.5% in 2002-03 to 17.7% in 2006-07, of basic goods from 4.9% to 10.2% of intermediate goods from 3.9% to 11.7% over the period. But there was deceleration in the growth of non-durable consumer goods industries from 12% in 2002-03 to 8% in2006-07.

(D) Realised Growth Profile

As against the target of 8% growth rate of GDP in the 10th plan, the actual achievemen has been only 7.2%.

(E) Sectorial Composition of Growth

Sectorial Composition of growth reveals that the 10th plan witnessed the highest grow rate in services sector of the order of 9.0 percent as against the target of 11.5 percent. A against the target of 4.1% planned in 10th plan for agriculture, the realised growth rate only 1.7%. The Industrial sector is the second as against the targeted growth rate of 10 the realised growth rate is 8.3%.

(F) Employment Generation in the Tenth Plan

The Tenth plan aimed at the creation of approximately 50 million employm opportunities during a period of five year. The results of the 61st NSSO round show above 47 million persons provided employment during 2000 to 2005.

Total Employment Generation in the Tenth Plan (In Million)

	2001-02	2006-07	Difference
1. Labour force	378.21	413.50	35.29
2. Employment	343.36	392.35	48.99
3. No. of employed	34.85	21.15	-13.70
4. Unemployment%	9.21	5.11	-

Source: Complied and computed from Tenth Five Year Plan (2002-07)

6.4 CREDITABLE ACHIEVEMENT OF 10TH PLAN

Firstly, tenth plan has not been able to achieve its target of 8% growth of GDP but has taken the economy to a higher trajectory of growth rate at 7.6% has against 5.5% in the ninth plan. It is also heartening to note that GDP growth in the last year of the plan (2006-07) is expected to be 9.2%. This is a welcome development.

Secondly, gross domestic savings (as present of GDP at market Prices) averaged 28.2% in 10th plan as against 23.1% in the 9th plan. This is also a positive development because this implies that the economy is now moving to a higher level of saving which is a necessity to raise GDP growth a higher level of 8.9%. Domestic saving is estimated by CSO to have climbed to 32.4% of GDP in 2005-06. This is a matter of legitimate pride because it enables the economy to reach the higher levels of investment. Gross rate of investment is expected to be of the order 33.8% in 2005-06 another record achievement.

Thirdly, the economy has been able to reduce its incremental capital output ratio from a level of 4.3 during the 9th plan to a level of 4.2 during the 10th plan. With higher levels of capital formation expected during the 11th plan, the economy will be able to attain the target of average GDP growth of 9% during the 11th plan.

Fourthly, our foreign exchange reserves reached a level of US $ 185 billion on February 2007. This is another indication of the strength of the economy.

Fifthly, foreign investment flows were of the order of US $ 20.2 billion in 2005-06 –

US $ 7.7 billion in the form of Foreign Direct Investment (FDI) and US $ 12.5 billion in the form of Portfolio Investment (PI). Since FDI improves the productive capacity of the economy, the share of FDI in total foreign investment inflow is only 35.6%. This needs an improvement, because Portfolio Investment take place is highly speculative activities and is very volatile. The situation has taken a turn in a better direction and in 2006-07 out of total inflows of the order of $ 29.1 billion, FDI accounted for $ 22.1 billion (i.e. 76% of total).

6.5 THE OTHER IMPORTANT ACHIEVEMENTS OF 10TH FIVE-YEAR PLAN ARE GIVEN BELOW:

1. Accelerate employment – oriented economic development.
2. According to the latest NSSO data for the year 2004-05, Poverty level in India has come down to 21.8% as compare to 36% in 1993-94.
3. 10th five year plan remains successful in accelerate economic reforms and privatilization of production activities except of few important sectors.
4. 10th five year plan achieved 7.2% growth rate for the entire plan against 8% targeted growth rate.
5. Indian economy became 12th largest economy of the world on the basis of GDP in absolutely terms with 786.47 billion dollar GDP in 2005. Indian achieved the 12th rank in the world, as per the latest report of the World Bank.
6. As against the target of annual growth rate of 4% during the 10th plan (2002-07), the quick estimates of National Income for 2005-06 released by the CSO on February 7, 2007 has estimated a growth rate of 6.0% for agriculture and allied sectors based on new series (at 1999-2000 prices). But as per the advanced estimates for 2006-07, the agricultural growth rate has been estimated at 2.7%.
7. Milk production and per capita availability of milk in 1950-51 was 17 million tonnes and 124 gm /day which became about 100 million tonnes and 245 gm / day respectively in 2006-07.

8. Industrial Sector has been estimated to have 10% growth rate in 2006-07, which is the highest recorded industrial growth rate since 1995-96. As per quick estimates for 2005-06, Industrial growth rate stands at 9.6% compared with 9.8 of 2005-06.
9. According to the UNCTAD's, (United National Corporation of Trade & Development).

   Trade and Development Report 2006. India has emerged among the 10 major developing countries recipients of Foreign Direct Investment (FDI), but still lags far behind its neighbour China in terms of FDI inflows received.
10. The latest NSSO survey data show the percentage of people living below the poverty line has reduced from 36% in 1993-94 to 26% in 1999-2000 and to 22% in 2004-05.
11. The share of agriculture in total employment has come down from 58.54% in 1999-2000 to 54.19% in 2004-05.

6.6 CONCLUSION:

Indian plans have traditionally focused on setting only national targets. However, the performance of different states has varied significantly – while some states have reregistered fast growth some poor states have seen a declaration in growth. According to the 10th plan, it is important to recognize that the sharp increase in the growth rate and significant improvement in the social indicators that are being contemplated in the plan will be possible only if there is corresponding improvement in the performance of the laggard states. In order to emphasize this fact, the 10th plan lays down state – specific targets for different development goals consistent with the national plan.

6.7 FURTHER READINGS:

1. Deepak Nayyar : Indian Economy at the Cross Roads
2. K. Sundaram & Suresh D. Tendulkar : Financing the setup in plan Investment.
3. Mishra & Puri : Indian Economy (2007)

6.8 SELF – ASSESMENT QUESTIONS

Q1. State the main achievements of 10^{th} five-year plan.

Q2. Highlight the major achievements of 10^{th} five-year plan.

STRATEGY FOR 11^{TH} FIVE-YEAR PLAN

By Ms. Reena Sharma

STRUCTURE:

7.1 OBJECTIVES

The important objectives of this unit are: -

- To understand the meaning of Strategy.
- To understand different Strategy for different Sector of the economy.

7.2 INTRODUCTION:

Planning Commission in its meeting held on 8 November, 2007 under the Chairmanship of the then Prime Minister Dr. Manmohan Singh cleared the draft of the 11th Plan (2007-12) that sought to step up economic growth rate to 9%.

The total outlay of the 11th plan was placed at Rs. 3644718 Crore, which was more than double of the total outlay of the previous 10th plan. In this proposed outlay, the contributions of Central Government and State Governments were to be Rs. 2156571 Crore and Rs. 1488147 Crore respectively.

Gross Budgetary support (GBS), the Centre's support to the plan, was fixed at Rs. 1421711 Crore up from Rs. 810400 Crore in the previous plan. 74.67% of GBS was for priority sectors and the rest 25.33% was for non priority sector. In 10th plan this allocation share was 55.20% and 44.80% respectively.

In order to make growth more inclusive, the 11th plan proposed to increase the agriculture sector growth rate to 4% from 2.13% in the 10th plan. The growth targets for industry and services sectors were pegged at 9 to 11%. The industrial growth rate in the 10th plan was 8.74 percent, while the services sector grew by 9.28%.

7.3 MEANING OF STRATEGY: -

In the context of development planning strategy refers to a basic long-term policy to realize certain objectives. Resources in underdeveloped countries being scarce, development work cannot be started in all the backward sectors. Leading sectors have to be identified and all resources are to be mobilized to there sectors. This may result in a break through and the economy, which has stagnated for a long period, may start developing. Rosenstein Rodan has rightly averted that an economy if it has stagnated for a long period would not grow unless a big push is given to it. The Indian economy needed exactly this kind of push when the country got independence in 1947. In the words of I.G. Patel "Strategy implies essentially a deliberate choice- choice of the point and timing and manner of attack on the problems at hand."

11TH FIVE-YEAR PLAN INDIA'S EDUCATIONAL PLAN

Prime Minister Man Mohan Singh has termed the 11th five-year plan as "Indian Educational Plan" the 11th plan approved at the meeting of NDC (National Development Council) in Dec 2006 placed the highest priority on education as a central instrument for achieving rapid and inclusive growth. The 11th five-year plan presented a comprehensive strategy for strengthening the education sector covering all segments of education pyramid.

EDUCATIONAL STRATEGY FOR 11th PLAN

Strategy for 11th plan was free and compulsory elementary education of good quality to all children up to the age of 14. It meant both access and good quality and standards in respect of curriculum and infrastructure irrespective of the parent's ability to pay.

(a) **Elementary Education:** -Under the sarva shiksha Abhiyan (SSA) dropout rates for both boys and girls of all social groups must be reduced sharply, if not eliminated altogether.

(b) **Secondary Education:** -A major initiative for expanding secondary education up to class X must be initiated in the 11th Plan and should include access to organized sports and games.

(c) **Technical / Vocational Education:** -11th plan must pay special attention to devising innovative ways of modernizing the IT's and increasing their number substantially. Vocation training for both men and women should be accorded to priority in the 11th plan.

(d) **Higher and Technical Education:** - 11th plan must undertake a major effort to expand and improve the quality of our higher education system. One university in each state should be made a model university through all round up gradation during 11th plan.

7.4 AGRICULTURAL STRATEGY FOR 11th PLAN

The approach paper to the 11th five-year plan prepared by the Planning Commission suggested a road map for 9% per annum growth for the economy as a whole and an agricultural growth target of 4% per annum during the plan period. Agriculture is not only an important drivers to macro economic performance it is an essential element of the strategy to make growth inclusive.

The approach paper to be 11th five-year plan has aptly highlighted such a holistic framework and suggested the following strategy to raise agricultural output.

a) Doubling the rate of growth of irrigated area.

b) Improving water management, rain water harvesting and watershed development.

c) Reclaiming degraded land and focusing on soil quality.

d) Bridging the knowledge gap through effective extension.

e) Promoting animal husbandry and fishery.

f) Providing easy access to credit at affordable rates.

7.6 EMPLOYMENT STRATEGY FOR ELEVENTH PLAN

11th plan rightly states "Generation of productive and gainful employment with decent working conditions on a sufficient scale to absorb our growing labour force form a critical element in the strategy for achieving inclusive growth."

The approach paper to the 11th plan targets generation of additional employment opportunities in services and manufacturing in particular, labour intensive manufacturing sectors such as food processing, leather products, footwear and textiles and services sectors such as tourism and construction. As village and small scale enterprises will have to provide most of the new employment during the plan.

7.7 INDUSTRIAL SECTOR

As per planning commission estimates an annual average growth rate of about 12% of the manufacturing sector is necessary to ensure that the targeted average annual growth 10% of Industrial sector is achieved during the 11th plan. Up gradation of infrastructure and enabling fiscal structure, technological modernization, amendment of labour laws and corporate law and enhanced accessibility to institutional credit are some of the crucial policy aspects, which need to be addressed immediately to ensure that the targets are met.

7.8 OTHER OBJECTIVE OF 11TH FIVE YEAR PLAN ARE AS UNDER: -

- GDP growth rate to be increased to 10% by the end of plan
- Double per capita income by 2016-17
- Create 7 crore new jobs
- Treat all urban waste water by 2011-12 to clean rivers
- Achieve WHO standard air quality in major cities by 2011-12
- Increase forest cover and free cover by 5%
- Roads to all villages with 1000 population by 2009
- Broadband connectivity to all villages by 2011-12
- A telephone in every village by November 2007
- Electricity connection to all by 2009
- Improve sex ratio to 935 by 2011-12 and 950 by 2016-17
- Clean drinking water to all by 2009
- Maternal mortality rate to be cut to 1 per 1000 births
- Infant mortality rate to be reduced to 28 per 1000 births
- Literacy rate to be increased to 80%
- Reduce educated unemployment rate to be below 5%
- Reduce dropout rate of school children to 20% from 52% now.

7.9 SUGGESTED READINGS

1. Deepak nayyar : Indian Economy at the Cross Roads
2. K. Sundaram & Suresh D. Tendulkar : Financing the setup in plan Investment
3. Misra & Puri :Indian Economy (2007)

7.10 SELF-ASSESSMENT QUESTIONS

Q1. Discuss the strategy for 11th five-year plan.

Q2. Discuss meaning of strategy.

UNIT - 1

Semester - II	EC-201	Lesson No. 8

ACHIEVEMENTS AND FAILURES OF ELEVENTH PLAN AND STRATEGY FOR THE 12th PLAN

-Dr. Neelam Choudhary

STRUCTURE

8.1 OBJECTIVES

After going through this lesson, the learner shall be able to:

- Understand and explain the main achievements of 11th five year plan of India.
- Understand the main strategy for the 12th plan.

8.2 INTRODUCTION

Whenever a govt. starts an initiative, plan etc. and keeps certain targets, it is not necessary that the economy shall behave in the manner it was expected to do. Sometimes, conditions are not conducive towards a healthy functioning of a system. There may be external or internal factors. This makes a difference between a success and a failure. In this lesson, we shall discuss about the performance of the Indian Economy during the eleventh plan period.

Keeping into consideration the background of 10th plan, the strategy for eleventh plan was to have an inclusive growth strategy, as it was felt that despite a good growth rate, still some groups of the society had been excluded from the growth story. These sections of the society were to be taken care of through an inclusive growth strategy. As we have discussed in the earlier lesson, there was a separate strategy for education, employment, industry, agriculture etc. Also like other plans, there were some targets fixed for different sectors.

If we recall the following comment by Montek Singh Ahluwalia, the then Deputy Chairman of the Planning Commission, on the growth target of 9% for the economy: "The Macro Economic requirements for nine per cent growth are challenging but not impossible", one can understand the enthusiasm as well as the dynamism in the economy at the time of formulating a strategy for the eleventh plan. Though the overall environment was good, as the progress of the economy during tenth plan was much better than in the earlier plans, a need was however felt to re-structure the existing policies as there were many deficiencies in the system. The deprived or marginalized groups were to be taken care of through a change in 'vision'. Hence the aim of eleventh five year plan was "**Towards Faster & More Inclusive Growth**".

The targeted growth rate of Eleventh Plan (2007–12) i.e. 9 per cent was higher than the realised rate of 7.6 per cent in the Tenth Plan (2002–07), but took into consideration the growth experienced after 2004–05. In the first year, the growth rate was 9.3%. Had

it continued with this pace, the overall position would have been different and better throughout the plan period. However, in 2008, the world faced Global Financial Crisis. No nation in today's time stays insulated from a happening elsewhere.India too got affected.So the growth rate was reduced to 6.7 per cent in 2008–09. The economy's resilience enabled it to record 8.6 per cent growth in 2009–10, and then 9.3 per cent in 2010–11. However,in 2011-12, due to sovereign debt crisis in Europe and some domestic factors, gross domestic product (GDP) growth got reduced to 6.2 per cent.So the exceptionally low growth rate during 2008-09 and 2011-12 pulled the average growth rate for the entire plan period to 8.0 per cent, against targeted growth rate of 9%.

8.3 ACHIEVEMENTS AND FAILURES

8.3.1 ACHIEVEMENTS

The following points show to what extent the eleventh plan has been able to fulfill the criterion of "inclusiveness".

- GDP growth in the Eleventh Plan 2007–08 to 2011–12 was 8 per cent compared with 7.6 per cent in the Tenth Plan (2002–03 to 2006–07) and only 5.7 per cent in the Ninth Plan (1997–98 to 2001–02). The growth rate of 7.9 per cent in the Eleventh Plan period is one of the highest of any country in that period which saw two global crises.
- Agricultural GDP growth accelerated in the Eleventh Plan, to an average rate of 3.7 per cent, compared with 2.4 per cent in the Tenth Plan, and 2.5 per cent in the Ninth Plan.
- The percentage of the population below the poverty line declined at the rate of 1.5 percentage points per year in the period 2004–05 to 2009–10, twice the rate at which it declined in the previous period 1993–94 to 2004–05.
- The rate of growth of real consumption per capita in rural areas in the period 2004–05 to 2011–12 was 3.4 per cent per year which was four times the rate in the previous period 1993–94 to 2004–05.
- The rate of unemployment declined from 8.2 per cent in 2004–05 to 6.6 per cent

in 2009–10 reversing the trend observed in the earlier period when it had actually increased from 6.1 per cent in 1993–94 to 8.2 per cent in 2004–05.

- Rural real wages increased 6.8 per cent per year in the Eleventh Plan (2007–08 to 2011–12) compared to an average 1.1 per cent per year in the previous decade, led largely by the government's rural policies and initiatives. This is a big achievement, given the fact that India is still an agrarian economy and agriculture provides work opportunities to poor landless labourers. **(Source: Plan document for the 12th plan)**
- Another point worth noting is that high growth rate was enjoyed by most of the states, unlike in the past when there were acute inter-state variations. Those who were doing well continued with that pace, whereas the lagging states like Bihar, Orissa, Assam, Rajasthan, Chhattisgarh, Madhya Pradesh, Uttarakhand too tried to catch up. The data shows that not a single state had average growth rate of income or GSDP of less than 6% during this period.

8.3.2 FAILURES

However, in terms of meeting of targets, the outcome was not satisfactory, as most of the targets were not met. Let us have a look at the table below.

Table 8.1

Sector	Target rate	Achieved rate
Overall GDP	9%	8%
GR for Agriculture	4%	3.7
Industry	10-11%	7.2
Services	9-11%	9.7
Domestic saving	34.8 %	33.5
Investment	36.7%	36.1

Let us discuss briefly about the performance of few sectors during the 11th plan period:

Agriculture

Though agriculture sector by growing at an average rate of 3.2% did better than in the tenth plan (when the average rate was around 2%), it was less than the target. For a country, in which a substantial percentage of people depends on agriculture and allied activities, it is very important for this sector to grow fastly. But high food prices continue to affect our life. Estimates show that one percentage growth in agriculture is about two to three times more effective in reducing poverty than an equivalent growth in non-agricultural sector. So this sector could not perform very well to be part of 'inclusive growth'.

Health

To tackle the issue related to health and to improve upon the existing situation in health indicators, the eleventh plan had kept certain monitorable targets. The Infant Mortality Rate (IMR) fell from 57.0 per cent in 2006 to 50.0 per cent in 2009. The percentage of deliveries in institutions increased from 54.0 per cent in 2006 to 73 per cent in 2009, while the Maternal Mortality Rate (MMR) came down by 32 points to 212 (2007-09). Though there are improvements, the rate of decline has been much less than satisfactory.

Education

In an economy, meeting quantitative targets is not enough. Quality is equally important. When it comes to education, during the eleventh plan, there was expansion in capacity. The Right to Education (RTE) Act, which became operational in 2009, has achieved a lot. The ASER 2010 report shows that for the age group 6–14 years in all of rural India, the percentage of children who were not enrolled in school had dropped from 6.6 per cent in 2005 to 3.5 per cent in 2010. The proportion of girls in the age group 11–14 years who were out of school also declined from 11.2 per cent in 2005 to 5.9 per cent in 2010. However, quality still remains an issue. India being in a demographic dividend for a limited period, needs to improve upon its human capital for properly harnessing the potential. So more needs to be done in this regard. Eleventh plan period could not do well in qualitative improvement in education.

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Let us discuss briefly about the performance of few sectors during the 11th plan period:

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So the main failures of eleventh plan have been on account of the following:

- Ambitious targets regarding e.g. Infant Mortality Rate, provision of water and hygiene etc. which could not be achieved by the end of plan period.
- Unemployment, underemployment, poverty, inequality still remain in the system.
- Most of the targets could not be met.

Conclusion

However, given the two abnormal years, even achieving 8% growth rate means a lot. Moreover, in many parameters, the economy has done well during 11th plan as compared to the earlier plans.2009 was an year in which India got the weakest monsoon in three decades. So like in other plans, both internal and external factors affected the performance of the economy during 11th plan.

8.4 STRATEGY FOR THE 12TH PLAN (2012-17)

The growth prospects and projections in the beginning of any plan period depend a lot on the performance of different sectors of the economy in the immediate past . The deficiencies and gaps left in the 11th plan were identified and hence some thrust areas were taken up for serious consideration.

8.4.1. Inclusiveness as envisaged in 12th plan document

Most of the scholars agree that 'inclusiveness is a multi dimensional Concept'. The plan document of 12th plan emphasizes on the following dimensions of inclusiveness in growth:

" Inclusive growth should result in lower incidence of poverty, broad-based and significant improvement in health outcomes, universal access for children to school, increased access to higher education and improved standards of education, including skill development. It should also be reflected in better opportunities for both wage employment and livelihood, and in improvement in provision of basic amenities like water, electricity, roads, sanitation and housing. Particular attention needs to be paid to the needs of the SC/ST and OBC population. Women and children constitute a group which accounts for 70% of the

population and deserves special attention in terms of the reach of relevant schemes in many sectors. Minorities and other excluded groups also need special programmes to bring them into the mainstream. To achieve inclusiveness in all these dimensions requires multiple interventions, and success depends not only on introducing new policies and government programmes, but on institutional and attitudinal changes brought about, which take time" (12th plan document).

In the final draft 12th Five Year Plan, the focus is on – '*Faster, More Inclusive and Sustainable Growth*'.

The 12th Plan says that '*[it] must be guided by a vision of India moving forward in a way that would ensure a broad-based improvement in living standards of all sections of the people through a growth process which is faster than in the past, more inclusive and also more environmentally sustainable.*'

It states: '*No development process can afford to neglect the environmental consequences of economic activity, or allow unsustainable depletion and deterioration of natural resources' and several chapters are devoted to the issues of water, land use, environment, forestry and wildlife. (Research Council UK 2013.)*

So, faster, more inclusive and sustainable growth means that in the growth story, which shall be faster and more inclusive than in the past, sustainability is a must. Environmental sustainability has got its due recognition. So it is expected to result in adoption of green and clean technology, so that development and environment preservation are not considered as mutually exclusive, but that both can be achieved simultaneously.

8.4.2 Core indicators /vision for the 12th plan

Following are the core indicators which are expected to gauge the progress made in different sectors in accordance with the vision of the plan.

Economic Growth

1. Real GDP Growth Rate of 8.0 per cent.
2. Agriculture Growth Rate of 4.0 per cent.

3. Manufacturing Growth Rate of 10.0 per cent.

4. Every State must have an average growth rate in the Twelfth Plan preferably higher than that achieved in the Eleventh Plan.

Poverty and Employment

5. Head-count ratio of consumption poverty to be reduced by 10 percentage points over the preceding estimates by the end of Twelfth Five Year Plan.

6. Generate 50 million new work opportunities in the non-farm sector and provide skill certification to equivalent numbers during the Twelfth Five Year Plan.

Education

7. Mean Years of Schooling to increase to seven years by the end of Twelfth Five Year Plan.

8. Enhance access to higher education by creating two million additional seats for each age cohort aligned to the skill needs of the economy.

9. Eliminate gender and social gap in school enrolment (that is, between girls and boys, and between SCs, STs, Muslims and the rest of the population) by the end of Twelfth Five Year Plan.

Health

10. Reduce IMR to 25 and MMR to 1 per 1,000 live births, and improve Child Sex Ratio (0–6 years) to 950 by the end of the Twelfth Five Year Plan.

11. Reduce Total Fertility Rate to 2.1 by the end of Twelfth Five Year Plan.

12. Reduce under-nutrition among children aged 0–3 years to half of the NFHS-3 levels by the end of Twelfth Five Year Plan.

Infrastructure, Including Rural Infrastructure

13. Increase investment in infrastructure as a percentage of GDP to 9 per cent by the end of Twelfth Five Year Plan.

14. Increase the Gross Irrigated Area from 90 million hectare to 103 million hectare by the end of Twelfth Five Year Plan.

15. Provide electricity to all villages and reduce AT&C losses to 20 per cent by the end of Twelfth Five Year Plan.

16. Connect all villages with all-weather roads by the end of Twelfth Five Year Plan.

17. Upgrade national and state highways to the minimum two-lane standard by the end of Twelfth Five Year Plan.

18. Complete Eastern and Western Dedicated Freight Corridors by the end of Twelfth Five Year Plan.

19. Increase rural tele-density to 70 per cent by the end of Twelfth Five Year Plan.

20. Ensure 50 per cent of rural population has access to 40 lpcd piped drinking water supply, and 50 per cent *gram panchayats* achieve Nirmal Gram Status by the end of Twelfth Five Year Plan.

Environment and Sustainability

21. Increase green cover (as measured by satellite imagery) by 1 million hectare every year during the Twelfth Five Year Plan.

22. Add 30,000 MW of renewable energy capacity in the Twelfth Plan. 36Twelfth Five Year Plan

23. Reduce emission intensity of GDP in line with the target of 20 per cent to 25 per cent reduction over 2005 levels by 2020.

Service Delivery

24. Provide access to banking services to 90 per cent Indian households by the end of Twelfth Five Year Plan.

25. Major subsidies and welfare related beneficiary payments to be shifted to a direct cash transfer by the end of the Twelfth Plan, using the Aadhar platform with linked bank accounts. (Plan document, Planning commission)

8.4.3 Strategy Challenges

Following are twelve strategy challenges which have been identified and whereby it has been realised what more needs to be done to enable the economy to perform in terms of core indicators.

- Enhancing the Capacity for Growth
- Enhancing Skills and Faster Generation of Employment
- Managing the Environment
- Markets for Efficiency and Inclusion
- Decentralisation, Empowerment and Information
- Technology and Innovation
- Securing the Energy Future for India
- Accelerated Development of Transport Infrastructure
- Rural Transformation and Sustained Growth of Agriculture
- Improved Access to Quality Education
- Better Preventive and Curative Health Care

CONCLUSION: To conclude, the 12th plan has its focal point as the strengthening of physical and social infrastructure, making development broad based and environmentally sustainable. Efforts shall be made to cope up with the challenges of a growing economy, like improving urban infrastructure, improving the quality of education. The aim is also to transform rural India and hence the challenges are being identified.

NOTE: REPLACEMENT OF PLANNING COMMISSION BY NITI AYOG

65 year old Planning Commission was dissolved and replaced by NITI (National Institution for Transforming India) Ayog on January 1, 2015. In fact, three days after taking over as prime minister, PM Narender Modi received an evaluation report which suggested that Planning Commission be replaced by 'Control Commission'. Later, from

15-17 Aug,2014, Officials of planning commission were discussing about a body which would be a diluted version of National Development and Reform Commission (NDRC) of China. Finally, NITI Ayog was established on January 1, 2015. Prime Minister is the ex-officio chairperson of NITI Ayog. The first vice-chairperson is Arvind Panagariya, a noted Economist. The new body's establishment is a reflection of the changed time. Policy makers have now realized that Planning Commission was not serving the purpose required by the economy to move forward. The NITI Ayog, which would act as a government think tank is more relevant. It has its own objectives of a shared vision, resolution of different disputes, focus on technology upgradation etc.

8.8 LET US SUM UP

In this lesson, we discussed about the achievements and failures of 11th five year plan of India. Apart from this, the broad strategy for the 12th plan, the core indicators as well as the challenges have been explained.

8.9 SELF CHECK EXERCISE

- What were the main achievements and failures of eleventh five year plan?
- How is inclusiveness placed in the 12th plan document?
- What are the core indicators for the 12th plan of India? What challenges lie ahead.

8.7 SOURCES AND SUGGESTED READINGS

- 11th five year plan document, Planning Commission.
- 12th five year plan document
- Pratiyogita Darpan, *Indian Economy* series, Latest Issue.

UNIT - II

Semester - II	EC-201	Lesson No. 9

AGRICULTURE IN INDIA

OBJECTIVES

This unit would make the students familiar with contribution of agriculture to the progress of Indian economy. This also involves the achievements made by this sector and problems faced by it during the course of development.

IMPORTANCE OF AGRICULTURE IN INDIAN ECONOMY

INTRODUCTION

Agriculture is pivot around which entire national and economic life clusters. Economic development of a country depends upon the development of agriculture. The role played by the agriculture development in the economies of development countries like Indian is very significant. But there is no single method to measure the importance of agriculture's contribution to the total economy. Simon Kuznets classified the contribution of agriculture for economic development, under three heads :

(i) Product Contribution;

(ii) The market Contribution ; and

(iii) The factor Contribution;

Product Contribution :

Expansion of the non-agricultural sector is strongly reliant on domestic agriculture not only for a sustained increase in the supply of food but also for .... raw-materials used in manufacturing such as textiles. This is termed as product contribution of agriculture. In a developing economy the increase in agriculture production has many favourable effects on

the economy. Firstly, it plays an important part in providing food for the growing non-farm sector; secondly, it helps the industries depending on agricultural products; thirdly, it raises the income of farm families; fourthly, it leads to better nutritional standards in the farm families; fifthly, the increased production and additional income from the farms improve to a large extend the status of the farmer in the rural society and sixthly, the increased farm production leads to a higher export earnings, which provide great stimulus for industrial advancement.

Market Contribution :

Another Contribution of the agriculture sector is market contribution to the economic growth by

(a) purchasing some production items from other sectors and

(b) selling some of its products to purchase consumer goods from other sectors. The process of modernization of agriculture leads to what is called the backward linkages (like supply of inputs and supporting services) and farward linkages (like marketing outlets) which ultimately contributes to the growth of domestic product. In a purely subsistence type of agriculture, the market contribution of agriculture to economic growth is zero. But the modernization of agriculture involves a link through the market between the agriculture and non-agriculture sectors. Lewis has rightly stated that it is not profitable to produce a growing volume of manufacturers unless agriculture production is growing simultaneously. This is also why industrial and agrarian-resolutions always go together, the economies in which agriculture is stagnant, don't show industrial development.

Factor Contribution :

The relative importance of agriculture in the economy inevitably declines with economic growth and development; and the agriculture is seen as a principal source of capital for investment elsewhere in the economy. Thus the development process involves the transfer of surplus capital from the agriculture to other sectors.

With regard to the factor contribution of agriculture to economic growth the growth of agriculture product is associated with the increasing use of labour displacing techniques resulting in surplus labour that could be transferred from agriculture to other sectors for a gainful employment.

Foreign Exchange Contribution :

Domestic agriculture is capable of contributing beneficially to the balance of overseas payments either by augmenting the Country's export earnings or by expanding the production of agricultural import substitutes. This is termed as foreign exchange contribution of agriculture. In countries with a lagging agriculture sector and a large and unmanageable food import bill, it might well make better economic sense to expand food production, but once domestic agriculture is able to meet the basic requirements of the domestic market, it may be a sound policy to exchange agricultural exports either of food or other agricultural products, to increase the rate of development through sectoral diversification.

In many developing countries which are short of foreign exchange, selling agricultural products abroad is a feasible method of earning foreign currency to purchase essential imports. Thus, the agricultural sector contributes either to reduce the exchange bill or to earn foreign currency through exports.

From above, it is clear that the agricultural sector contributes products as food, capital for further investment, labourers to other sectors and to earn foreign exchange. The higher share of agriculture shows the contribution of agriculture towards the economic development. There are well known linkages between agricultural and other sectors of the economy. The labour force, which was surplus in agriculture, has been employed in industrial and services sectors of the economy. Thus the industrial and services had grown on the cheap supply of labour force from agriculture.

The role that agriculture sector is playing in Indian Economy at present rate can be precisely be discussed as follows :-

1. The share of Agriculture in national income has come down. This is due to some degree of structual transformation observed by the economy.

2. Despite a declining share in national income, agriculture is still a major source of livelihood in India. The size of the labour force in agriculture increased from 87.42 million in 1921 to 167.33 million in 1971 and was projected to grow further to 213 million in 1983. Agriculture sector, at present provides livelihood to about 64 percent of the labour

force. The occupational structure of the country has shown lack of flexibility, the larger proportion of increasing labour force, in the absence of any alternative employment opportunities, has been absorbed in agriculture in India. The sector as such is ploughed by such evils as unemployment, disguised unemployment and low productivity. The increasing labour force in agriculture would only add further to the already low productivity and disguised unemployment.

3. Agriculture plays an important role in industrial development, as various important industries in India find their raw material from agriculture sector e.g., cotton and jute textile industries, sugar, vanaspati industries etc. are directly dependent on agriculture. Handloom, spinning, oil milling, rice thrashing etc. are various small scale and cottage industries which are dependent on agriculture sector for their raw materials. This highlights the importance of agriculture in industrial development of the nation.

4. During the process of development, interdependence between agriculture and industrial sector has become stronger. This interdependence relates to :

(a) the supply of raw materials and inputs from agriculture to industry and vice versa;

(b) the supply of wage goods to industrial sector ;

(c) the supply of materials from industrial sector to the agriculture sector for building up to the economic and social overheads like machines of different kinds, river valley projects, buildings etc.

(d) the supply of basic consumption goods like cloth, furniture etc. to the rural population.

From above, we therefore, conclude that strong foundation of agricultural sector is a necessary condition for a rapid economic and social development of our economy. Agriculture can contribute substantially to the improvement of rural as well as to the overall economy of the country and has potential of providing necessary strength to the economy.

Indian agriculture had reached the stage of development and maturity much before the now advanced countries of the world embarked on the path of progress. At that time, there was a proper balance between agricultural and industry and both flourished hand in hand. This situation continued till the middle of the eleventh century. The interference from the British government and its deliberate policy of throttling the village handicrafts and cottage industries destroyed the fibre of balance and the economy of the country was badly shattered. Britishers pursued a typical colonial policy in India and did nothing to develop (or restore) agriculture. It was only after the advent of green revolution in 1966 that farmers started adopting agriculture on a commercial basis. Let us now discuss the importance of agriculture in Indian economy.

FACTORS AFFECTING THE PRODUCTIVITY

The productivity of land is greatly affected by various factors discussed below:

1. **Natural Factors :–** The productivity of land depends on the natural resources viz; climate, slope and land, chemical and biological properties of the soil, rainfall etc. All these factors are considered to be the basis of production.

2. **Irrigation Potentials :–** The productivity of land depends on the availability of irrigation potentials. The land, which has rich irrigation potentials, will be more productive. Artificial means of irrigation viz; wells, tube wells tanks canals etc. help to keep up the supply of water. Thus, the productivity of land depends directly on the newly invented means of irrigation.

3. **Organisation :–** Organisation has a pioneer role in the productivity of land. An efficient and capable organiser will be able to make available all those things, which are of utmost importance to increase the productivity of land. Thus, organization plays considerable role to raise the productivity of land.

4. **Location :–** The location of land also affects its productivity. For instance, if the land is situated near the market, it will require less cost to bring the produce in the market. On the other hand, if it is situated away from the market, one has to pay some extra amount to transport the produce to the market. Therefore, transportation expenses make an addition in the price of its produce.

5. **Ownership of Land :–** Ownership of land is an important factor affecting the productivity of land. Owners always take much interest in maximizing the productivity. They encourage workers to work harder and increase the productivity. On the other hand, persons with temporary settlement do not take much interest in the cultivation of land because they are not certain about their occupation.

6. **Availability of Capital :–** The availability of capital is no more behind in affecting the productivity of land. The productivity of land can be increased with the help of improved seeds, chemical fertilizers and machines. Thus, intensive cultivation gives higher productivity on a small piece of land.

7. **Proper Use of Land :–** The use of land also affects the productivity. For instance, if a piece of land is suitable to produce sugarcane but we try to produce wheat. In such a situation naturally the productivity of land will be adversely affected.

8. **Availability of Labour :–** Labour is a fundamental factor affecting the productivity. As land alone cannot produce anything, one has to employ labour on land to produce more. Thus, the productivity of land depends on the efficiency of labour. If the labour is efficient, trained and capable to employ modern techniques only then he can make the proper use of land.

9. **Govt. Policy :-**Productivity of land is considerably influenced by the govt. policy regarding agriculture. Agriculture productivity starts increasing when the govt. adopts proper agricultural policy and provides required assistance to farmers. On the other hand, state negligence towards agriculture is regarded as one of the cause of agricultural backwardness. This results in low productivity.

10. **Agricultural Research :-** The State Govt.'s and farmer's keen interest in agricultural research activities leads to improved form or seeds or other implements, which are very helpful in the process of cultivation. In our country also, these improved techniques, use of fertilizers etc. have caused an increase in the productivity of land.

SELF CHECK EXERCISE

1. Discuss the importance of agriculture in Indian economy.
2. "Agricultural is backbone of a developing economy" (Discuss).
3. How can agriculture bring a balance in the growth of different sectors of the economy ?

SUGGESTED READINGS

1. G.M. Meier (2000) Leading Issue In Economic Development.

2. Govt. of India (1984) Ninth Five-Year Plan.

3. Ashoka Rudra (1982) Indian Agricultural Economics.

UNIT - II

Semester - II	EC-201	Lesson No. 10

LAND REFORMS : NEED AND ACHIEVEMENTS

STRUCTURE

10.1 INTRODUCTION

In this unit students would be made aware about the land tenure system in India. It deals with the main features of land reforms, their need to implement and the measures taken by the government for abolition of the *Zamindari* system. It also includes the tenancy reforms : their objectives ceiling on land holdings, case for land holding and consolidation of land holding. The students would be in a position to evaluate the impact of land reforms on the rural sector of the economy.

Definition of Land Reforms

Land reforms include reforms or improvements in the land tenure system as well as reforms in other institutions, which are related to the land and its utilization such as consolidation of holdings, size of holdings, methods of farming and supply of agricultural credit etc.

Features of an Ideal Land Tenure System :

The ideal land tenure system should maintain certain basic features, which are very imperative for preserving the interest of the farmer, in general. However, the Second Five Year Plan document has identified the following features for an ideal land tenure system :

(i) The tiller or cultivator of the land should possess a definite and permanent right over his land.

(ii) Rent should be collected from the cultivators at reasonable rate.

(iii) The limits of cultivation process must be specified clearly.

(iv) Farmers should be given the full rights to transfer the ownership of the land.

(v) Fixation of rents on land should be flexible.

(vi) Inequalities in the distribution of land should be reduced to the minimum.

(vii) The land tenure system should establish a direct contact between the government and the farmer.

Thus in order to ensure an ideal land tenure system the above mentioned features should prevail in the system and also be maintained in the long run.

NEED OF LAND REFORMS

Generally, land reform aims at not only redistribution, ownership holding from social justice point of view but also of reorganization of operational holdings for optimum utilization of land. Its main objective is to abolish the intermediaries and bringing the actual cultivator in direct contact with the state so that a congenial labour. The land must belong to the tiller.

The fundamental need of land reform is the creation of a system of peasant proprietorship. To this end, the planners have to set out the removal of such institutional and national impediments to the modernization of agriculture as were found in the agrarian structure inherited from the past and the reduction of gross inequalities in the agrarian economy and

rural society which checked the unequal rights in land. Hence, the need of land reforms can be summed up as under :

(a) To abolish the prevalent intermediary system between the state and the tiller of the soil.

(b) To impose a ceiling on agricultural land holdings as a measure contributing to the modernization of agriculture and to eliminate absentee landlordism.

(c) To confirm the ownership rights on the cultivating tenants in the land held under their possession.

(d) To consolidate the holdings with a view to making easier the application of modern techniques of agriculture.

(e) To rationalize the record of rights in land so as to make reflect the rights of tenants, share croppers etc.

The planning Commission pointed out the following defects in the agrarian structure of India that was prevailing before Independence.

(i) The existence of a large number of intermediaries between the state and the cultivator.

(ii) The existence of large proportion of land under tenancy system.

(iii) Insecurity of tenure among small cultivators on account of indebtedness, mortgage into possession, and absence of ownership rights which prevented the cultivator from affecting improvement.

(iv) Sub-leases in *ryotwari* and *Zamindari* areas, which were oral and terminable at will.

(v) A high rate of rent, which leaves disabling Improvements in techniques of cultivation.

(vi) Small and fragmented holdings disabling improvements in techniques of cultivation.

(vii) Excessive low yield per hectare prevalence of poverty in agricultural sector.

(viii) Uneven distribution of land, which leaves a large section of the rural population either without any land or with holdings too small for profitable cultivation.

(ix) Lack of effective organization for completely disorganized peasantry.

Thus land reforms have a special importance in an agricultural country like India. In this regard, the Seventh Plan document has rightly mentioned. "Redistribution of land could provide a permanent asset base for a large number of rural landless poor for taking up land based and other supplementary activities. Similarly consolidation of holdings, tenancy regulation and up-dating of land records would widen the access of small and marginal and holders to improved technology and inputs and thereby directly lead to increase agricultural production."

10.2 LAND REFORMS POLICY IN FIVE-YEAR PLANS

Main Land Reforms in India

Land reform programmes got the special attraction in the successive Five Year Plans to remove the defects of tenurial system prevailing at the eve of independence. Let us now consider briefly the main land reform measures undertaken by the Government of India. They are :

a. Abolition of the *Zamindari* System.

b. Tenancy Reforms.

c. Fixation of Ceiling of Land Holdings.

d. Consolidation of Land Holdings.

e. Co-operative Farming.

(A) Abolition of Zamindari System (Intermediaries)

Before independence, intermediary tenures like *Zamindaris, Talukdaris, Malguzars, Jagirs* and *Inamdars* etc. prevailing in about 40 per cent of the area in the country. This system manifested in the absentee landlordism resulting in high renting, insecurity of tenure, exploitation and backwardness of agriculture. On one side, absentee landlord paid no heed to raise agricultural production. On the other side, even tenants were disinterested to

improve agricultural productivity and failed to cultivate surplus land for economic growth. As a result, landlords and intermediaries flourished at the cost of cultivators while tenants lived a miserable life. Thus, absentee landlordism *(Zamindars)* was greatly responsible of small cultivators, tenants and sharecroppers etc.

Favourable Effect

With the abolition of *Zamindari* system nearly 20 million tenants came into the direct contact with the state and their exploitation was put to an end. The tiller has become the owner of the land who took keen incentive to improve the agriculture. Thus, old saying that the magic private property turns into gold has proved true. The govt. came in possession of considerable area of cultivable waste lands and private forests had been distributed among landless agricultural labourers. Agricultural productivity and efficiency has gone up. The income from land revenue had also increased considerably. Moreover, security of the farm has induced the small farmers to dig wells or install tubewells or electric motors, which in turn proved useful to raise the area under the irrigation.

(B) Tenancy Reforms

Tenancy system, in simple words is called the system of cultivation in which the cultivator takes land from landlord or *Zamindar* for the purpose of cultivation under pre-determined conditions. Broadly, this system can be classified into three parts as

(i) occupancy or permanent tenants,

(ii) tenants at will and

(iii) sub-tenants. All these three types of tenants are always at the mercy of landlords.

10.3 OBJECTIVES

The main objectives of tenancy reforms are as under :

1. **Regulation of Rent :** Before 1951, from 50 per cent to 70 per cent of the produce was used to be paid as rent. Besides, cultivators had to render certain free services to owners of land *(Begar)*. In most of the places rent was paid in kind and not in cash. In the First Five Year Plan, it laid down a guideline that the

rent should not exceed 20 per cent to 25 per cent of the produce of land. As a result of different guidelines, all states have enacted laws for regulating the rent payable by cultivating tenants.

2. **Security of Tenure :** The states have enacted legislation of enable the tenants to get security of tenure of land cultivated by them on payment of compensation fixed by the State Govt. This was necessary that tenants would take personal interest to increase productivity. However, this fixation is not beyond the paying capacity of the tenants. In Punjab, tenant is entitled to retain 5 standard acres unless he is allotted alternative land by the state. In Himachal Pradesh, tenants or owners paying more than Rs. 125 as land revenue have been brought into direct contact with the state.

3. **Right of Ownership :** Legislators have been passed in all states for providing ownership right on payment of compensation fixed by the state Governments. They were allowed to purchase their holdings at fair prices determined by tribunals on the basis of payments of land revenue.

4. **Compensation :** The state governments have made provision for the compensation to be paid by the owner at the time of resumption of land. This has been done to stimulate the interests of tenant-cultivators in the form of fencing, tubewells, wells, drainage, farm building, reclamation or planting trees etc.

5. **Remission of Land Revenue :** In case of famines, floods, droughts or any other natural calamity, government provides the relief through the remission of land revenues, certainly the same facility or rent remission is passed on to the tenants and share-croppers as well.

6. **Exemption :** The Govt. has given the exemption of standing crops, tools, implements and cattle in case of arrears of rent of tenants.

(C) Ceiling of Land Holdings

Ceiling on land refers to the fixation of the maximum size of holdings that an absolute cultivator may hold. Prof. D.R. Gadgil justified an absolute limit to the land to be held by each individual on the plea that among all resources, the supply of land is the most limited

and the claimants for its possession are extremely numerous.

Justification/Case for Ceilings

Land ceiling got strength from the principles of justice and equality. The points in favour of ceiling of land holdings are supported on the following grounds :

1. **Reduction in Unequal Distribution of Land :** The foremost favour for ceiling of land holding got momentum as it helps to reduce the skewed distribution of land. The Govt. has taken surplus land and distributed it among the small and marginal farmers.

2. **Scope of Raising Productivity :** The feeling of ownership of land among the peasantry would add more to agricultural output. In fact, there are greater incentives to improve the productivity of land. They have no fear of exploitation by the landlords.

3. **Incentive to Co-operative Farming :** Ceiling of land holdings has opened the way for co-opertive farming. In turn, co-operative provides facilities for subsidiary occupants. It also promotes the better use of farm inputs, easy credit facilities and social amenities. But, it is a matter of great regret that it could take roots in the country due to indifferent attitude of the tenants.

4. **Increase in Cultivated Area :** When poor come to acquire land. They would do their best to bring unused or surplus land under cultivation. This would result in the extension of the cultivated area and generation of employment.

5. **Consolidation of Holdings :** Ceiling legislation have reduced the domination of those who opposed the consolidation of holdings. The consolidation of holdings has opened floodgates in respect to the adoption of HYV of seeds. Therefore, farm production has recorded phenomenal growth in the country.

6. **Socialistic Pattern of Society :** Ceiling of holding has paved the way for the achievement of socialistic pattern of society. In fact, it has gone a long way in reducing disparities of income and wealth in rural sector. In other words it ensures social and economic justice for bulk of rural sector. In other words it ensures

social and economic justice for bulk of rural population.

7. **Congenial Social Atmosphere :** By bridging the gap between the haves and have nots, the right psychological atmosphere would be created for greater production and general progress in rural economy. Thus, there will be an atmosphere of mutual help and co-operation.

(D) Consolidation of Land Holding

The major cause of low agricultural productivity is the sub-division and fragmentation of land holdings. Sub-division of land means distribution of land of a common ancestor among his successors. While fragmentation refers to a way in which the land owned by individual is scattered at different places. In other words, a farmer holding land may not have in one compact block but scattered into small pieces at different places. Therefore, the average size of holding can be raised through consolidation of holdings for making it viable unit for cultivation.

Case for Consolidation

The consolidation of land holdings has paved the way for investment in agricultural sector. Consolidation of land holdings is supported on the following grounds.

1. **Proper Supervision of Crops :** Consolidation of holdings has enabled the farmers to supervise their crops in a better way against the damage by wild animals. As a result, there is every possibility to raise crop productivity.

2. **Less Litigation:** Land holdings scattered in various directions result in litigation due to incidents like trees, passages, waterways etc. In case of clear-cut demarcation of boundaries, there is less scope of litigation, hence saving of time and money.

3. **Enlarged Size of Holdings :** The scattered land holdings are amalgamated at one or two places resulting in large sized holdings. The farmers found it profitable to invest in large sized holdings, which have boosted crop productivity. Moreover, use of tractors and other machinery is feasible on such holdings.

4. **Possibility of Better Irrigation Facilities :** Another favour of consolidation of land holdings is that it provides help to install tubewells or electric motors. As a

result of it, area under irrigation has been enhanced in the country.

5. **Proper Utilisation of Time and Labour :** Farmers have to move from one farm to another farm, thus, wastage of time and energy for nothing. It adversely affects the working capacity of the farmer. But, on the contrary, in consolidated holdings, it does not happen.

6. **Increased Agricultural Production :** Apart from all this, the consolidation of holdings has paved the way for the adoption of modern technology. Accordingly, agricultural production can easily be raised. This adds to their income and raising of standard of living.

10.4 IMPACT OF LAND REFORMS

Since independence, land reform policy has been adopted for the up lift of rural sector. Let us examine its impact as given below :

1. **Changing over to Market Economy :** During the British period, the agrarian and social structure tended to perpetuate a primitive and backward type of agriculture. It puts the economy in the state of stagnation for decades together. The National Commission of Agriculture remarked that "the essence of present situation is that Indian agriculture is in stage of transition from predominantly semi-feudal oriented agriculture characterized by large scale leading out of land and subsistence farming to a commercialised agriculture increasingly assuming the character of market oriented farming."

2. **Construction of Land with Big Landowners :** The construction of land in the hands of big landowners has not undergone any change during the last four decades. It means disparities have not been reduced in the distribution of land holding but it has enhanced the disparities in property ownership at village level. Leasing in by the different cultivators is also a predominant phenomenon.

3. **End of Feudalism :** According to report of National Commission, as a result of land reforms the feudal and semi-feudal classes have lost their domination over the agrarian Indian economy. Moreover, the decline of semi-feudalistic relations had led to develop the agriculture on commercial lines.

4. **Growth of Agricultural Labour :** Another striking feature of land reforms is that it has led to the rapid growth in the number of landless agricultural labourers. This constitutes about 25 per cent of the agricultural population in the country. The class is still subject to various types of economic bondages and social oppressions.

5. **Emergence of Modern Entrepreneurs :** Another important feature of the agrarian structure is the emergence of modern entrepreneurs during the last four decades. They are drawn largely from the ranks of ex-feudal landlords, upper strata of privileged tenants and bigger *ryots* and money lenders. Moreover, the growth of commercialisation has improved the techniques of production.

6. **Leasing of Landowners :** One of the important impacts of land reforms is that it has paved the way to change the subsistence farming into commercial farming. Commercial and modern agriculture has led to leasing in of land by big farmers from small cultivators.

10.5 LET US SUM UP

Land Reforms : Improvements in the land tenure system, which are related to the land and its utilization.

Zamindari System : This system manifested in the absentee landlordism resulting in high renting, insecurity of tenure, exploitation and backwardness of agriculture.

Tenancy Reforms : It is a system of cultivation in which the cultivators take land from land-lord for the purpose of cultivation under predetermined conditions.

Ceiling on Land : Ceiling on land refers to the fixation of the maximum size of holdings that an absolute cultivator may hold.

10.6 SELF CHECK EXERCISE

1. Discuss the main objectives of land reforms in India.
2. Discuss the main features of ideal land tenures system.
3. Critically examine the land reforms, measures taken by the government of India during five years plans.

10.7 SUGGESTED READINGS

1. P.C. Joshi (1975) land reforms in India.
2. D. Bandly Opadhay (1986) Land Reforms In India EPW June 21-28.
3. C.H. Hanumantha Rao (1972) Ceiling On Agricultural Land Holding its Economic Rational EPW June 24.

UNIT - II

Semester - II	EC-201	Lesson No. 11

GREEN REVOLUTION

STRUCTURE

11.1 INTRODUCTION

The Green Revolution, which is the New Agricultural Strategy (NAS), is composed of dwarf High Yielding Varieties (HYV), fertilizers, pesticides and new efficient water management techniques etc. These are the result of scientific development. "This scientific development was made possible by Norman E. Borlaug of Rockfeller foundation and many other agricultural scientists. In this lesson you shall know about the different dimensions of green revolution.

11.2 OBJECTIVES

The main objective of this lesson is to familiarise the students with the concept of green revolution and the impact of it on Indian agriculture.

11.3 MEANING OF GREEN REVOLUTION

The word revolution implies two things :

(i) A fast change in some phenomena, the change is so fast that it is well marked.

(ii) The impact of the change is felt over period of time and bring about certain fundamental changes, "When we add the prefix "Green" to the word "Revolution" and coin the phrase 'Green Revolution', it refers to :–

(a) Marked improvement in agro-production in a short period.

(b) A higher level of agricultural production over a fairly long period of time.

This type of green revolution has been witnessed in India since the mid sixties of the present century. In this period traditional agro practices are gradually being replaced by modern technology. Initially, the new technology was tried as a pilot project in seven districts as Intensive Agro-District Programme (IADP) in 1960-61. Later on high yielding varieties programme was also added to IADP and the strategy was extended to cover the entire country. Therefore, green revolution is the direct outcome of new agricultural strategy adopted since mid sixties.

Keith Griffin, has expressed the term Green Revolution in two different senses. In a broad sense, it means a transformation of agriculture, reduction in food shortages and under nourishment and elimination of the traditional agricultural sector as a bottleneck to progress. In a narrow sense, it means an increase in production due to plant improvement to solve the food problem and nothing more than that.

The authors feel that it would be better to take into account the former definition than the latter, because the New Agricultural Strategy and Green Revolution include not only improved strains but also a complex of farm inputs including chemical fertilizers, pesticides, etc.

TECHNOLOGICAL DIFFUSION AND DISSEMINATION OF TECHNOLOGY

There are various stages of technological diffusion. They are :–

(a) Awareness, (b) Experimental, (c) Acceptance (d) Adoption and (e) Fall. The different stages are shown in the figure.

A technology is first developed in the lab and then experimented on a few farms. If experimentation ends in better results, then the farmers will accept that technique and come forward to adopt it on a massive scale. This is the stage of maturity. In course of time, some other new techniques may replace this technique and so the adoption of it will fall. However, it is difficult to state the time period for which each stage will last.

The successful spread of new techniques, to a large extent, depends on the extension agency and how well it is able to disseminate technology. For this, the role played by our extension agencies cannot be overestimated. We now have to have a professionalised extension system.

FACTORS FOR THE ACCEPTANCE OF NEW TECHNOLOGY

1. **Rigidity of the Society.** The rigidity of the society to a large extent is determined by customs and traditions which in turn determines the adoptions of technology.

2. **The Level of Knowledge and Education.** Education changes the attitudes and thinking of the farmers. The hypothesis that more educated farmers adopt new practices more, has been supported by many empirical studies.

3. **The Financial Conditions.** Availability of finance and the amount of cash in hands restrict the adoption of new technology. New technology involves purchase of different inputs. In a poor country, where the small -size holdings form the majority, this factor may explain the differences in the adoption of new technology. Hence, in a view to narrow down the differences in adoption, financing by the State is needed. There are a lot of special problems in financing farmers by State financial agencies as we have seen already.

11.4 IMPACT OF GREEN REVOLUTION

The impact of Green Revolution can be examined in two parts i.e. favourable impact and unfavourable impact.

(a) Favourable Impact

1. **Increase in Agricultural Production.** The direct impact of green revolution is the rapid increase in agricultural production.

Table 1

Agricultural Production in India

Year	Index No. of Agricultural Production (Base Triennium Ending 1981-82)	Foodgrain (million tonnes)
1950-51	46.2	50.8
1960-61	68.8	82.0
1970-71	85.9	108.4
1980-81	102.1	129.6
1990-91	148.4	176.4
1997-98	164.9	192.4

The index of agricultural production increased from 68.8 in 1960-61 to 85.9 in 1970-71. Between 1980-81 and 1990-91, there was enormous rise in the agricultural production. This was because of absorption of new agricultural technology in other areas as well. The index of agricultural production stood at 164.9 in 1997-98.

Another indicator of agricultural production is food output. It has also shown remarkable increase from just 50.8 million tonnes in 1950-51 to 192.4 milion tonnes in 1997-98. The increase in production was possible because of more area under cultivation was brought, multi cropping, higher use of inputs and improved practices.

2. **Increase in profitability of farmers :** The condition of farmers who were having low income prior to green revolution due to poor per hectare yield has improved a lot. The compound growth rate in productivity of all crops was 1.21% during 1949-50 to 1964-65. It increased to 2.00% during 1967-68 to 1995-96 period. The productivity growth rate in case of rice and wheat was 2.25% and 1.27% in the first period while in the later period it increase to 2.33% and 3.11% respectively. Similarly as may be seen from table 8.3, the growth rate in agricultural productivity improved a lot.

The increase in farm incomes had a multiplier effect. It gave a boost to investment and a Phillip to non-farm sector as well.

3. **Change in Attitude :** Another healthy contribution of green revolution is the change in the attitude of the peasants in those areas where the modern technology was brought into practice. Increase in agricultural production has enhanced the status of farmers from a low-level subsistence activity to the money-making activity. Indian farmers have now shown their intelligence to adopt latest techniques of production. New agriculture is not a source of livelihood but it is an industry. This change has been noticed from the fact that farmers are willingly adopting qualitative changes i.e., change in consumption pattern, land development activities and installation of tube wells and pump sets.

4. **Burden of Foreign Exchange Reduced :** The country had to import large quantities of food to feed the ever-increasing population. Thus a heavy bill of imported food had to be paid year after year. Now, instead, the nation has started generating surplus in export.

5. **Enlargement of Production Function.** The new agricultural strategy/green revolution has proved that more production can be obtained with the same resources. This enlargement of production possibilities has led to many speculations. Thus, the new technology possess an expansionary content. The reason is very simple that fertilizer saves us from at least one natural limitation of crop production i.e., the supply of nutrients from soil.

6. **Impact on Employment.** It has been correctly recognized that modern agricultural techniques are just one step ahead of labour-intensive techniques. But it is expected that it leads to increase employment opportunities as new agricultural strategy is characterized by the frequent application of water, therefore, associated industries has created quite a large volume of transportation, marketing and food processing. As a result, it has helped to generate additional employment opportunities both in agricultural and non-agricultural sectors.

7. **Shifts from Traditional Agriculture.** A revolutionary impact of green revolution/ modern agricultural techniques is that it has broken away from the old and outdated traditional practices and paved to latest and modern technology to raise the productivity per unit of land, per unit of man. With the adoption of high yielding varieties of seeds, chemical fertilizer and application of water has raised the

production to a record level.

8. **Significant Change in Cropping Pattern.** The green revolution/new agricultural strategy has helped to a greater extent to make significant changes in cropping pattern. In the pre-green revolution period, we have hardly two main crops (wheat and maize) and cereals remained stagnant. But new strategy has ushered the new trend and new cropping pattern emerged in the country. Now farmers are keenly interested to grow oilseeds, pulses, cereals and other commercial corps.

(b) Unfavourable Impact

The green revolution/ new agricultural strategy has changed the fact of rural areas by raising production and generating more farm income. But it has also ugly and unfavourable impact in rural sector. This very impact is discussed below :

1. **Personal Inequalities.** Technological changes in agriculture have not only promoted the inequalities but it has also widened the existing gulf between rich and poor lots in the rural sector of the economy. Francline R. Frankel studied five ADP districts (Ludhiana in Punjab, West Godavari in Andhra Pradesh, Thanjuvur in Tamil Nadu, Palghat in Kerala and Burdwan in West Bengal) and concluded that large farmers appeared to have benefited most from green revolution. Similar results were obtained by G.R. Saini and P.K. Bardhan after studying farm management surveys. To quote, C.H. Hanumantha Rao, who remarked that, "the principle beneficiaries of the green revolution have been the big farmers who are able to grab the superior quality inputs and credit facilities to their own advantage."

2. **Limited Coverage.** The spread of green revolution/new agricultural strategy was restricted to few crops like paddy, rice As stated earlier HYV was initiated on a small area of 1.98 million hectare in 1966-67 and it only covered 51.21 million hecture area in 1987-88 which comes to be 30 per cent of the total gross cropped area. Naturally, its benefits have limited coverage. Moreover, the share of three Northern states comprising of Punjab, Haryana and Uttar Pradesh in rice production has risen from 10.40 per cent in 1964-65 to 22.52 per cent in 1984-85. While the states of eastern region (West Bengal, Orissa and Bihar) simply fell down from 38.08 per cent to 28.19 per cent over the same period.

3. **New Technology not Readily Available.** The new technology/green revolution requires the knowledge of its application. It is, thus, not possible to adopt latest technology without expert guidance and training. But in the case of Indian farmers they are looser. Most of the farmers are uneducated and illiterate and use old mode of production. On the contrary, big farmers have maintained contracts to get these services.

4. **Expenses in Cost.** The adoption of new technology is a costly affair then the traditional method of cultivation. In the traditional agriculture except land and bullock power other inputs are least expensive. But, inputs in case of modern technology are very costly and available outside the farm. Indian farmers being poor, are not in a position to buy these expensive inputs like pumping sets, fertilizer manure and tractors etc. The use of these inputs is to possible without credit facilities on small farms while big farmers possessed ample resources at their disposal to buy all these inputs. As a result of this small farmers are again going under heavy burden of debt.

5. **No Significant Impact on Agricultural Production.** Still restricted crops have shown spectacular increase by adopting new techniques of production but it failed to make any favourable and significant impact on the total agricultural production, since the adoption of high yield variety (HYV) seeds has only limited coverage. Consequently, there is instability of output between two seasons.

FUTURE RATIONALE OF GREEN REVOLUTION

On the basis of field experience, it has rightly been recognized that new agricultural strategy has increased agricultural production manifold. But it is argued that it has created more problems rather than solving it thus, has restricted its wider scope. In brief, there is an urgent need to ensure the fruits to small and marginal farmers and to bring them within the ambit of the policy. Only then, we can minimize the harmful consequences of rein revolution. To extend its benefits, following suggestions are forwarded.

1. **Extension of More Crops.** For extending the scope of new agricultural strategy and optimisation of it, it is desired that modern cultivation may be extended to new crops and new areas. Wheat and rice, both traditional crops hardly cover 16 per

cent and 32 per cent of land respectively. Therefore, the extension of high yielding programme should also be introduced to other cereals, pulses and non-foodgrain crops like oil seeds, cotton, sugarcane, jute etc.

2. **Creation of Irrigation Potentials.** Water is the basic input in the use of seeds and fertilizer and without it extension of green revolution is not possible. Therefore, there must be proper arrangement of irrigation facilities. Only then farmers find it to their advantage to seek more and more of other inputs. Special arrangements of irrigation facilities should be made in backward regions to make use of plant protective. Instead of government agencies, private sources should be encouraged to understand such projects. For them quickest and cheapest course is to go for small irrigating schemes.

3. **Seeds According to Soil.** Another important thing to be done is to introduce new varieties of seeds according to the soil of the region. For this purpose, existing research cum applied set up should be strengthened to ensure such varieties of seeds and testing of soil so that it may yield better results.

4. **Planning for Arid, Semi-Arid Unirrigated Areas.** To make proper coverage of new agricultural strategy and green revolution, it is much required to plan for arid, semi-arid unirrigated areas. Dry farming practices may be introduced to capture and retain as much of the precipitation as possible. This could be achieved through appropriate changes in crop planning, fertilizer use, and indigenous sources of plant nutrient supply and better water management.

5. **Better Utilization of Chemical Fertilizer.** For extending the coverage of green revolution and new agricultural strategy, it is much needed to make better utilisation of fertilizer per hectare of land for intensive use. Therefore, government should modify the criteria of allocation of fertilizers, optimum use with a view to obtained larger returns per unit of fertilizer applied.

6. **Inputs According to Needs of Small Farmer.** Another important thing which is required that inputs should be made easily available to the small and marginal farmers. The inputs like seeds, water, fertilizer, and pesticides etc. should not be

available in a physical sense but provisions should be made to be available at doorsteps. In this regard, distribution system should be streamlined. Banking credit procedure should be changed to suit the small farmers.

7. **Introduction of Suitable Land-use Pattern.** The planner should recommend suitable cropping pattern to achieve stable production. Therefore, introduction of multiple cropping pattern and live stock improvement programmes in rainfall areas may contribute more substantially to the areas of dry lands. This requires the development of a new package of programme to guide and train farmers for moisture conservation, prevention of soil erosion and improved practices and inputs. Such a policy may help in maximization of output.

8. **Institutional Changes.** In order to bring small farmers and marginal farmers with the orbit of green revolution and new agricultural strategy, it is essential that land reforms should be quickly completed, particularly, the laws relating to consolidation of holding and distribution of surplus land. In addition to rationalization of land tenure, ownership system needs modification.

9. **Guidance to Small Farmers.** To yield the better fruit of green revolution and successful application of new technology, trained, efficient and devoted personnel should provide extension services. This extension service should extend help and guidance at every step like testing of soil, selection of seeds, sowing, watching the plants, pest control, harvesting and storage etc.

11.5 LET US SUM UP

Green Revolution : It is composed of dwarf High Yielding Varieties (HYV), fertilizers, pesticides and new efficient water management techniques etc., which improve the yield of crops.

HYV Seeds : These are the result of scientific development in seed production. These are dwarf seed, which have a potential to give greater output as compared with the traditional seeds.

NAS : These techniques are the result of scientific development in agricultural production where mechanical methods of production are being used in production process.

11.6 SELF CHECK EXERCISE

- Discuss the green revolution in agriculture.
- Define the changes made in the traditional production processes after the introduction of Green Revolution.
- Describe the future rational of Green Revolution.

11.7 SUGGESTED READINGS

RK Lekhi and Joginder Singh (2000) Agriculture Economics.

UNIT - II

Semester - II	EC-201	Lesson No. 12

CONCEPT AND DIMENSIONS OF FOOD SECURITY, PUBLIC DISTRIBUTION SYSTEM

-Dr. Neelam Choudhary

STRUCTURE

12.1 OBJECTIVES

The main objectives of this lesson are:

- To make the learner familiar with the different concepts and dimensions of food security.
- To enable the learner to understand the food security system of India under PDS.

12.2 INTRODUCTION

Food is the basic need of all human beings. Undernourished or food deprived people are said to be less productive than those well fed, as they remain sick owing to deficiencies of different kinds. For the proper growth of any society, the people should have sufficient food to eat. In this lesson, we shall discuss about the basic issues with regard to food security in India. We shall also discuss about the role of PDS in this regard.

12.3 FOOD SECURITY

Most of the scholars agree that Food Security as a concept started being discussed at international level in mid 1970s.Many problems regarding global food crisis were discussed. Initially, the focus was on food supply, which included the food availability as well as price related issues. In 1974, World Food Conference was held. Famine, hunger and food crisis were some of the issues discussed. At this juncture, the concept of food security was to be re-defined.[1] The concept of food security has undergone substantial transformation since it was first conceptualized. Following are some official concepts of food security :

12.3.1 Official concepts of food security

'Availability at all times of adequate world food supplies of basic foodstuffs ... to sustain a steady expansion of food consumption... and to offset fluctuations in production and prices' (UN 1975).*(Proceedings of the 1974 World Food Summit)*

'Ensuring that all people at all times have both physical and economic access to the basic food that they need.' (FAO, 1983).

'Access of all people at all times to enough food for an active, healthy life.' (World Bank (1986) report, *Poverty and Hunger*)

'Food security, at the individual, household, national, regional and global levels [is achieved] when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.'

(The 1996 World Food Summit in its *Plan of Action* (FAO, 1996a)

'Food security [is] a situation that exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.' (FAO, 2002) This definition as given in *The State of Food Insecurity 2001* is considered as a refined version of the above definition).

As the analysis of the above definitions shows, there has been shift in focus from 'supply' to 'demand.' It was Amartya Sen, who in 1981 came out with his seminal study with consumption, the demand side and the issues of access by vulnerable people to food as the most important issues affecting people's access to food His main emphasis was on '*entitlements* of individuals and households'. So in 1983, FAO added a third aspect – 'securing *access* by vulnerable people to available supplies' ,to ensure balance between demand side and supply side.

The definition by World Bank (1986) shows its focus on 'temporal dynamics of food insecurity.' In the report *Poverty and Hunger*, a distinction was made between chronic food insecurity and transitory food insecurity. While the former meant a severe persistent problem, the latter was temporary in nature caused by some sudden things like disaster, economic collapse etc.

Since 1990s, food safety and nutritional balance too have been included. Recent years have seen further refinements in the definitions of the dynamic concept of food security.

12.3.2 Dimensions Of Food Security

The FAO states the following dimensions of food security:

- **Physical availability of food:** Food availability addresses the "supply side" of food security and is determined by the level of food production, stock levels and net trade.

- **Economic and physical access to food:** An adequate supply of food at the national or international level does not in itself guarantee household level food security. Concerns about insufficient food access have resulted in a greater policy focus on incomes, expenditure, markets and prices in achieving food security objectives.

- **Food utilization:** Utilization is commonly understood as the way the body makes the most of various nutrients in the food. Sufficient energy and nutrient intake by individuals is the result of good care and feeding practices, food preparation, diversity of the diet and intra-household distribution of food. Combined with good biological utilization of food consumed, this determines the *nutritional status* of individuals.

- **Stability**: Of the other three dimensions over time Even if your food intake is adequate today, you are still considered to be food insecure if you have inadequate access to food on a periodic basis, risking a deterioration of your nutritional status. Adverse weather conditions, political instability, or economic factors (unemployment, rising food prices) may have an impact on your food security status.(Source: FAO 2008)

It also states that for the fulfillment of objectives of food security, there should be simultaneous fulfillment of all these dimensions simultaneously.

As per report of *FAO Expert Consultation on Trade and Food Security (2002)*,

"Policy statements on food security have increasingly given less prominence to *transitory* food insecurity and the risks of acute food crisis. There is the frequently reiterated assurance that there is globally enough food to feed everyone……. Such considerations may even suggest that the risk is diminishing of a natural disaster, an economic shock or humanitarian situation resulting in a severe food crisis."

While considering food security as a multi-dimensional phenomenon, it makes note of the following issues:

- Sources of dietary energy supply – taking account, for example, of different foods, trends in acquisition of food from subsistence to marketing;
- Climatic variability as a source of volatility and short term nutritional stress;
- Health status, especially changes in the of communicable diseases, most obviously HIV/AIDS;
- Spatial distribution within country of poverty and forms of food insecurity, drawing

on evidence from Vulnerability Assessment and Mapping (VAMS) and other systems for monitoring poverty and nutritional status.

To conclude, we can say that food security (or insecurity) has undergone many changes as a concept. It is still evolving and more and more dimensions are being added to it in accordance with the requirements of changed time.

CHECK YOUR PROGRESS - I

1. What is food security? When did it originate as a concept?

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2. Explain the official definitions of food security.

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12.4 PUBLIC DISTRIBUTION SYSTEM AND FOOD SECURITY IN INDIA

In India, the food management system has been working since long to procure food grains from farmers at good price, for being distributed to vulnerable sections at affordable prices (through fair price shops)and maintain buffer stocks for food security and price stability. The instruments used are Minimum Support Price (MSP) and Central Issue Price. The former is the assured price given to the farmer despite odd circumstances. In other words, the price can't fall below minimum support price. The Central Issue Price is the one charged from consumers. The nodal agency for procuring, distributing and storing these food grains is Food Corporation of India, which was established in 1965. The Public Distribution System to which FCI is accountable has been strengthened through different policy measures.

The Public Distribution system, was aimed to reduce hunger and malnutrition by providing subsidized food grains to the needy. However, it was criticized on various grounds. Following are the points of criticism:

Not many welfare gains: Most of the studies done to see the impact of PDS on poor people show that not many poor gained out of it. For example, Kirit Parikh in his study stated: "For every rupee spent, less than 22 paise reached the poor in all states except Goa, Daman &Diu where 28 paise reached the poor". Many other studies from different regions as well as the country as a whole support it.

Unequal distribution of benefits across regions: From the very beginning, PDS has been criticized for doing injustice to the most needy states. The average per capita availability of foodgrains in most of the poor states was much below they needed, whereas in some states, it was much more than the required quantity. So there was unequal distribution of benefits across regions.

Urban centred: Another flaw is with regard to its being urban biased. A study by George (1984) shows that about 85% off take was in urban areas. Though some other studies found totally different results, still many scholars agree that in many parts of the country it had an urban bias.

Food subsidy: As discussed earlier, the government was to subsidize the availability of food grains by bearing the cost of it. Due to it, the food subsidy bill has been increasing over the years. This is because of the fact that procurement prices have been revised upwards, whereas the issue price is much low.

Leakages: Another problem is of diversion of foodgrains (for being sold at subsidized rates to the needy) to the open market due to certain corrupt practices. This has made the system ineffective in reducing hunger and malnutrition.

Due to these flaws in the PDS, many scholars made suggestions regarding making it effective for the intended beneficiaries. Targeted PDS (TPDS) was adopted in 1997. Under TPDS, there is dual pricing structure for Below Poverty Line (BPL) and Above Poverty Line (APL) households. The excess of cost the state has to bear and the central issue price is the extent of subsidy the centre provides to state. Since 1997, the Decentralised Procurement Scheme ((DCP) is in place in which state governments now procure and distribute these affordable food grains through Targeted Public Distribution (TPDS). Many developing countries have been providing food subsidy to feed a large number of underfed people. The current coverage of food subsidy program of India is about 65 million BPL households serviced through 4,50,000 fair price shops. In 2014-15, the food subsidy was Rs. 107823.75 crores, which showed an increase of 20.15% over previous year.

Most of the economists agree that the problem of food shortage and famine, crisis etc. have stopped worrying them, due to sufficient production of cereals, pulses, oilseeds etc. But at the same time, a significant number of people is undernourished, which is a cause of concern.

Many scholars have been advocating for an alternative system for distribution of grains to the poor. According to them,as the PDS and the TPDS have proved ineffective in serving the purpose, and as the huge food subsidy bill has many implications for fiscal deficit and the overall working of the economy, a system more relevant and sustainable should come into being. However, such expert opinion was not taken into consideration when National Food Security Bill was to be passed. The National Food Security Act (2013) has been adopted by India. It has PDS as one of the components. The estimated cost of it is about $ 18 Billion. About 2/3rd of rural population and ½ of urban population is expected to be covered. Recently, India's food procurement program has been criticized by developed nations of WTO, as it is considered to be WTO-inconsistent, as it is beyond the permissible limit. However, India asserted and stated that food security shall not be compromised at any cost. Many scholars agree that food security is not debatable but the way it is handled is. In other words, direct benefit programs like Food Stamps, cash etc. are expected to bring more benefits.

CHECK YOUR PROGRESS - 2

1. What is PDS? When and why was it replaced by TPDS?

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2. Has PDS proved effective in promoting food security?

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12.5 LET US SUM UP

In this lesson, we learnt about the different definitions and dimensions of food security and the working of PDS in India.

12.6 SUGGESTED READINGS

- Indian Economy by Misra and Puri (Latest Edition)
- FAO Documents (Cited in the Text)

END NOTES

1. (Source of this section: FAO 2002)

UNIT - III

Semester - II	EC-201	Lesson No. 13

ROLE OF INDUSTRIALIZATION IN ECONOMIC DEVELOPMENT

Ms. Reena Sharma

STRUCTURE

13.1 OBJECTIVES

The main objectives of this unit are

- To understand the meaning of Industrialization.
- To understand how Industrialization plays an important role in economic development of a country.
- To understand different types of Industry.

13.2 INTRODUCTION

For a predominantly agricultural country like India, development of Industries is a must and some industrial development in the country has taken place. A look at the progress

made and an assessment of the same is taken up in this unit. However, as a preliminary to this, let us recapitulate major arguments in favour of industrialization, as also form an idea of the present state of the Indian Industries.

13.3 CLASSIFICATION OF INDUSTRIES:

Industries may be classified in more than one ways according to various dimensions given below:

A) **Ownership basis:** On ownership basis the classification is in to Mixed sector, Public sector, Private sector and Co-operative sector.

B) **On role or function basis:** The Industry is divided into basic or key and consumer industry.

C) **Size of Industry:** The classification is into large scale, small scale & Village and Cottage Industries.

D) **Bulk and Weight of Raw Material and Finished products:** The classification is into Heavy Industry & Light Industry.

Heavy Industries consume heavy and bulky raw materials and manufacture bulky and heavy goods. They usually consume large quantities of Power. Hence heavy industries are located near the source of power and raw materials, for example Iron and Steel, Fertilizer, Cement.

Light Industries consume little raw material, manufacture goods of small bulk and can possibly employ female labour. A light industry heavily depends on skilled workers and the urban market and is mostly located in a city or town, for example Radio, Television, Sewing machines & Watches etc.

E) **Origin of Material used:** The Industry is divided into agro-based mineral based etc.

F) **Labour or Capital Intensive:** In labour intensive Industries, the cost of labour per unit of production is more than all other costs put together. Obviously these industries employ a large labour force and require less capita. They make use of relatively less costly machinery, which is largely hand operated. Examples are glassware industry, Watch making & electronic goods industry.

Capital-intensive industries involve huge capital investment for their establishment, mainly for purchasing sophisticated plants and machinery. Such industries usually consume large quantities of raw materials or power. Their production too is huge. Examples are Iron and Steel Industry, Synthetic Fibre Industry, and heavy chemicals.

13.4 MEANING OF INDUSTRIALIZATION

Industrialization may be defined a process in which more and more industries are being established in a country. In the process of Industrialization old and outdated tools are replaced by electric or mechanical power.

13.5 ROLE OF INDUSTRIALIZATION

Industrialisation has a major role to play in the transformation of predominantly agriculture economy of India into a modern self-reliant economy. IN India 60-70 percent of population is engaged in agricultural pursuits with relatively low return and hence suffers from poverty, malnutrition and various diseases, it has therefore been argued that industrialization of Indian economy is fundament for the eradication of poverty and unemployment. In the pre-independence period, the British Government has deliberately discouraged the industrialization process and as a result the industrial sector of the Indian economy was not only underdeveloped but also nearly non-existent, there were only a few industries in the private sector producing mainly consumption goods. Thus, often independence it was visualized that not only the pace of industrialization is to be accelerated but also its structural deficiencies are to be removed. The importance of industrialization in India can be justified on the following grounds.

1) **Absorbing Surplus Labour:** Indian economy is characterized by surplus labour and rapidly growing population. To absorb all this surplus labour, as also to provide work/jobs at a rate commensurate with the addition to the labour force it is essential to industrialize the country and that too quickly. It is the establishment of Industries alone that can generate employment opportunities on an accelerated rate.

Indian cultivator is un-occupied any where from four to six months on account of seasonal character of agricultural operation. This has caused the wastage of rural labour force, which could be gainfully employed in small-scale and cottage industries.

Industrial development will have to be on a much grander scale than envisaged in the development of mere export Industries to earn foreign exchange or to establish mere import substituting industries to save foreign exchange. It must accord with the large manpower the vast and varied resources of the country and the massive and diverse demand patterns of continental India.

2) **Providing for Security:** Industrialization is needed to provide for country's security. This consideration becomes critical when some international crisis develops. Dependence on foreign sources for defence materials is a risky affair in such situations. To provide against such contingencies as also to keep the country's security arrangements in perfect form during all times, India must have all sorts of Industries, which cater to these needs. It is only through industrial development in a big way that the national objective of self-reliance in defense materials can be achieved.

3) **Bridge the Gap between Export and Import:** An alternative to the development of Industries is to concentrate on the products of primary goods, export them, and get Industrial goods from Industrially developed countries. This argument would be valid if it could be established that these countries would always earn foreign exchange to import their manufactures. But, this is fact is not the case. On the contrary, these countries face a difficult situation. The income elasticity of export goods of agricultural countries is low, while the income elasticity of import goods is high. As in the case of domestic demand, the demand for agricultural product in other countries, in particular advanced countries is very low. Infact, developed countries have surpluses in agricultural products for exports. As against this the demand for the import of manufactured goods by underdeveloped countries is very intense.

The disparities in elasticities, therefore point to difficulty of earning adequate foreign exchange. India is one of those underdeveloped countries, which cannot export to earn enough foreign exchange from the export of its primary product alone. Where this is so says Jagdish Bhagwati "Industrialization is a rational consequence". This situation, characterized by disparities in the elasticities of foreign trade can therefore, be corrected only by Industrialization such industries may be established which are in the nature of import substitutes so that the gap between the elasticities of imports and exports is being bridged or industrial exports will need to be added to the export of primary goods. Infact, both of these methods i.e. Import substitution and export of goods will have to be used. Handicraft products bring foreign exchange. We don't face any foreign competition in handicraft goods. Their exports required goods, machinery & petroleum can be promoted and foreign exchange can earned & used for the import of most required machinery & petroleum.

4) **Strengthening the Economy:** The industrial development imparts to an economy dynamic element in the form of rapid growth and a diversified economic structure, which make it a progressive economy. In this connection, one may refer to four major things. One, the development of Industries producing capital goods i.e. machines, equipments etc. enables a country to produce a variety of goods in large quantities and at low cost, make for technological progress and change in the outlook of the people. This results in bringing about an industrial civilization or environment for rapid progress so necessary for any healthy economy. Two, it makes possible the production of goods like railways, dams, etc., which are in any case non-importable. These are by and large of the nature of economic infrastructure for the future growth of the economy. Three, it is through the establishment of Industries that one can impart elasticity to the system and overcome the historically given position of a primary producing country with this we can change the "Comparative advantage" of the country to suit its resources and potentialities of manpower. Four, the requirements for the development of agriculture can be met e.g. improved farm impediments, chemical fertilizers, storage & transport facilities etc. appropriate to our own conditions (e.g. Small farm size, abundant labour, etc.) Can be adequately provided only by our own industries. Five, the Industrial development imparts to an economy dynamic element in the form of rapid growth and a diversified economic structure, which make it a progressive economy.

5. **Capital formation:** Industrialization promote capital formation & hence play a important role in economic development of the country. The spreading of Industries over the countryside would encourage the habit of thrift and investment in the rural as well urban areas.

6. **Meeting high-Income demands:** Beyond certain limits, the demands of the people are usually for Industrial products alone. After having met the needs of food, incomes of the people are spend mostly upon non-food items.

7. **Raising Income:** Industrial development can provide a secure basis for a rapid growth of income. Industries produce products, which are largely, depend upon man's efforts, as against agriculture where man's hard work is restricted by the limiting factor of nature. In the sphere of industries, man can, by putting in more effort & application of ever improving technology push on with the objective of producing more & more economic goods. Again it is in this sphere that it is possible to enlarge the scale of production so as to reap the benefits of large-scale production. The empirical evidence suggests a close correspondence between the high level of income and industrial development.

8. **Inculcation of Industrial culture & civilization:** Industrialization promotes labour mobility due to division of labour which in turn cuts across the geographical, linguistic, social and cultural barriers as against agricultural activities which are of localized nature. This industrialization promotes social understanding and social cohesiveness and thus strengthens national integration.

9. **Utilization of local resources:** The exports of goods at low prices and import of manufactured product (consumption, capital, defense) at high prices places the economy in a disadvantageous position. Industrialization therefore will not only reverse the situation but will also promote effective utilization of domestically produced minerals. It will thus strengthen capital goods sector, which is one of the most important indicator of economic power.

13.6 CONCLUSION

Thus we can say that Industrialization of the developing countries like India can alone provide the necessary elements to develop these countries. There is a strong case for the industrialization of countries like India with vast manpower large & varied resources and continental dimensions.

13.7 SUGGESTED READINGS:

- Misra & Puri (2006) Indian Economy
- Ruddar Datt & K.P.M Sundharam (2006), Indian Economy
- A.N. Agrawal (2007) Indian Economy Problems of Development & Planning.
- Jagdish Bhagwati and Padma Desai (1970), India: Planning for Industrialization.

13.8 SELF-ASSESSMENT QUESTIONS:

1. What is industrialization?
2. How Industrialization helps the development of developing countries?
3. How Industrialization strengthening the Economy of underdeveloped countries?
4. Discuss the role of Industrialization in the development of under-developing countries.

INDUSTRIAL DEVELOPMENT DURING THE PLANNING PERIOD. INDUSTRIAL POLICY OF 1948, 1956 AND 1991

INTRODUCTION

In order to strengthen the industrial base in India, Industrial Policy was adopted in India since 1948. The policies introduced during 1956, 1973, 1980 and 1991 show an improvement in the approach of the government to facilitate an all-round development of the industrial infrastructure in India. The period of eighties was marked by industrial recovery after a phase of industrial declaration spanning over almost a decade or a half. A series of measures were undertaken to open up the economy with a hope to exhilarate a faster industrial growth. This paved way for liberalization in the beginning of nineties. Many new initiatives were made for opening up of the economy for the foreign investment with these measures. Efforts were made to integrate the Indian economy with the global economy.

INDUSTRIAL POLICY, 1948, 1956 & 1991.

When India became independent in 1947, the industrial base of economy was very small and the industries were beset with many problems such as shortage of raw materials, deficiency of capital, bad industrial relations, etc. The investors were not sure about the industrial policy of the new national government and the industrial (and investment) climate was wrought with uncertainties and suspicions. The government thus called an Industrial Conference in December 1947 to improve matters and remove the uncertainties and suspicions in the minds of investors and entrepreneurs. The Conference adopted a resolution for industrial peace and recommended a clear-c...t division of industries into the public sector and private sector.

INDUSTRIAL POLICY RESOLUTION OF 1948.

The first important industrial policy resolution was issued by the Government of India on April 6, 1948. Following were the main features of the 1948 industrial policy:

1. **Acceptance of the importance of both private and public sectors :** The industrial policy resolution accepted the importance of both public and private sectors in the industrial economy of India. It assigned a progressively active role to the State but expressed the view that, "the mechanism and resources of the State may not permit it to function forthwith in industry as widely as may be desirable". Consequently the Resolution adopted a two-pronged strategy- (i) expansion of the State sector in areas where it was operating and in new lines of production, and (ii) Allowing the private sector to subsist and expand albeit under proper direction and regulation.

2. **Division of the Industrial Sector :** The Resolution divided industries into four categories thereby putting to end all speculation and suspicion in this regard. These categories were as under :

   (i) ***Industries where State had a monopoly*** : In this category three fields of activity were specified - arms and ammunition, atomic energy and rail transport.

   (ii) ***Mixed sector*** : In this category, the following 6 industries were specified - coal, iron and steel, aircraft manufacture, ship building, manufacture of telephone, telegraph and wireless apparatus (excluding radio sets) and mineral oils. "Except where, in the national interest, the State itself finds it necessary to secure the cooperation of private enterprise", the State was to have exclusive right to the setting up of new undertakings in this category. However, existing private undertakings in this field were allowed to continue for ten years after which the government would review the situation and acquire any existing undertaking after paying compensation on a "fair and equitable basis".

   (iii) ***The field of government control*** : 18 industries of national importance were included in this category. The government did not undertake the responsibility of developing these industries but considered them of such

importance that their regulation and direction was necessary. Some of the industries included were - automobiles, heavy machinery, machine tools, fertilizers, electrical engineering, sugar, paper, cement, cotton and woollen textiles.

   (iv) ***The field of private enterprise*** : All other industries (not included in the above three categories) were left open to the private sector. However, the State could take over any industry in this sector also if its progress was unsatisfactory.

3. **Role of Small and Cottage Industries :** The 1948 Resolution accepted the importance of small and cottage industries in industrial development opportunities. These industries are particularly suited for the utilization of local resources and for creation of employment opportunities. However, they have had to face acute problems of raw material, capital, skilled labour, marketing etc. since a long period of time. Accordingly, emphasis was laid in the industrial policy that these problems of small-scale and cottage industries should be solved by the Central government with the cooperations of State governments.

4. **Other important features of the Industrial Policy :** The role of foreign capital in industrial development of the economy was recognized but the need of regulating and controling it according to the needs of the domestic economy was deemed essential. Therefore, it was stated that in those industries where foreign investment to be done, Indians should have a major say in the ownership and management. The Resolution called for harmonious relations between the management and about since this was necessary for industrial development. For this purpose, the Resolution enunciated a policy of just labour conditions wherein workers would be given fair wages. For purpose of maintaining industrial peace, labour participation in management was also stressed. Indian capitalists were satisfied with the Industrial Policy Resolution of 1948 since the role assigned to the public sector in that policy was on the whole, acceptable to them. However, there were certain weaknesses and gaps in the 1948 policy and it was subjected to a number of crises.

INDUSTRIAL POLICY RESOLUTION OF 1956

The 1948 policy remained in vogue for full eight years and determined the nature and pattern of industrial development in the country. This period was marked by some significant changes in the economy. The country had completed one five-year plan in the period 1951-56. Industries (Development and Regulation) Act, was passed in 1951 and gave the government the necessary experience and expertise in regulating and controlling industries in the private sector. The ruling party had declared 'socialist pattern of society' as the goal for the country. Because of these factors, a new declaration of industrial policy seemed essential. This came in the form of Industrial Policy Resolution of 1956.

The 1956 Resolution laid down the following objectives for the industrial policy :

(i) to accelerate the rate of growth and to speed up industrialization;

(ii) To develop heavy industries and machine making industries;

(iii) To expand public sector;

(iv) To build up a large and growing cooperative sector; and

(vi) To prevent monopolies and the concentration of wealth and income in the hands of a small number of individuals.

These objectives, it was thought, would help in generating more employment opportunities and in raising the standard of living of the masses. For this purpose, stress was laid on cooperation between public and private sectors but an increasing role was envisaged for the former so that, in due course of time, it could gain 'commanding heights' of the economy.

SALIENT FEATURES OF THE INDUSTRIAL POLICY - 1956

DIVISION OF THE INDUSTRIAL SECTOR :

As against four categories in the 1948 Resolution, the 1956 Resolution divided industries into the following three categories :

(a) *Monopoly of the State.* In the first category, those industries were included

whose future development would be the exclusive responsibility of the State. Seventeen industries were included in this category and were listed in Schedule A (appended to the Resolution). These industries can be grouped into the following five classes (i) Defence industries, (ii) Heavy industries, (iii) Minerals, (iv) Transport and communications, and (v) Power Of these, four industries – arms and ammunition, atomic energy, railways and air transport, were to be government monopolies. In the remaining 13 industries, all new units were to be established by the State. However, existing units in the private sector were allowed to subsist and expand. The State could also elicit the cooperation of private sector in establishing new units in these industries 'when the national interest so required'.

(b) *Mixed sector of public and private enterprise.* In this section 12 industries listed in Schedule B (appended to the Resolution)) were included. These were : all other minerals (except minor minerals), road transport, sea transport, machine tools, Ferro-alloys and tool steels, basic and intermediate products required by chemical industries such as manufacture of drugs, dyestuffs and plastics, antibiotics and other essential drugs, fertilizers, synthetic rubber, chemical pulp, carbonisation of coal, and aluminium and other non-ferrous metals not included in the first category. In these industries, State would increasingly establish new units and increase its participation but would not deny the private sector opportunities to set up units or expand existing units.

(c) *Industries left for Private Sector*. All industries not listed in schedules 'A' or 'B' was included in the third category. These industries were left open to the private sector. Their development was to depend on the initiative and enterprise of the private sector, though even here the State could start any industry in which it was interested. However, the main role of the State in this category was providing facilities to the private sector to develop it.

Mutual dependence of Public and Private Sectors

The public and private sectors were not to be exclusive and totally independent of one another. The government could establish units in any of the industries (included in any category) on the one hand and could also allow the private sector to operate in any field reserved for the public sector. The only four industries in which private sector was not allowed to function were arms and ammunition, atomic energy, railways and air transport. In all other industries either the private sector was allowed to operate freely or its help could be obtained if the government deemed fit. Accordingly, the 1956 Resolution emphasized not only the mutual coexistence of private and public sector but also provided for their mutual cooperation and help.

Assistance and Control of Private Sector :

According to 1956 Resolution, the government could assist expansion and development of private sector through participation in its risk capital and share capital and by providing other types of services, fiscal incentives etc. However, the private sector was also to fit into the "framework of the economic and social policy of the State." Thus, the private sector was to remain subject to various government regulations and controls. Such regulation and control was to be exercised by the government through the Industries (Development and Regulation) Act, 1951, and other related legislations.

Importance of Small-scale and Cottage Industries :

The 1956 Resolution called for reduction in regional imbalances and inequalities. For this purpose it was advocated that transport facilities, power and other facilities should be provided in the backward regions. Stress on balanced development of agriculture and industry in each region was also laid.

Technical and Managerial Personnel :

Shortage of technical and managerial personnel to carry out the programmes of industrial development in economy has been accepted and emphasized by the government right from the beginning of the planning era. Accordingly, the 1956 Resolution advocated the establishment of proper technical and managerial cadres through the organization of apprenticeship schemes of training on a large scale, establishment of technical institutions, organization of management courses in universities, etc.

Industrial Peace :

For industrial progress to take place in a congenial atmosphere, it is necessary that

relations between the mill owners and the workers should be cordial and amicable. However, in the capitalist system of production industrial relations are generally exploitive. 'Cordiality' is, therefore, the first casualty. Accordingly, the 1956 Resolution reiterated that in a 'socialist society' the rights of the workers should be protected. They should also be provided adequate amenities and incentives for carrying out their work. Wherever possible, workers should be involved in the management.

NEW INDUSTRIAL POLICY, 1991

During the eighties the government announced a New Industrial Policy on July, 24, 1991. This new policy de-regulated the industrial economy in a substantial manner. The major objectives of the new policy are to built on the gains already made, correct the distortions or weaknesses that might have crept in, maintain a sustained growth in productivity and gainful employment, and attain international competitiveness. In pursuit of these objectives, the government announced a series of initiatives in the new industrial policy as outlined below :

Abolition of Industrial Licensing :

In a major move to liberalise the economy, the new industrial policy abolished all industrial licensing, irrespective of the level of investment, except for 18 industries related to security and strategic concerns, social reasons, concern related to safety and over-riding environment issues, manufactures of products of hazardous nature and articles of elitist consumption. However, of these 18 industries (motor cars, white goods, and raw hides and skins and leather) were delicensed in April, 1993; entertainment electronics industry in December 1996; five industries (animal fats and oils, tanned or dressed fur skins, chamois leather, asbestos and asbestos-based, products, plywood and other wood and paper and newsprint) in July 1997; and three industries (coal and lignite, petroleum products and sugar) in 1998-99. Thus, at present only 6 items of health, strategic and security considerations, remain under the purview of industrial licensing. These are alcohol, cigarettes, hazardous chemicals, electronics aerospace and defence equipment, industrial explosives, and drugs and pharmaceuticals excepting bulk drugs, which have been delicensed.

In respect of delicensed industry, no approval is required from the government. However, entrepreneurs are required to submit an Industrial Entrepreneur Memorandum (IEM) to the Secretariat for Industrial Approvals (SIA), which acknowledges receipt. Since the announcement of new industrials policy till November 2000, 40,890 IEMs involving an estimated investment of Rs. 8,52,190 crore and employment of more than 69 lakh persons were filed. During the same period, 3,556 LIOs (letters of intent) involving a proposed investment of Rs. 1,05,634 crore and proposed employment of 8.02 lakh were filed.

Public sector's role diluted :

The 1956 Resolution had reserved 17 industries for the public sector. The 1991 industrial policy reduced this number to 8: (1) arms and ammunition, (2) atomic energy, (3) coal and lignite, (4) mineral oils, (5) mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond, (6) mining of copper, lead, zinc, tin, molybdenum and wolfram, (7) minerals specified in the schedule to the atomic energy (control of production and use order), 1953, and (8) rail transport. In 1993, item 5 and 6 were deleted from the reserved list. In 1998-99, items 3 and 4 were also taken out from the reserved list. On May 9, 2001, the government opened up arms and ammunition sector also to the private sector. This now leaves only 3 industries reserved exclusively for the public sector.

The government has also announced its intention to offer a part of government shareholding in the public sector enterprises to mutual funds, financial institutions, the general public and the workers. A beginning in this direction was made in 1991-92 itself by divesting part of the equities of selected public sector enterprises. Over the period 1991-92 to 1999-2000, the government has raised Rs. 18,638 crore through this means.

MRTP limit goes :

Under the MRTP Act, all firms with assets above a certain size (Rs. 100 crore since 1985) were classified as MRTP firms. Such firms were permitted to enter selected industries only and this also on a case-by-case approval basis. In addition to control through industrial licensing, such large firms for any investment proposals required separate approvals. The government felt that this was having a deleterious effect on many large firms in their plans

for growth and diversification. The new industrial policy therefore scrapped the threshold limit of assets in respect of MRTP and dominant undertakings. These firms will not be at par with others, and not require prior approval from the government for investment in the delicensed industries. The now amended Act gives more emphasis to the prevention and control of monopolistic, restrictive and unfair trade practices so that consumers are adequately protected from such practices.

Freer entry to foreign investment and technology :

As the new industrial policy prepared a specified list of high technology and high-investment priority industries (listed in Annexure III) wherein automatic permission was to be made available for direct foreign investment upto 51 per cent foreign equity. The industries in which automatic approval was granted included a wide range of industrial activities in the capital goods and metallurgical industries, entertainment electronics, food processing, and the services sectors having significant export potential. Besides, these included a number of other industries, which are important for the rapid growth of the economy.

In January 1997, the government also announced the first ever guidelines for foreign direct investment for expeditious approval of foreign investment in areas not covered under automatic approval. Foreign direct investment approvals will, however, be subject to Sectorial caps: 20 per cent (40 per cent for NRIs) in the banking sector; 51 per cent in non-banking financial companies; 100 per cent in power, roads, ports, tourism and venture capital funds; 49 per cent in telecommunications; 40 per cent (100 for NRIs) in domestic air taxi operations/airlines; 24 per cent in small-scale industries; 51 per cent in drug/Parma industry for bulk drugs; 100 per cent in petroleum; and 50 per cent in mining except for gold, silver, diamonds and precious stones.

Many decisions were taken in 2000-01 also to further liberalise foreign direct investment policy. Some of the important decisions include : (i) 100 per cent foreign direct investment permitted for Business to Business e-commerce; (ii) removal of cap on investment in the power sector; (iii) 100 per cent foreign investment permitted in oil refining; (iv) 100 per cent foreign direct investment allowed in Special Economic Zones (SEZs) for all manufacturing activities (v) 100 per cent foreign direct investment allowed in telecom

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Industrial location policy liberalized :

In a departure from the earlier location policy for industries, the new industrial policy provided that in locations other than cities of more than 1 million population, there will be no requirement of obtaining industrial approvals from the Center, except for industries subject to compulsory licensing. In cities with a population of more than 1 million, industries other than those of a non-polluting nature were required to be located outside 25 kms of the periphery.

Major amendment in the industrial policy was effected during 1997-98 notified industries of a non-polluting nature such as electronics, computer software and printing, may be located within 25 kms of the periphery of cities with more than 1 million population. Other industries are permitted only if they are located in designated industrial areas set up prior to July 25, 1991.

Abolition of Phased Manufacturing Programmes for new projects :

The new industrial policy has abolished phased manufacturing programmes in future as the government feels that due to substantial reforms made in the trade policy and the devaluation of the rupee; there is no longer any need for enforcing the local content requirement on a case-by-case, administrative basis.

Removal of mandatory convertibility clause :

A large part of industrial investment in India is financed by loans from banks and financial institutions. These institutions have followed a mandatory practice of including a convertibility clause in their lending operations for new projects. This has provided them an option of converting part of their loans into equity if felt necessary by their management. Although this option has not generally been exercised, it has been interpreted as an unwarranted threat to private firms of takeover by financial institutions. The new industrial policy has provided that henceforth financial institutions will not impose this mandatory convertibility clause.

1. Data on 'industry and minerals' considered in the Chapter does not include the data on 'village and small-scale industries' as this is the normal practice. The latter group of industries are dealt with in a separate chapter.
2. Government of India, Economic Survey, 1999-2000, (New Delhi 2000), Statement 2.9, p. S-46.
3. Government of India, Planning Commission, Eighth Five Year Plan, 1992-97 (New Delhi, 1992), vol. II. P. 111.
4. Government of India, Economic Survey, 2000-01 (Delhi, 2001), Table 7.5., p. 134.

sector for certain activities with some conditions; (vi) offshore Venture Capital Funds/ Companies allowed to invest in domestic venture capital undertakings as well as other companies through the automatic route, subject only to SEBI (Securities and Exchange Board of India) regulations and sector specific caps on foreign direct investment; (vii) Existing companies with foreign direct investment are eligible for automatic route to undertaking additional activities covered under automatic route; (viii) foreign direct investment up to 26 per cent is eligible under automatic route in the Insurance Sector, as prescribed in the Insurance Act, 1999, subject to obtaining a license from the Insurance Regulatory and Development Authority (IRDA); (ix) automatic route is available to proposals in the Information Technology sector, even when the applicant company has a previous joint venture or technology transfer agreement in the same field, etc.

On May 9, 2001, the government announced a number of concessions and incentives to Foreign Direct Investment (FDI). The main incentives are as follows : (i) in the Parma sector, 100 per cent FDI has been allowed through the automatic route (earlier on, the limit was 74 per cent); (ii) 100 per cent FDI has been allowed in airports against the prevailing 74 per cent; (iii) For the hotel and tourism industry the FDI limit has been raised to 100 per cent through the automatic route from the prevailing 51 per cent; (iv) 100 per cent FDI has also been allowed in two fresh areas-courier services and mass Rapid Transport System (MRTS). (v) 100 per cent FDI has been allowed in township development; (vi) In the telecom sector, FDI limit has been raised to 74 per cent from the existing 49 per cent for Internal Service Providers (ISPs); (vii) Subject to Reserve Bank guidelines, the foreign investment limit in the banking sector has been hiked from 20 per cent to 49 cent; and (viii) FDI upto 26 per cent has been allowed in defence production.

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LET US SUM UP

- **Monopoly :** It is defined as situation where at least one-quarter of a reference good or service is supplied by one firm.
- **Mixed Sector :** In mixed sector the economic system is such that private sector, and others supply some goods and services, typically basic infrastructure goods and services are provided by the State.
- **Industrial relations :** The relationships between employers in terms of day to day worker-manager dealings and the more formal procedures and institutions through which the two groups determine pay and conditions of employment.

SELF CHECK EXERCISE

1. Discuss the main features of industrial Policy- 1948.
2. Given critical appraisal if the Industrial Policy of 1956.
3. How far New Industrial Policy-1991 is different from the earlier policies.

ROLE AND PROBLEMS OF SMALL SCALE INDUSTRIES

INTRODUCTION

The unit explains the contribution of small-scale industries in the industrial development of India. It covers the small-scale industries contribution to industrial output, efficiency in production equal distribution of national Income and mobilization of Capital. The students would also been aware about the problems faced by small-scale industries. The problems faced by these industries like problems regarding finances availability of raw material, non-availability of machines, under-utilization capacity and marketing has been highlighted in this unit. After going through third unit students would have a clear idea about the performance of out problems faced by the small-scale industries before and after the introduction of five year plan.

THE ROLE AND PERFORMANCE OF COTTAGE AND SMALL SCALE INDUSTRIES IN INDIAN ECONOMY

Small-scale and cottage industries have an important role in India's industrial and economic development as would be clear from the discussion below :

1. Expansion of small-scale and its share in industrial output : Performance of the small-scale sector over the period 1991-92 to 1999-2000 would be clear from the information contained in Table 1.

Table 1

Overall Performance of Small-Scale Industry, 1991-92 to 1999-2000

Year	No. of units (in lakh) as on 31st December	Output (Rs. crore) At current prices	Output (Rs. crore) At constant prices (1990-91)	Employment (lakh Nos.)	Exports (Rs. crore)
1991-92	20.68	1,78,699	1,60,156	129.80	13,883
	(6.9)	(15.9)	(3.1)	(3.6)	(43.7)
1992-93	22.46	2,09,300	1,69,125	134.06	17,785
	(7.9)	(17.1)	(5.6)	(3.3)	(28.1)
1993-94	23.81	2,41,648	1,81,133	139.38	25,307
	(6.0)	(15.5)	(7.1)	(4.0)	(42.3)
1994-95	25.71	2,93,990	1,99,427	146.56	29,068
	(8.0)	(21.7)	(10.1)	(5.2)	(14.9)
1995-96	27.24	3,56,213	2,22,162	152.61	36,470
	(6.0)	(21.2)	(11.4)	(4.1)	(25.5)
1996-97	28.57	4,12,636	2,47,311	160.00	39,249
	(4.9)	(15.8)	(11.3)	(4.8)	(7.6)
1997-98	30.14	4,65,171	2,68,159	167.20	43,946
	(5.5)	(12.7)	(8.4)	(4.5)	(12.0)
1998-99	31.21	5,27,515	2,88,807	171.58	48,979
	(3.6)	(13.4)	(7.7)	(2.6)	(11.5)
1999-2000	32.25	5,78,470	3,12,576	178.50	53,975
(E)	(3.3)	(9.7)	(8.2)	(4.0)	(10.2)

The number of small-scale units stood at 20.82 lakh in 1991-92 and this rose to 32.25 lakh in 1999-2000. As far as output of small-scale units is concerned, it was Rs. 1,78,699 crore in 1991-92 and this rose considerably to Rs. 5,78,470 crore in 1999-2000 (at current prices). At constant (1990-91) prices, the output of the small-scale sector was Rs. 1,60,156 crore in 1991-92 and this rose to Rs. 3,12,576 crore in 1999-2000. Out of

the nine years given in the Table, the rate of growth of output exceeded 10 per cent (at constant prices) in three years 1994-95, 1995-96 and 1996-97.

2. **Employment generation :** As is clear from Table 1, the small-scale units employed 129.20 lakh people in 1991-92 and this number has consistently risen to 178.50 lakh people in 1999-2000. Within the manufacturing sector itself, small and decentralized sector contributes about four-fifths of manufacturing employment in India. Given the acute unemployment problems in India with backlog of unemployment estimated at around 17 million in 1992, creation of employment opportunities will depend crucially on the development of small-scale and cottage industries. An important constituent of this sector is the manufacturing activity consisting mainly of textile based and agro-based products and units producing hold, tiny sector segment of the manufacturing sector.

3. **Efficiency of small-scale industries :** A controversy had raged in this country over the issue of efficiency in the small-scale industries vis-a-vis large-scale industries. While some studies have pointed out that small-scale industries are more efficient, others point out that large-scale industries are more efficient. Study showed that the small-scale factory combined the largest number of workers with a rupee's worth of fixed capital; that a rupee worth of fixed assets produced almost seven times an output in small as compared to large industries and that the value added by a rupee worth of fixed investment in small factories was at least three times as large as that for a large factory. The most important an the most recent study on this issue was conducted in 1999 by the SIDBI (Small Industries Development Bank of India) Team in association with National Council of Applied Economic Research. The study presents the share of the small-scale factory sector in the total industrial sector for capital invested, employment, gross value added and output for the whole of India for the period 1990-91 to 1994-95. It shows that the small-scale industries, by investing only 7 per cent to 15 per cent of the total manufacturing sector's capital contribute to nearly one-fifth of the total industrial output and 13 per cent to 27 per cent of the gross value added. Their share in employment in the total industrial sector is between 35 and 40 per cent, suggesting a significant contribution of small-scale industries in employment generation in the country.

i) At the all-India level, both small and large-scale industries achieved a similar growth in Gross Value Added (about 8.7 per cent per annum) during the period 1980-94. The growth in output of small-scale industries was lower (7 per cent per annum) as compared to 9 per cent annual growth in the output of large-scale industries. The growth in total employment of small-scale industries was at the rate of 1.3 per cent per annum as compared to 0.9 per cent per annum growth in employment in the large-scale industries depicting the relatively higher contribution of small-scale industries in employment generation.

ii) Capital invested showed a growth of 6.6 per cent in large-scale industries as compared to about 4 per cent growth in small-scale industries. Labour productivity (measured as the ratio of gross value added to the number of workers) rose at rate of 7.6 per cent per annum in small-scale industries and at a rate of 8.1 per cent per annum in large scale industries over the period 1980-94. Over the same period, capital productivity (measured as the ratio of gross value added per unit of capital) rose at a rate of 2.4 per cent per annum in the small-scale industries and at a rate of 2.2 per cent per annum in the large-scale industries. Thus while labour productivity showed a slightly higher growth in large-scale industries, capital productivity showed a slightly higher growth in small-scale industries.

iii) Relative capital intensity (obtained by dividing capital intensity in small-scale industries by the capital intensity in large scale industries) is less than one all through the period 1980-81 to 1994-95 indicating that the small-scale industries use less capital per worker than large scale industries. In other words, small-scale industries are more labour intensive.

iv) Relative labour productivity (obtained by dividing labour productivity in small-scale industries by that in large-scale industries) is less than one all through the period 1980-81 to 1994-95 indicating that the output per worker is less in small-scale industries as compared to the large-scale industries.

v) Relative capital productivity (obtained by dividing capital productivity in small-scale industries by that in large-scale industries) has been consistently more than one during 1980-81 to 1994-95 suggesting that capital productivity of small-scale industries is greater than that of large-scale industries.

vi) Relative profitability is greater than one all through the years 1980-81 to 1994-95 (excepting 1989-90 when it was 0.77) indicating that the small-scale industries have a higher profitability than the large-scale industries.

4. **Equitable distribution of national income :** One of the main arguments put forward in support of the small-scale and cottage industries is that they ensure a more equitable distribution of national income and wealth. This is accomplished because of the following two consideration : (i) the ownership of small-scale industries is prove widespread than the ownership of large-scale industries, and (ii) they posses a industries have a higher profitability than the large-scale industries. The small-scale industries have a high employment potential and consequently they enable a vast majority of people to share the fruits of economic development. In their absence,. the only option before these people would be to remain unemployed or seek still less renumerative jobs.

5. **Mobilisation of capital and entrepreneurial skills :** The small-scale industries are at a distinct advantage as far as the mobilization of capital and entrepreneurial skill is concerned. A number of entrepreneurs are spread over small towns and villages of the country. Obviously, large-scale industries cannot utilize them as effectively as the small-scale and village industries distributed over the entire length and breath of the country. Similarly, large-scale industries cannot mobilize the savings done by people in areas far flung from the urban centres. In addition, a large number of other resources spread over the country can be put of an effective use by the small-scale and cottage industries. The rapid development of small-scale industries in the post-independence period is a proof that given the necessary credit, power and technical knowledge, a large quantity of latent resources of the economy can be mobilized for purpose of industrial development.

6. **Regional dispersal of industries :** The small-scale industries are mostly set up to satisfy local demand and they can be dispersed over all State very easily. They can also effect a qualitative change in the economy of a State. The most glaring example of this phenomenon is the economy of Punjab which has more small-scale industrial units than even the industrially developed State of Maharashtra.

7. **Less industrial disputes :** Supporters of small-scale industries frequently argue that large-scale industries are ridden with more industrial disputes than the small-scale

industries. Because of the "tensions" in the relations between workers of large-scale industries and the mill owners, such industries frequently face strikes and lockouts. Against this, the small-scale industries are free from such hazards and there is consequently less loss of output. In the case of cottage industries, the question of disputes does not arise at all since the main form of labour in these industries is family labour.

8. Contribution to exports : With the establishment of a large number of modern small-scale industries in the post-Independence period, the contribution of the small-scale sector in export earnings has increased by leaps and bounds. The total exports of the small-sector industry products increased from Rs. 155 crore during 1971-72 to Rs. 49,979 crore in 1998-99. This meant an increase in the share of the small-scale industries in the total exports of the country from 9.6 per cent in 1971-72 to 34.9 per cent in 1998-99. The share of the small-scale sector in manufacturing exports is about 45 per cent. Exports of the small scale sector are estimated at Rs. 53,975 crore in 1999-2000 which was 33 per cent of total exports in that year.

PROBLEMS OF SMALL-SCALE AND COTTAGE INDUSTRIES

The small-scale and cottage industries are plagued by a number of problems which often force these units to close down. The second all-India census of registered small-scale industrial units conducted in 1987-88 (results published in August 1992) showed that of the 9.87 lakh registered SSI units as on March 31, 1988, 3.05 lakh units constituting about 31 per cent of total registered unit had closed down. Thus almost one-third of SSI units had closed down. Of these, 1.49 lakh units (i.e., one half) had closed within five years of commencement of operations. Not only this, A large number of small-scale units are sick. As at the end of March 1999 about 3.06 lakh small scale industrial units with outstanding bank credit of Rs. 4,313 crore were sick. Let us now consider the main problems that the small-scale units have to face.

1. Finance and credit : The scarcity of finance and credit is the main obstacle in the development of small-scale units. The position of cottage and village industries in this regard is even worse. The capital base of the small industries units is mainly very weak since they generally have partnership or single ownership. The artisans or craftsmen running cottage industries either run their business with whatever little capital they possess or take

credit from the mahajans or the traders who supply raw material to them. In many cases such credit is obtained on a very high rate of interest and is thus exploitative in character. The small-scale industries are somewhat better placed. However, the profit earned by them is often not enough for investment purposes.

2. Raw material availability : The majority of the small-scale and cottage industries depend on local sources for the raw material requirements. The handloom industry depends for its requirement of cotton on local traders. These traders often supply cotton on the condition that the weavers would sell the cloth only to them when it is ready. Thus the weavers are subjected to double exploitation at the hands of the traders. The traders sell cotton to them at high prices and purchase and ready cloth at low prices. Many small-scale industries use imported raw material. Whenever there was a difficulty in obtaining this raw material either on account of the foreign exchange crisis or some other reason, these industries had to suffer a severe setback.

3. Machines and other equipment : Machinery and other equipment in much small industry have grown obsolescent. On account of this reason while their costs of production are high, the qualify is inferior as compared to the large-scale units. Moreover, the small scale units often do not care about the changing tastes and fashions of the people. Accordingly, modernisation and rationalization are urgently required in small-scale industries.

4. Under-Utilisation of capacity : In 1987-88; capacity utilization was only 41 per cent in electrical machinery and parts, 58 per cent in leather products, 60 per cent in transport equipment and parts, 30 cent in miscellaneous manufacturing industries and 32 per cent in metal products. For small-scale units as a whole, capacity utilization was merely 48 per cent. This show that half of the capacity of small-scale units is not utilized.

5. Problems of marketing : One of the main problems faced by the small-scale units is in the field of marketing. These units often do not possess any marketing organization and consequently their products compare unfavourably with the quality of the products of the large scale industries. Therefore, they suffer from a competitive disadvantage vis-a-vis large scale units. Because of the shortage of capital and financial resources, these units do not have adequate 'staying capacity' and are often forced to sell their products at unremunerative prices.

6. **Problem of Sickness :** There are two main issues in respect of sick SSIs: (i) existence of a large number of sick units which are non-viable; and (ii) rehabilitation of potentially viable units. As far as the former is concerned, there were 3.06 lakh sick SSI units as on March 31, 1999. These units were those that had obtained loans from banks. An amount of Rs. 4,313 crore was blocked in these units. Of these, as many as 2,71,193 units with outstanding bank credit of Rs. 3,746 crore have been identified by banks are being non-viable. As far as the latter issue is concerned, of the 3.06 lakh sick SSI units as on March 31, 1999, only 18,692 units with outstanding bank credit of Rs. 377 crore have been found to be potentially viable by the banks. However, rehabilitation of sick units is a costly proposition. It involves re-scheduling of past over due with concessions on interest amount due, additional credit for modernization and technological upgrading and provision for fresh working capital.

7. **Poor database :** Another weak link in the chain is the inadequate database for the small scale sector. There are two major sources of information on the small-scale sector, viz; Small Industries Development Organization (SIDO) and Central Statistical Organization (CSO). Complete information for the small-scale sector as a whole is not available from SIDO, pertain to the reference years 1972 and 1987-88, which could be used as benchmarks; however, to arrive at current estimates, necessary adjustments are required to be made.

There is an urgent need for evolving a regular system for the up- gradation and collection of data on the SSI (small scale industries) sector in view of the rapid growth and substantial contribution of the SSI sector. New units come up every year for different lines of production while existing units either diversify or in certain close down. Upkeep of the latest information is critical for policy decisions.

8. **Other problems :** In addition to the problems enumerated above, the small-scale industries face a number of other problems like inefficient management, non-availability of cheap power, unchanging and unresponsive production pattern, burden of local taxes, competition from large-scale industries etc.

Data given by the second-all India Census of registered small-scale industrial units shows that of the 3.05 lakh units closed own as on March 31, 1998 lakh units (i.e., one-

half of closed units) were closed because of finance and marketing problems. According to the Seventh Five Year Plan, growth of the small-scale and village industries has been constrained by a number of factors "including technological obsolescence, inadequate and irregular supply of raw materials, lack of organized market availability of credit, constraint of infrastructure facilities including power etc. and deficient managerial and technical skills.

9. **Adverse effects of economic reforms and globalisation :** The decade of nineties had been marked by considerable deregulation of industrial economy through delicensing and dereservations, 'opening up' the industrial sector to both internal and external competition, lowering of tariffs, removal of quantitative restrictions etc. The annual rate of growth in the number of SSIs declined from 7.56 per cent during 1985-91 to 6.53 per cent during 1991-97. The annual rate of growth of production feel from 20.47 per cent to 18.57 per cent, that of employment from 5.47 per cent to 4.27 per cent, and that of exports from 28.40 per cent to 23.52 per cent over the same period.

Self-Assessment Questions :

- Identity the problems faced by Small-Scale Industries in India.
- Discuss the contribution made by small scale Industries in industrial development in India.

Suggested Readings :

- Ruddar Dutt and KPM Sundaram (2001) Indian Economy.

UNIT - III

Semester - II	EC-201	Lesson No. 16

ROLE OF PUBLIC SECTOR ENTERPRISES IN INDIA'S INDUSTRIALISATION

INTRODUCTION

The public sector is a mean through which the government can participate in the production and distribution in the economy. Generally in the initial levels of industrialisation the role of this sector is very significant. For the smooth functioning of such economies it is important that a good balance is maintained between the public and private sectors. The private sector should not feel threatened from the public sector in the development of the Indian economy. Its role in capital formation, development of a strong industrial base, investment in the infrastructure development and removal of the regional disparities has been explained in detail. The public sector has also contributed to check the concentration of economic power in the selected regions. After going through this unit, students would come to know about the contribution of public sector in developing a strong industrial base, infrastructure, removing regional disparities and helping to create export promotion potential in the economy.

Role of public sector enterprises in India's industrialization

The present Indian economic structure is often characterized as 'mixed economy'. There are two fields of production in the structure the private sector and the public sector. At the time of Independence, activites of the public sector were restricted to a limited field like irrigation, power, railways, ports, communications and some departmental undertaking. After Independence, the area of activities of the public sector expanded at a very rapid speed. Heavy and basic industries were kept for the public sector, the entire consumer

goods industries (having high and early returns) was left to the private sector. Outside the industrial field, while most of the banks, financial corporations, railways, air transport, etc., are in the public sector, the entire agricultural sector (which is the largest sector of the economy) has been left for the private sector.

ROLE OF PUBLIC SECTOR IN THE INDIAN ECONOMY

Public sector has played a definite positive role in the Indian economy.

Public Sector and Capital Formation

The role of public sector in collecting savings and investing them during the planning era has been very important. During the First and Second Plans, of the total investment, 54 per cent was in the public sector and the remainnig in the private sector. The share of public sector rose to 60 per cent in the third Plan. The Fifth, Sixth and Seventh Plans envisaged respectively 57.6 per cent and 47.8 per cent, share of the public sector in plan investment. As against this, the actual share of the Public Sector in the plan investment was 43.3 per cent, 47.8 per cent and 45.7 per cent respectively in these plans. Eighth plan envisaged 45.2 per cent share of public sector in plan investment whereas its actual share was just 34.3 per cent (i.e., one third) of plan investment. The Ninth Plan expects the share of public sector in total plan investment to decline further to just 33 per cent. This reflects the increasing importance that is now being accorded to the private sector. The nationalized banks, State Bank of India, Industrial Development Bank of India, Industrial Finance Corporation of India, State Financial Corporations, LIC, UTI etc., have played an important role in collecting savings and mobilization of resources.

Development of Infrastructure

The primary condition of economic development in any underdeveloped country is that the infrastructure should develop at a rapid pace. Without a sufficient expansion of irrigation facilities and power and energy, one cannot even conceive of agriculture development. In the same way without an adequate development of transportation and communication facilities, fuel and energy, and basic and heavy industries, the process of industrialization cannot be sustained. India had inherited an undeveloped basic infrastructure from the colonial period. After Independence, the private sector neither showed any inclination to develop in nor did it have any resources to make this possible. These factors made the State's participation in industrialization essential since only the government could enforce a large-scale mobilization of capital, the coordination of industrial construction, and training of technicians. The government has not only improved the road, rail, air and sea transport system, it has also expended them manifold. Thus the public sector has enabled the economy to develop a strong infrastructure for the future economic growth.

Strong industrial Base.

The share of the industrial sector (comprising manufacturing, construction, electricity, gas and water supply) in Gross Domestic Product at factor cost has increased slowly but steadily during the period of planning. The share of the industrial sector in GDP at factor cost rose form 13.3 per cent in 1950-51 to 21.6 per cent in 1980-81 and further to 24.6 per cent in 1999-2000. On the other hand the share of agriculture in GDP at factor cost declined from 59.2 per cent in 1950-51 to 41.8 per cent in 1980-81 and further to 27.5 per cent in 1999-2000 (at 1993-94 prices). These date amply bring out the increasing importance of the industrial sector in the Indian economy. Not only this, the industrial base of the Indian economy is now much stronger than what it was in 1950-51. There has been significant growth in the defence industries and industries of strategic importance. The government has strengthen the industrial base considerably by placing due emphasis on the setting up of industries in the following fields-iron and steel, heavy engineering, coal, heavy electrical machinery, petroleum and natural gas, chemicals and drugs, fertilizers, etc. Because of their low profitability potential in the short run, these industries do not find favour with the private sector.

Economies of Scale.

In the case of those industries where for technological reasons, the plants have to be large requiring huge investments, setting up of these industries in the public sector can prevent the concentration of economic and industrial power in private hands. It is a known fact that in the presence of significant economies of scale, the free market does not produce the best results. Accordingly, considerations of economic efficiency require some form of government regulation or public ownership.

Removal of regional disparities

The government in India has sought to use its power of setting up of industries as a means or removing regional disparities in industrial development. In the pre-Independence period, most of the industrial progress of the country was limited to and around the port towns of Mumbai, Calcutta and Chennai. Other parts of the country lagged far behind. After the initiation of the planning process in the country in 1951, the government has paid particular attention to the problem and has set up industries in a number of areas hitherto neglected by the private sector. Thus a major proportion of public sector investment has been directed towards backward States. For instance, of the cumulative investment of Rs. 1,14,647 crore by public sector enterprises till 1990-91, as much as Rs. 40,721 crore (i.e. 35.5 per cent) was accounted for by the four backward states of Bihar, Orissa, Madhya Pradesh and in the Public Sector— Bhilai Steel Plant, Rourkela Steel Plant, Durgapur Steel Plant and Bokaro Steel Plant-were set up in the backward States.

Import Substitution and export promotion

The foreign exchange problem often emerges as a serious constraint on the programmes of industrialization in a developing economy. This constraint appeared in rather strong way in India during the Second Plan and subsequent plans. Because of these considerations, all such industries that help in import substitution are of crucial importance for the economy. Bharat Heavy Electricals Limited, Bharat Electronics Ltd. Hindustan Antibiotics Ltd. Indian Oil Corporation, Oil and Natural Gas Commission, etc., in the public sector are of special importance from this point of view.

Check over Concentration of Economic Power

In a capitalist economy where the public sector is practically non-existent or is of very small size, economic power gets increasingly concentrated in a few hands and inequalities of income and wealth increase. During the four and a half decades of planning in this country, it has been said time and again that the expansion of public sector will help in putting a brake on the tendency towards concentration of wealth and economic power in the private sector.

Public sector can help in reducing inequalities in the economy in a number of ways.

For instance (i) profits of the public sector can be used directly by the government on the welfare programmes of the poorer sections of community; (ii) public sector can adopt a discriminatory policy by supplying materials to small industrialists at low prices and big industrialists at high prices; (iii) public sector and can give better wages to the lower staff as compared to the private sector and can also implement programmes of labour welfare, construction of colonies and townships for labourers, slum clearance, etc. (iv) public sector can orient production machinery towards the production of mass consumption goods.

KEY-WORDS

Capital formation : It is a process of adding to the net physical capital stock of an economy in an attempt to achieve greater total output.

Public Sector : It is that part of the economy concerned with the transactions of the goverment.

Private Sector : It is that part of the economy concerned with the transactions of private individuals, business and institutions.

Privatisation : It is the process of decentralisation of an industry, transferring it from public to private ownership.

Import Substitutions : It is a strategy aimed at reducing imports in order to encourage the production of domestic substitutes.

Export Promotion : The financial assistance given to domestic firms by the government as a means of promoting exports and assisting the country's balance of payments.

SELF-ASSESSMENT QUESTIONS :

- Discuss the role of Public sector in an economy like India.
- "Public sector has a good potential to remove regional disparities in India". Discuss.

SUGGESTED READINGS :

1. Dilip Mukharjee (ed) Indian Industry; Policies and Performance.

UNIT - III

Semester - II | EC-201 | Lesson No. 17

MAJOR CHANGES IN THE POLICY DIRECTION OF THE GOVT. TOWARDS PUBLIC SECTOR ENTERPRISES (PSES) IN INDIA.

By Ms. Reena Sharma

STRUCTURE

17.1 OBJECTIVES:

The main objectives of this unit are:

- To understand the meaning of Public Sector;
- To understand what are the main problems faced by Public sector in India.
- To understand importance of Public Sector in Indian economy.

- To understand major changes in the policy direction of the Government towards public sector enterprises in India.

17.2 INTRODUCTION :

The expansion of the Public Sector was based on the Industrial Policy Resolution of 1956 which assigned a strategic role to the Public Sector. Development of heavy and basic industries and the provision of infrastructure were the main tasks of the public sector. Massive investments were made over the past 45 years to build the public sector. Many of these enterprises successfully expanded production opened up new areas of technology and built up a reserve of technical competence in a number of areas. There is no doubt that the Public Sector established an Industrial base of the economy, which enabled the private sector to undertake investments in other areas of infrastructural facilities were made available by the Public Sector.

17.3 MEANING OF PUBLIC SECTOR:

The part of the economy, which is not privately owned and is controlled by one of the tiers of the government. Examples of public sector enterprises are Telecom a common wealth authority and state instrumentalities such as an electricity commission or water board. The public sector has become a large part of western Industrialized economies accounting for more than 20% of gross domestic product in the US, UK and most European countries although many governments have divested themselves of state run enterprises through selective privatization programmes. The public sector is by its nature often unprofitable creating an excess of expenditure over receipts, which has to a large public sector borrowing requirement.

17.4 PROBLEMS OF PUBLIC SECTOR ENTERPRISES:

The most important criticism levied against the public sector has been that in relation to the capital employed the level of profits has been to low even the government has criticized the public sector enterprises on this count. For instance the eighth five-year plan notes that the public sector has been unable to generate adequate resources for sustaining the growth process. Of the various factors responsible for low profit in the public sector the following are particularly important.

1. Price policy of public enterprises: Private sector enterprises are operated with the sole aim of maximizing profits. Accordingly prices are determined at a level that could cover total cost and provide a sufficient net return over and above as against this the purposes of setting up and operating public sector enterprises are varied and price policy is determined by the objectives, which they are expected to serve. In order to tackle this problem, the government has announced changes in the pricing policy of public sector enterprises in recent years.

2. Problem related to planning and construction of projects: As for as the phase of planning and construction of projects is concerned following problems had to be faced.

   I. Selection of site was not based on detailed soil investigation.

   II. There were serious omissions and understatements of several elements of the projects.

   III. The actual costs of projects far exceeded the original estimates.

   IV. The projects took much longer time to complete than originally envisaged and

   V. The projects often embodied inappropriate technology or product mix.

3. **Problems of labour personnel and management:**

   Public sector enterprises are often plagued with undue political interference in their day to day working and this has demoralizing effect on the management and other personnel of there enterprises. Many appointments at the top are not made on grounds of professional competence or suitability but are determined by various political considerations. Often the management at the top is constituted of the traditional administrative services of ICS and IAS. These non specialized non technical people are often unequal to the task of providing the requisite managerial competence in the complex capital intensive industrial projects in the public sector. Also as noted by Bhagwati and Desai, with their civil services background these official inevitable tended to act with bureaucratic caution and unimaginativeness rather than in bold and inventive ways.

4. **Under utilization of capacity:**

Under-utilization of installed capacity is another reason for the low level of profitability in public sector enterprises. A large number of these enterprises have operated to less than 50% of their capacity for a number of years. The important factors, which are responsible for under utilization of capacity in public sector enterprises, include inefficient operation and poor management of some enterprises political interference in day today working labour disputes etc.

17.5 ROLE OF THE PUBLIC SECTOR IN INDIA:

After the attainment of independence and the advent of planning there has been a progressive expansion in the scope of the public sector. The passage of industrial policy resolution of 1956 and the adoption of the socialist pattern of society as our national goal further led to a deliberate enlargement of the role of public sector. Development of heavy and basic industries and the provision of infrastructure were the main tasks of the public sector. Massive investments were made over the part 45 yrs to build the public sector. Many of these enterprises successfully expanded production, opened up new area of technology and built up a reserve of technical competence in a number of areas. There is no doubt that the public sector established an industrial base of the economy, which enabled the private sector to undertake investments in other areas, as infrastructure facilities were made available by the public sector.

17.6 PUBLIC SECTOR REFORMS:

The national Common Minimum Programme is committed to a strong and effective public sector whose social objectives are met by its commercial functioning for this there is need for selectivity and a strategic focus in which the future plans of the public sector enterprises must be matched with both restructuring where required and enhanced competitiveness. Towards this end government is pledged to devolve full management and commercial autonomy to successful profit making PSEs operating in a competitive environment and review all case of sick companies for possible revival. In order to review the road map for this process the department of heavy industries is organizing its annual conference of the CEOs of public sector enterprises on the 14th of Sept. 2005 at Vigyan Bhawan New

Delhi. The theme of the conference this year is "Improving competitiveness of public sector enterprises".

As the Indian economy integrate more and more with the global economy over PSEs need to be competitive and efficient at a global level. In the face of global competition which is getting increasingly stiff day by day the public sector enterprises will have to continuously upgrade their performance to match global standards through adopting appropriate system of management they must also access globally competitive technology through technology acquisition on strategic alliances on their own research and development. The present Government has brought about a radical change in the policy relating to public sector enterprises and is resolute in the thinking that the capital and valuable human resources deployed in public sectors should effectively be canalised to achieve growth in a sustained manner for the larger good of the nation.

17.7 NEW DIRECTION OF POLICY OF THE PUBLIC SECTOR:

To improve the performance of the public sector the government of India announced in July 1991 the new industrial policy, which contained the following decisions pertaining to the public sector.

i) Portfolio of public sector investments will be reviewed with a view to focus the public sector on strategic hi-tech and essential infrastructure. Whereas some reservation for the public sector is being retained there would be no bar for area of exclusivity to be opened up to the private sector selectively. Similarly the public sector will 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/rehabilitations 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 share holding 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 greater thrust on performance improvement through the memorandum of understanding (MOU) system through which managements would be granted greater autonomy and will be held accountable.

vi) Technological up-gradation through an integrated R&D efforts and import of technology.

vii) Changes in management in specific enterprises to promote leadership resourcefulness and innovation.

viii) State Govt. to promote reforms in their public sector enterprises.

ix) Restructuring involving modernization rationalisation of capacity product mix changes selective exit and privatization.

x) The PSEs have not been able to raise the projected borrowings on account of their past record of not being run on commercial basis with rationalization of the tax structure in the recent budgets such as uniform Excise Duty of 15% on capital good components reduction in duty on Aluminium 15% and lowering of peak customs duty to 50% it is expected that the PSEs would be able to generate internal resources for their sustenance and growth.

Revival of sick PSUs:

In pursuance of the policy announced in 1991 the government brought out a monograph on the performance of the central public sector enterprises and decided to refer the chronically sick enterprises to the BIFR (Board For Industrial Finance And Reconstruction) for the formulation of revival/rehabilitation schemes. Till the end of October 2006, 66 PSUs have been referred to BIFR which has so far sanctioned revival packages in respect of 36 PSUs. The Govt. has approved the proposals of 21 CPSEs involving a total cost of Rs.5610 crores. The Government has also been opening out certain important and strategic areas to the private sector. The power sector is being opened to the foreign companies. Similarly, the Government has to invite multinationals in the telecommunication sector. As there is very strong resistance by the trade unions to moves of privatization, the Government

pushes its policy of opening out areas hitherto reserved for the public sector to private sector.

VRS to shed the load of excess workers:

Secondly, the Government had been making an effort to shed the load of excess workers in the public sector. It initially toyed with the idea of exit policy but abandoned it due to the strong resistance by the trade unions. It followed a policy of offering package for voluntary retirement scheme (VRS) and it has succeeded. As a result of the VRS, the number of regular employee, which stood at 22.19 lakh in 1990-91, has been brought down to 16.49 lakh in 2005-2006. The Government is now concentrating on retraining and deployment of VRS workers during 2001-2002 to 2005-2006 nearly 89,000 were retrained and 40480 were re-deployed.

Memorandum of Understanding (MOU)

The Government on the recommendations of the "Committee to Review the policy for the Public Enterprise (Arjun Sengupta Committee, 1985) has entered into Memorandum of Understanding (MOUs) with a number of PSUs. The main aim of the MOU is to bring about a balance between autonomy and accountability leaving the Public enterprises which were to be referred to the BIFR, the Industrial Policy (1991) extended the scope of Memorandum of Understanding (MOU) to all Public Sector Enterprises (PSEs). The main goal of the MOU policy is to reduce the "Quantity" of control and increase the "Quality" of accountability. This is sought to be done by specifying in clear terms the measurable goals and giving each PSE greater operational autonomy to achieve them. The real purpose of MOU is to manage PSEs by management by objectives rather than management by control.

By holding them accountable for procedures not only has the scope of MOU policy enlarged significantly but the focus of MOU policy has also become market oriented and in tune with other reforms initiated by the Government. For the first time since the inception of the Public sector an attempt has now been made to free them from the administrative control of the ministries and permit them to operate autonomously in a competitive environment.

102 Public sector enterprises (PSEs) have signed MOUs for the year 2005-2006. According to the Public Enterprises Survey (2005-2006) on the basis of the self evaluation by 102 PSEs, 44 were rated excellent, 36 very good, 14 good and 8 fair.

Policy for Navratnas:

In 1997 the Govt identified 11 Public Sector Enterprises as Navratnas and decided to give enhanced powers to the Board of Directors of these enterprises to facilitate their becoming global players. These enterprises are BHEL, GAIL, HPCL, IOC, IPCL, MTNL, NTPC, ONGC, SAIL and VSNL. Two of these namely IPCL and VSNL have since been privatised and presently there are only 09 Navratnas. The Board of these Navratna enterprises have been professionalized by induction of non-official Part-time professional Directors. These PSUs have been delegated substantial enhanced autonomy and operational freedom, which include:

1. Incurring capital expenditure.
2. Entering into joint venture.
3. Effecting organizational restructuring.
4. Creation and winding up of posts below Board level.
5. To raise capital from the domestic and international markets and
6. To establish financial joint ventures subject to equity investments with special limits.

The Govt. has also granted financial and operational autonomy to some of the other profit making PSUs subject to fulfilling certain conditions. These enterprises are categorized as Miniratnas. The enterprises, which have made profits continuously for the last three years and have earned a net profit of Rs.30 Crore or more in one of the three years with positive net worth, are categorized as Miniratnas I.

Category II: Miniratnas should have made profits for the last three years continuously and should have a positive net worth. Both these categories of Public sector enterprises are granted certain autonomy like incurring capital expenditure without Govt. approval up to Rs.300 Crore or equal to their net worth whichever is lower (for category I Miniratna

Companies) and up to Rs.150 Crore or up to 50 percent of their net worth whichever is lower (for Category II Miniratna Companies). These enterprises can also enter into joint ventures subject to certain conditions, setup subsidiary companies and overseas offices, enter into technology joint ventures etc. As on March 31, 2005, 45 enterprises had been categorized as Miniratnas.

17.8 CONCLUSION:

It may be stated that Public Sector Enterprises have turned the corner. The approach to the 11th Five-year plan notes "Public Sector Enterprises have made a major contribution to the economic growth of the country by creating a diversified industrial base. They have been major providers of organized sector employment. Some of the public Sector Enterprises have had strong financial results over many years and recently some more have turned the corners". In 2005-2006, the number of profit making Public Sector Enterprises increased to 157 from 119 in 2002-03 and aggregate profit rose to Rs.76240/- Crores from Rs.43316/- Crores. The number of loss making enterprises declined from 105 in 2002-2003 to 58 in 2005-2006. Moreover, the total loss of loss making enterprises declined sharply from Rs.10972 Crores in 2002-2003 to Rs.5952 Crores in 2005-2006 indicating the new directions of policy. The Approach mentions, "The necessary conditions for further improvements in the performance of the PSEs are ensuring autonomy, delegation of more powers to PSE Boards, Freedom from informal level of control exercised by the administrative ministries and a clear statement of future ownership. If these conditions are met, PSEs do not need to the supported by measures such as administered prices, or price or purchase preference in Govt purchases".

17.9 SUGGESTED READINGS:

- Misra & Puri (2007) Indian Economy
- Ruddar Datt & K.P.M Sundhram (2006), Indian Economy
- A.N. Agrawal (2007) Indian Economy Problems of Development & Planning
- Uma & Kapila, Indian Economy

SELF-ASSESSMENT QUESTIONS:

1. What is public Sector?
2. What are the important problems of Public Sector Enterprises in India?
3. What are the important Public Sector Reforms in India?
4. Bring out the major change in the policy direction of the government towards Public Sector enterprises in India?

UNIT - III

Semester - II	EC-201	Lesson No. 18

ROLE OF PRIVATE SECTOR IN CHANGED ECONOMIC SCENARIO, NEW COMPETITION POLICY

-Dr. Neelam Choudhary

STRUCTURE

18.1 OBJECTIVES

After going through this lesson, you shall be able to:

- understand the role of private sector in Indian Economy.
- know through what phases has the Competition Policy of India passed.
- Understand the basic features of New Competition Policy.

18.2 INTRODUCTION

Public and private sectors are the two basic sectors working in an economy. Whether a particular sector's role is more or less depends on the priorities as well as the basic structure of the economy. In this lesson, we'll learn about the changing role of private sector in the Indian Economy. We'll also learn about India's Competition Policy.

18.3 PRIVATE SECTOR IN THE INDIAN ECONOMY IN THE POST INDEPENDENCE ERA

Indian Economy is a 'Mixed economy'. In other words, both public or state sector and private sector co-exist in it. But the economy has undergone a sea change with regard to the relative roles of these two sectors. Immediately after independence, the development of Industrial sector was to be governed. In this regard, Industrial Policy Resolution 1948, IPR 1956 and in between Industrial Regulation and Development Authority 1951 were some of the steps taken. As compared to the 1948 resolution, the private sector had an increased role in 1956 resolution, as it was realized that due to the mutual dependence of the two sectors, neither could be ignored. It was decided to allow the private sector to set up industries even in those areas originally reserved for the public sector. But the sector had to struggle for many years to be the beneficiary of the concessions in the true sense. The economic reforms of 1991 actually changed the way the private sector was dealt with in policy making. Liberalisation of the economy enlarged the role of this sector. In the next section, we shall discuss the role of private sector in the changed economic scenario.

18.4 ROLE OF PRIVATE SECTOR IN THE CHANGED ECONOMIC SCENARIO

Starting with the contribution of this sector from the days immediately after reforms, we'll discuss till the current scenario:

Dominant sector Certain industries like those in the railways, civil aviation, financial institutions etc. were with the public sector initially, while the private sector was allowed entry only in agriculture and allied activities, plantation etc. or in those sectors which were not exclusively with the public sector. Data before independence shows that the state had exclusive role only in a few industries, like railways, posts, telegraphs etc. However, after independence, priorities changed. The policy makers wanted to strengthen the position of public sector in certain key industries like heavy industries. Despite the fact that after independence, public sector got undue importance, private sector's role too was not so unimportant. Over a period of time, through more and more concessions to this sector, it has emerged as a sector too important to be ignored. For example, in 1999-2000, about 83% of the companies were in the private sector. It provided employment to about 46.9% people. The figures are much more impressive now. So over a period of time, the private sector has emerged as a dominant sector and has grown tremendously.

Importance for development Schumpeter recognized the importance of an innovator in economic development. Though a profit seeker, it is he who takes risk and revolutionizes the economy by making a new product, innovating a new way to produce old things, gets access to a new source of raw materials etc. This potential of the private sector was realized right from the beginning. Through Industrial Policy Resolutions of 1948 and 1956, a beginning was made. In the 1991 reforms, the private sector was given sufficient opportunity through different incentives under 'Liberalisation, Privatisation, Globalisation' scheme. Since then, the sector has never looked back. So it has contributed towards India's growth story both in manufactured goods as well as the through the vibrant services sector, our leading sector.

Agriculture and small scale industries In India, agriculture and allied activities have been assigned to the private sector. Agriculture is the single largest contributor to employment generation, with 58.2% of the workforce engaged in it. It contributes 17.6% to Gross Domestic Product (2014). Likewise, the small scale industries which are labour intensive and profit seeking units too are with the private sector. About 45% of the total industrial production and 40% of the total exports of the country are contributed by this sector. Different types of incentives are being given by the government to this sector through industrial policies. With regard to licensing, this sector has been de-regulated now. This will further encourage production in this sector.

Expansion of the private sector: As compared to the earlier days, the industrial composition of the private sector is much more diversified now. While the private sector had established its position in certain consumer goods industries like cotton textile industry, sugar industry, paper industry and edible oil industry during the pre-independence days, they could not enter heavy and basic as well as engineering industries. One of the reasons to which it can be attributed is the quick returns. But over the years, through different reforms, the private sector's portfolio has increased both in numbers as well as variety. The current status with regard to the no. of sectors reserved with the public sector shows that only atomic energy, the specified minerals enlisted under the schedule of atomic energy and rail transport are the three sectors exclusively lying with the public sector. All other sectors have been opened for the private sector. Besides, only five industries need compulsory licensing. This shows the expansion of private sector.

To conclude, we can say that the private sector has always remained a part of the mixed economy of India, though its position has become all the more important in the post reforms period.

CHECK YOUR PROGRESS-1

1. What was the role of private sector in Indian Economy during pre-independence period? What change was observed during post Independence period?

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2. Comment on the diversified composition of the private sector in India.

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18.5 COMPETITION AND COMPETITION POLICY

Competition plays a very important role in the proper functioning of any economy. It leads to increase in productivity, employment generation as well as economic growth. So as far as possible, every government adopts 'pro-competitive policies' to promote the growth of any sector. Before discussing the New competition policy, let us throw light on the background of the issue. In other words, let's understand through what phases has India's policy towards industrial undertakings passed with regard to discouraging anti-competitive practices.

18.5.1 Changes in the Competition Policy

As we can recall from the previous section, the Indian Economy was not quite liberal in the initial years after independence. The concentration of power in few hands in the industrial sector was revealed by the Mahalanobis Committee in 1964 and the Monopolies Enquiry Commission in 1965. So Monopolistic and Restrictive Trade Practices (MRTP) Act was adopted in 1969 and MRTP Commission was formed in 1970. The aim was to discourage and prevent the large business houses from indulging in monopolistic and restrictive trade practices. In 1984, MRTP act was modified, in which 'unfair trade practices' was also added. However, when reforms were underway, many old structures were dismantled or re-structured in accordance with the requirements of the economy. It was felt that in the era of liberalization, old things that have become irrelevant need to be dropped or replaced by relevant ones. A committee under the chairman ship of Raghvan submitted its report in 2000, in which it proposed the adoption of a new competition law and scrapping MRTP Act. In the Competition Act 2002, the focus was on free and fair competition. Here being big or dominant was not the issue as long as it did no harm to consumers and competitors. Competition Commission of India (CCI) was to replace MRTP Commission.

The Competition Act 2002 which was enacted during the tenth plan period underwent change with the passing of Competition (Amendment) Act, 2007. One of the changes was the establishment of a Competition Appellate Tribunal. During the mid-term appraisal of the tenth plan, it was felt that there was a dire need of a National Competition Policy (NCP) which would improve the quality of life as well as national image apart from protecting consumer interests.

A Working Group constituted during the formulation of eleventh plan further felt the need for a comprehensive policy (NCP) that would promote uniformity in competition principles across different sectors as well as lead to harmonisation of competition policy and other related policies. Some principles which such a policy would have included: control on anti-competitive conduct, competitive neutrality or level playing field, transparency etc. It was observed that many existing policies and their statutes had 'competition restricting effects' which needed to be tackled in the new policy.

As the document regarding National Competition Policy 2011 states:

"Policies initiated and pursued in various sectors like manufacturing, electricity, telecom, roads, transport, civil aviation, tourism etc. have yielded rich dividends so far. However, the progress across sectors has been somewhat uneven, and so also the trickledown effects on the common man. A common thread explaining these successes is dismantling of restraints and introduction of competition. This has also resulted in enhanced competitiveness with all the allied benefits, including the static, dynamic and allocative efficiencies, all helping to push the growth trajectory. Removal of various fetters has helped in releasing the latent energy and dynamism in the economy and given rise to 45 million new entrepreneurs during the last two decades. However, there remain several residual restraints and anti-competitive effects of government policies and laws in several segments of the economy, mostly unintended. Based on the recommendations made by the Planning Commission, under the XI Five-Year Plan: Policy Document: "Inclusive Growth", (Chapter XI) towards a competition policy, which was adopted by the National Development Council (NDC) in December, 2007, the Government of India intends to introduce an overarching National Competition Policy (NCP) through this Policy Statement. This Policy, when implemented, will enable a coordinated effort to attain the full growth potential of the economy, in a faster, inclusive and sustainable manner."

18.5.2 Main Objectives of National Competition Policy 2011

- Preserve the competition process, to protect competition, and to encourage competition in markets so as to optimise efficiency and maximise consumer welfare.

- Promote, build and sustain a strong competition culture within the country through creating awareness, imparting training and capacity building of stakeholders including public officials, business, trade associations, consumer associations, civil society organisations etc.
- Encourage adherence to competition principles in policies, laws and procedures of the Central Government, State Government and sub-State Authorities, with focus on greater reliance on well-functioning markets.
- Ensure competition in regulated sectors and to ensure institutional coherence for synergised relationship between and among the sectoral regulators and/or the competition regulators and prevent jurisdictional grid locks.
- Strive for a single national market as fragmented markets are impediments to competition and growth.
- Ensure that consumers enjoy greater benefits in terms of wider choices and better quality of goods and services at competitive prices.

18.5.3 Principles of Competition Policy

Taking into account the needs of and priorities for promoting a healthy competition culture, the principles of the NCP shall include :

- **Effective prevention of anti-competitive conduct**: The Competition Act, 2002 **(Act)** prohibits anti-competitive agreements and combinations which have or are likely to have appreciable adverse effect on competition. It also seeks to prohibit abuse of dominant position by an enterprise. There should be effective control of anticompetitive conduct which causes or is likely to cause appreciable adverse effect on competition in the markets within India. The Act establishes the CCI as the sole national body to enforce the provisions of the Act. The implementation of NCP will strengthen the competition culture in the country and complement the endeavours of CCI.
- **Institutional separation between policy making, operations and regulation:** Operations in and regulation of a sector should be independent of the government

branch which deals with policy formulation in the sector and is accountable to the Legislature.

- **Fair market process:** Market regulation procedures, whether by public authorities, regulatory bodies or through self-regulatory mechanism, should be rule bound, transparent, fair and non-discriminatory. Public interest tests are to be used to assess the desirability and proportionality of policies and regulations, and these would be subject to regular independent review.
- **'Competitive neutrality',** such as adoption of policies which establish a 'level playing field' where government businesses compete with private sector and vice versa, etc.
- **Fair pricing and inclusionary behaviour,** particularly of public utilities, which could be imbued with monopolistic characteristics.
- **Third party access to 'essential facilities',** i.e. requiring dominant infrastructure and intellectual property right owners to grant access to third parties their essential infrastructure and platforms (e.g., electricity, communications, gas pipe lines, railway tracks, ports, IT equipment etc) on agreed reasonable and nondiscriminatory terms and conditions aligned with competition principles.
- **Public policies and programmes to work towards promotion of competition in the market place;** i.e. all policies and laws should use the touchstone of competition in their formulation and implementation.
- **National, regional and international co-operation** in the field of competition policy enforcement and advocacy.

The NCP was to be reviewed every five years.

18.5.4 New Competition Act 2013

The New Competition Act aims to further strengthen the accountability standards and shareholders' rights and has directed companies with market capitalization of more than Rs. 500 crores to compulsorily spend 2% of their annual profits on

Corporate Social Responsibility (CSR). By CSR is meant their involvement in social work etc.

The basic features of the Act 2013 are:

- Companies are required to spend at least 2% of their net profits on Corporate Social Responsibility.
- To help in curbing a major source of corporate delinquency, introduces punishment for falsely inducing a person to enter into any agreement with a bank or financial institution to obtain credit facilities.
- The limit of the maximum no. of companies in which a person may be appointed as auditor has been pegged at 20.
- Appointment of auditors for five years shall be subject to ratification at every Annual General Meeting.
- Independent directors to be excluded for the purpose of computing one-third of retiring directors.
- Whole time director has been included in the definition of the term key managerial personnel.
- Maximum no. of directors in a private company increased from 12 to 15 which can be further increased by a special resolution.
- The term private placement has been defined to bring clarity.
- Financial year of any company can end only on March 31. The only exception is for companies which are a holding /subsidiary of a foreign entity requiring consolidation outside India.

CHECK YOUR PROGRESS-II

1. Discuss how India's Competition Policy has undergone change over a period of time.

2. Write short note on:

   - Competition Policy 2011
   - New Competition Act 2013.

18.6 LET US SUM UP:

In this lesson, we discussed the role of private sector in Indian Economy in general and since reforms in particular. We also discussed the different phases through which competitive policy of India has passed.

18.7 SUGGESTED READINGS

- Indian Economy by *Misra and Puri* (Latest edition)
- Pratiyogita Darpan *Indian Economy Series* (Latest issue)
- Approach paper of Eleventh Five year plan
- National Competition Policy 2011 (Ministry of Corporate Affairs, GOI Publication)
- New Competition Act (2013)

UNIT - IV

JAMMU AND KASHMIR ECONOMY: BASIC FEATURES

-Dr. Neelam Choudhary

STRUCTURE

19.1 OBJECTIVES

After going through this lesson, you shall be able to:

- Understand the basic geographical and demographic features of Jammu and Kashmir Economy.

19.2 INTRODUCTION

Every economy has certain basic features like its geographical location, size of its income, share of different sectors in its income, area covered by it, the size and occupational distribution of population, basic demographic features etc. The border state of Jammu and Kashmir, most of which lies in the Himalayan mountain range, and is situated between 32^0 172 N and 36^0 582 N latitudes and 73^0 262 E and 80^0 302 E longitudes, is the northern most state of India. It shares international border with Pakistan and China; and borders Himachal Pradesh and Punjab. The three regions of Jammu, Ladakh and Kashmir differ a lot with respect to climate, crops grown, various activities etc. throughout the year.

Farming and animal husbandry are the two most important sources of income on which many people are dependent. The crops grown are Paddy, wheat and maize. In some parts, Barley, bajra and jowar are also cultivated. Apart from the traditional dependence on agriculture and allied activities, like an economy in transition, we can also find the manufacturing and services sector growing rapidly. Tourism and industrial development have contributed a lot towards the economy of J&K.[1]

19.3 BASIC FEATURES OF J&K ECONOMY

The basic features of J&K Economy are as follows:

19.3.1 Geographical features:

Location

Geographically, Jammu and Kashmir is situated between 32° 172 N and 36° 582 N latitudes and 73° 262 E and 80° 302 E longitudes . J&K is strategically located in the north-west corner of India. It shares its borders with china in the East, Pakistan in the West, Afghanistan and Russia in the North and plains of Punjab and Himachal in the South and South-East.[2]

Area

In terms of area occupation, J&K is the 6th largest state of India occupying 6.76% of the country's geographical area. The total area of J&K state is 2,22,236 sq. kms. But the area under actual control is 101387 sq. kms only, as the rest of the area is under illegal occupation of Pakistan and China. The details of geographical area are as under:

- Total Geographical Area = 2,22,236 sq. kms
- Area under illegal occupation of Pakistan = 78,114 sq. kms
- Area illegally handed over to China by Pakistan = 5,180 sq. kms
- Area under illegal occupation of China = 37, 555 sq. kms[3]

Further disaggregation of the total area into districts, panchayats etc. is as follows:

- No. of Districts : 22
- No. of Tehsils 82
- No. of CD Blocks (-) 143
- No. of Panchayats (-) 4128
- No. of Villages 6671
- No. of Towns 86

Of the total area, 58.34% belongs to the Ladakh region, 25.93% to Jammu region and only 15.73% is located in Kashmir region.[4]

Water resources and mountains: Due to sufficient availability of water resources, the state is said to have a riverine geography. The state is surrounded by mountains except in the South-West side. A major portion of the state's terrain is hilly and its height from sea level varies from 3000 feet to 22740 feet. The state has road, and air links with rest of the country through South.

Climate: The three regions of state Jammu, Kashmir and Ladakh have different agro climatic features. In Jammu, lower hilly areas and plains have summer season from April to July, followed by monsoon around mid July that ends in early September. This area observes a mild winter. Going little higher, Chenab valley is moist temperate in climate, faces a severe winter as well as observes snowfall. The Kashmir valley which has Pir Panchal Mountains on its south and Korakaram on its north has an extremely cold winter and the temperature drops to as low as the freezing point. Spring is pleasant. Ladakh, which is situated in eastern mountain range of Kashmir is one of the highest ranges in the world. It is cold dessert and during winters, temperature remains below zero degree celsius, and in some places even lower. Drass, which is the coldest part of state has observed as low as -50°C during winter. Different agro-climatic conditions have wide implications for the different regions of J&K, in particular with regard to the suitability for a particular crop. For example, Jammu region has huge potential for agro-processing, fruit processing, handicrafts, cottage industries etc., Kashmir region, known as the fruit basket of the state has been doing well in fruit preservation, dehydration and processing. A very well known example is that of Saffron, the most heavily priced spice of the world. It is produced in Kashmir with exportable surplus, apart from catering to demand at local and national levels. Kashmir has also the unique identity of having people skilled in making and marketing of handloom and handicraft goods, carpet weaving, wood carving, papier machie, embroidery, shawl making etc. which offer ample opportunities to the local people in terms of employment and income generation. Ladakh region has good potential for dehydrated vegetables, processing of fruit and seabuck thorn etc. [3]

CHECK YOUR PROGRESS - 1

1. Discuss the geographical features of J&K Economy.

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19.3.2 Demographic features

Population : As per the 2011 census, the state was placed at rank 19 in terms of population. About 12541302 or 125.41 lakh persons are residing here. It has 1.04% share of the total population of India. The percentage growth of population during 2001-11 was 23.64; 23.87 in case of males and 23.37 in case of females. The percentage of rural population was 72.62, whereas that of urban population 27.38. It shows that J&K is still predominantly a state of villages where urbanization is yet to make a significant impact.

Population Density : As per 2011 census, the population density in the state is 124 persons per sq. km of area (with extreme values of 91 for rural areas and 2756 for urban) against density of 382 persons per sq. Km in India. It was ranked 8th due to low density of population.

Sex Ratio : In 2011, J&K had Sex ratio (or the number of females per 1000 males) of 889 females per thousand males. The figure for rural areas was 908, whereas for urban areas 840. This indicator shows a very low value as compared to the national figure of

943. Kulgam and Shopian topped the list of districts with sex ratio of 951 in each district and district Leh was put at the bottom with 690 females per thousand males. The region wise figures for Ladakh, Jammu and Kashmir regions are 750, 886 and 897 respectively. Figures for child sex-ratio show that Kargil was ranked no.1 district for having the highest figure of 977 females per thousand, followed by Leh with 946 as the child sex ratio. District Samba (795) and Jammu (erstwhile Jammu distt., 779) had the lowest figures for child sex ratio.

As compared to 2001, the overall sex ratio has decreased from 892 to 889. But more alarming is the situation with regard to child sex-ratio, or the sex ratio of 0-6 age group. The figure for year 2001 was 941, whereas as per the 2011 census, the figure is 862. So at state level, there has been a decline of 79 points (as compared to a fall of 3 points in overall sex ratio). This indicator puts J&K in the list of states facing low general and child sex-ratio and is a cause of concern for the policy makers. The largest fall has been observed in the Kashmir region (128 points), followed by Jammu (79 points). Ladakh region has shown a decline of only four points since 2001.

Literacy : As per Census 2011, literacy rate of the state is 68.74% with 78.26% male literates and 58.01% female literates. At India level, these figures are 74.04 %, 82.14% and 65.46% respectively . As compared to 2001, there was an overall improvement of 13.22 percentage points. But what is worth more consideration is the faster increase of female literacy rate , as compared to their male counterparts. There was increase of 15.01% and 11.66% in case of females and males respectively. Moreover, the state has also observed a reduction in gender gap in literacy from 23.60% in 2001 to 20.25% in 2011.

Urbanization : As per the census 2011, the urban population of state is 27.38 percent as compared to 31.16 percent at country level. The corresponding figure for 2001 was 24.81%.So there has been an increase of 2.57% over 2001. The ranking of the most urbanized districts is as follows: Srinagar got rank one with 98.6% urban population; Jammu with urban population of 50% was ranked no.2. Ramban, with 4.16% urban population, was the least urbanized, followed by Shopian with 6.15%.

CHECK YOUR PROGRESS - II

1. Discuss the demographic features of J&K Economy.

19.4 LET US SUM UP

In this lesson, we discussed the basic features of J&K Economy.

19.5 SUGGESTED READINGS

1. This section relies heavily on data taken from J&K Economic Survey.
2. Source: Department of Ecology, Environment and Remote sensing, J&K.
3. Source: Same as above.
4. Source: Indicators of Regional Development 2011-12, part-I, An Overview, Directorate of Economics and Statistics, Govt. Of J&K)
5. Source: Same as 4 above Census figures too have been relied upon.

STRUCTURAL TRANSFORMATION IN J&K ECONOMY

-Dr. Neelam Choudhary

STRUCTURE

20.1 OBJECTIVES

After going through this lesson, you shall be able to understand what structural transformation is and to what extent it has taken place in J&K.

20.2 INTRODUCTION

In this lesson, we'll discuss about structural transformation in India in general and J&K in particular.

20.3 STRUCTURAL TRANSFORMATION IN INDIAN ECONOMY

Structural transformation is defined as the reallocation of economic activity across three broad sectors (agriculture, manufacturing, and services) that accompanies the process of modern economic growth.[1]

Duarte and Restuccia define it as : " The structural transformation is characterized by a systematic fall in the share of labor allocated to agriculture over time, by a steady increase in the share of labor in services, and by a hump-shaped pattern for the share of labor in manufacturing.

That is, the typical process of sectoral reallocation involves an increase in the share of labor in manufacturing in the early stages of the reallocation process, followed by a decrease in the later stages."[2]

Let us first discuss briefly about structural transformation in the Indian Economy. Theory tells us that during this process, the share of the primary sector should fall not only in the national income but also in the employment. It should lead to absorption of the people thus diverted from agriculture sector by the industrial sector (the so called first stage of transformation), and finally by the services sector (second stage of transformation). An analysis of Indian Economy by many scholars shows that it has not taken place truly in accordance with this theory. Though the share of agriculture sector in GDP decreased from 55% in 1951 to 15% in 2011 (14.1% in 2012-13, 13.9% in 2013-14 at 2004-05 prices). , similar reduction could not take place with respect to employment. A significant population (65-70% of the population) is still dependent on this sector for livelihood. Also, instead of moving from first phase to second phase, the second phase has been more dominant, as services sector grew much faster as compared to the manufacturing sector.[3]

20.4 STRUCTURAL TRANSFORMATION IN J&K ECONOMY

Usually, Structural transformation in any economy is considered a sign of a growing economy, as the share of agriculture and allied sectors in total income declines, while that of the other sectors, in particular, services, increases. The structural transformation of the J&K economy can become clear from the following table which shows that there has been decline in the share of primary and secondary sectors, while the share of services sectors, now the leading sector, has increased significantly from 43.17% to 56.64%. So more than half of the state income gets contributed by the services sector.

Table 20.1 showing share of different sectors in state income

Share of different sectors in state income	Years	
	2004	2014
Primary	28.16%	17.83%
Secondary	28.13%	25.53%
Services	43.17%	56.64%

Source: (Economic survey 2014-15 vol-I, Directorate of Economics and Statistics, J&K).)

Table 20.2

Table No 7) GSDP Estimates at Constant(2004-05) prices (Percentage Distribution)

S. No.	Sector	PERCENTAGE DISTRIBUTION FOR THE YEAR										
		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12(P)	2012-13 (QE)	2013-14 (RE)	2014-15 (AE)
1	Agriculture including Live Stock	22.34	21.70	20.37	19.41	18.04	18.17	19.05	18.12	16.77	16.06	14.35
2	Forestry & Logging	5.16	4.83	4.49	4.30	3.83	3.61	3.56	3.16	3.13	2.96	2.77
3	Fishing	0.56	0.55	0.50	0.47	0.50	0.48	0.47	0.44	0.42	0.40	0.36
A	Agriculture & Allied (1+2+3)	28.06	26.99	25.36	23.99	23.48	22.56	22.85	21.72	20.51	20.52	17.49
4	Mining & Quarrying	0.10	0.16	0.19	0.20	0.25	0.33	0.22	0.22	0.47	0.44	0.34
4	Sub-total Primary (A+4)	28.16	26.75	25.55	24.19	23.64	22.90	23.07	21.94	20.98	20.87	17.83
5	Manufacturing (5.1+5.2)	6.15	6.44	6.86	7.11	7.57	7.78	7.58	7.45	7.50	7.58	7.22
5.1	Manufacturing (Registered)	2.51	2.60	3.00	3.01	3.18	3.60	3.43	3.47	3.67	3.85	3.90
5.2	Manufacturing (Un-registered)	3.82	3.79	3.87	4.20	4.19	4.38	4.14	3.98	3.83	3.73	3.77
9	Construction	16.28	16.76	17.34	17.30	15.35	14.67	12.92	12.23	11.83	11.73	11.30

7	Electricity, Gas and Water Supply	3.92	4.58	4.63	4.58	4.41	4.73	4.55	4.26	4.77	5.14	5.57
b	Sub-total Secondary (5+6+7)	30.15	27.76	28.74	28.56	27.84	27.12	25.85	29.92	24.89	24.86	23.33
8	Industry (5-8)	31.33	27.92	28.90	29.06	27.41	27.37	25.26	24.33	24.76	25.10	25.27
8	Transport, Storage & Communication	4.96	4.75	5.04	5.38	4.99	5.38	5.09	5.09	5.08	4.97	5.15
9	Trade, Hotels & Restaurants	6.89	7.23	7.31	7.46	8.04	7.58	7.78	7.25	7.89	7.66	7.75
10	Banking & Insurance	3.40	3.51	3.74	4.25	4.07	3.12	5.36	5.48	5.90	6.00	6.34
11	Real estate, Ownership of Dwelling, Legal & Business Services	4.71	3.83	3.67	3.59	3.35	3.51	3.71	3.52	3.42	3.34	3.39
12	Public Administration	11.60	13.05	13.13	13.71	15.88	13.09	14.76	15.60	17.30	16.95	15.56
13	Other Services	11.22	13.00	10.80	10.77	10.60	12.56	12.38	13.40	13.40	13.42	12.74
c	Sub-total Tertiary (Services Sector) (9 to 13)	42.73	47.49	43.71	46.96	49.30	50.85	51.91	54.13	56.02	54.88	56.04
	Total GSDP (at-level)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Further disaggregation of the primary sector shows that the share of agriculture (including livestock) decreased since 2004 till 2014, except a slight rise from 18.17% to 19.03 % from 2009 to 2010.It decreased from 22.34% in 2004 to 14.35% in 2014.The share of forestry and logging during this period decreased from 5.16% to 2.77%.The share of fishing during this period decreased from 0.56% to 0.36%. Except a slight increase from 2007 to 2008, the share of this sector also declined. Mining and quarrying, the last component of primary sector showed a different trend. Its share increased from 2004 to 2008, remained constant till 2011, increased and finally decreased.

In the secondary sector, while the share of registered manufacturing increased, that of other components i.e. manufacturing (unregistered), construction and electricity, gas and water supply fluctuated and was less than the figure in 2004.The share of public administration increased, with mild fluctuations.

Among services sector, the share of components like Transport, Storage & Communication; and trade, hotel and restaurants increased as compared to 2004 figures, though with fluctuations. The share of banking and insurance companies increased significantly, that of real estates decreased and that of public administration also increased.

These data show that like in the national economy (where the contribution of services to GDP was 59.93% in 2013), in the state economy too, the greatest contributor to SGDP was tertiary or services sector. However, it can't be denied that still about 70% of the state's population depends on agriculture directly and indirectly. As in case of the national economy, the shift in occupational structure in the state too has not been according to the structural transformation theory, as is clear from the figures.

20.7 LET US SUM UP

In this lesson, we discussed about the structural transformation in J&K Economy.

20.8. SELF CHECK EXERCISE

- What do you understand by structural transformation?
- Write a note on the structural transformation in J&K economy.

END NOTES

1. Source: Growth and Structural Transformation_ Prepared for the Handbook of Economic Growth Berthold Herrendorf (Arizona State University) Richard Rogerson (Princeton University & NBER)...... (Cardi_ Business School, Institute of Economics HAS & CEPR) February 17, 2013.
2. Source: The Role of the Structural Transformation(in Aggregate Productivity Margarida Duarte University of Toronto Diego Restuccia University of Toronto, February 2009.
3. Source: Structural Transformation in India: An Econometric Investigation by Deepak Kumar Behera and Mitali Tiwari.

UNIT - IV

Semester - II	EC-201	Lesson No. 21

ROLE OF FORESTS IN J&K ECONOMY

-Dr. Neelam Choudhary

STRUCTURE

21.1 OBJECTIVES

After going through this lesson, you would be able to:

- Know about the status of forests in J&K
- Understand the role of forests in state Economy

- Know about the region wise distribution of forests.
- Know about various forest based industries.

21.2 INTRODUCTION

Forests play an important role in an economy. Apart from the beauty of forests, forest coverage of any area makes a difference in the quality of air of that area and leads to positive change in climate, making the life of other species comfortable. Not only this, forestry provides employment opportunities to the people of neighbouring areas, besides meeting the need for fodder and fuel. Benefits are immense. Some tradable forest products are a significant source of revenue for the state . Due to this and many other reasons, every government keeps certain minimum percentage of area reserved and mandatory for forestry coverage. As per the National Forest Policy 1988 ,one-third of total geographical area (20 percent for plains and 66 percent for hilly areas) should be under tree coverage. In this lesson, we'll study about the role of forests in Jammu and Kashmir economy.

21.3 STATUS OF FORESTS IN JAMMU AND KASHMIR

The state of Jammu and Kashmir is covered by lofty mountains, which receive heavy rainfall and snow. Dense forests are found everywhere particularly in outer and inner Himalayan ranges. High mountains of Ladakh and Kargil receive a very little rainfall; therefore, these are devoid of forest cover. However vast grass lands and abundant medicinal and aromatic plants grow there.(J&K Envis Centre)

21.3.1 Region wise Forest Area

The forest area in the state is 20230 sq. Km which forms 19.95% of the geographical area (as compared to all India figure of 24.47%). Ladakh region of the state is devoid of any forests contributing 0.06% to the state forest area. Since about 59% of the geographical area of the state is under permanent snow cover, glaciers and cold desert therefore unable to support tree growth. (Source: J&K state forest policy 2010)

Table- 21.1. (Forest area)

S.No	Region	Geographical Area (Sq. Km)	Forest Area (Sq Km)	%age of Forest area to geographical area
1	Kashmir	15948	8128	50.97
2	Jammu	26293	12066	45.89
3	Ladakh	59146	36	0.06
Total		101387	20230	19.95

Table 21.1 shows region wise distribution of forest area in Jammu and Kashmir

As the table shows, 12066 Sq km is in Jammu region, whereas Kashmir and Ladakh have 8128 sq km and 36 sq km respectively. So 59.64 % of the forest area is in Jammu, Kashmir region has 40.17% and Ladakh has 0.17% area under forest cover. Forest area as percentage of geographical area is 50.97% in Kashmir region, whereas Jammu and Ladakh have these figures as 45.89% and 0.06%.

21.3.2 District Wise forest Area

The following table shows the district wise distribution of the total area under forest into forest area and wild life area :

Table 21.2: District Wise Forest Area 2011-12

S.No	District	Area under Forest (Sq. kms.) Forest Area	Wildlife Area
1)	Anantnag	2068.00	546.75
2)	Pulwama	810.00	273.25
3)	Srinagar	380.00	311.00
4)	Badgam	477.00	3.25
5)	Baramulla	2690.00	384.75
6)	Kupwara	1703.00	-
7)	Leh	29.00	13018.00
8)	Kargil	7.00	112.00
9)	Jammu	959.00	256.50
10)	Udhampur	2343.00	42.25
11)	Kathua	991.00	44.75
12)	Doda	5555.00	418.00
13)	Rajouri	1267.00	-
14)	Poonch	951.00	-

Source: Digest of Statistics 2011-12 and J&K Envis Centre)

With 71.58 percent forest area as percentage of geographical area, Kupwara has a lead among the districts of the State followed by Baramulla/Bandipora and Pulwama / Shopian with 58.63% and 57.94% respectively. On the other hand, district Kargil and district Leh with a negligible %age of forest area i.e. 0.05% and 0.06% only look like forest-less areas.[1]

CHECK YOUR PROGRESS-1

1. Discuss the region wise and district wise distribution of forests in J&K Economy.

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2. Explain the trend in outturn of products and revenue realized from forests in J&K.

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21.3.3 Out Turn of Forest produce

Due to various steps being taken to stop deforestation, the process of indiscriminate cutting of trees has been stopped. It puts an impact on the outturn or production of forest products. The out turn of timber which was 102.48 thousand cubic meters in 2000-01, declined to 69.70 thousand cubic meters in 2009-10, and further to 37.14 thousand cubic meters during 2012-13(ending Nov).The value of output under minor forest produce also witnessed a downward trend over the years and came down from 2944.52 lakh in 2000-01 to ` 29.50 lakh in 2009-10. [2]

Table 21.3 showing out turn of forest products:

Year	Timber	Firewood	Total Major Products	Minor Forest Products (Value in Lakhs Rs.)
1955-56	313.69	142.97	456.66	10.45
1960-61	451.43	162.48	613.91	19.37
1965-66	306.08	88.91	394.99	28.36
1968-69	309.49	78.04	387.53	229.93
1974-75	362.32	82.30	444.62	432.28
1980-81	609.21	237.97	847.18	1324.32
1985-86	370.50	113.35	483.85	1174.01
1990-91	154.00	43.00	197.00	835.81
1995-96	112.88	5.45	118.33	1650.00
1999-00	165.03	13.06	178.09	1908.59
2000-01	102.48	4.18	106.66	2944.52
2001-02	152.18	10.28	162.46	2384.37
2002-03	166.47	25.44	191.91	1983.41
2003-04	94.94	25.17	120.11	2151.64
2004-05	66.99	23.70	90.69	1061.08
2005-06	86.40	22.92	109.32	1893.93
2006-07	80.85	20.19	101.04	N.A
2007-08	68.48	32.89	101.37	1029.36
2008-09	72.40	19.18	91.58	959.28
2009-10	69.70	20.23	89.93	658.99
2010-11	57.60	14.03	71.63	958.25
2011-12	73.59	15.84	89.43	826.25

(Data Source: Digest of Statistics 2011-12)

21.3.4 Revenue Realised

As per the revenue and expenditure status of J&K Forest Annual administration report 2010-11, "The export of timber had been increasing progressively till working by private forest lessees was banned in 1985. A ban on timber export by other agencies was imposed in 1990. After the expiry of the banned period it again started and continued till December-1996, when the Hon'ble

Table 21.4: Revenue Realised from Forests

S.No	Year	Revenue Realised (Rs. in Lakhs)
1)	1950-51	49.60
2)	1955-56	101.41
3)	1960-61	361.61
4)	1965-66	314.78
5)	1968-69	435.50
6)	1974-75	952.92
7)	1980-81	3423.84
8)	1985-86	4646.50
9)	1990-91	2304.42
10)	1995-96	3315.81
11)	1999-00	4533.35
12)	2000-01	4591.62
13)	2001-02	3904.57
14)	2002-03	3616.85
15)	2003-04	4413.43
16)	2004-05	4158.924
17)	2005-06	4391.408
18)	2006-07	1691.52
19)	2007-08	2266.84
20)	2008-09	2535.29
21)	2009-10	3454.74
22)	2010-11	4423.26
23)	2011-12	4929.05

(Data Source: Digest of Statistics 2011-12)

Supreme Court restricted export of timber only through State Forest Corporation. Therefore, there has been a quantitative descend in the export of this Major Forest Produce from the J & K State. During the year 2010-11 timber to the extent of 0.529 thousand cums was exported. Further, Minor Forest Products of the order of 16668.27 Quintals was exported from J&K State."

Now the policy of the government with regard to forests has changed. Now the focus has moved from exploitation to preservation. That is why, the declining revenue should not be considered as a weakness, but a strength as it shall preserve the forests for the betterment of humanity. Different acts are in place in the state. The latest state forest policy too is emphasizing on correcting and preventing the steps of different agents so as to protect forests. The revenue realized from forests has been shown in table 21.4 above.

In 2012-13, Rs 44.83 crore had been realised as revenue from the forest produce in Jammu and Kashmir, when ban on extraction of medicinal plants (since 2004) for their natural conservation and rejuvenation, was lifted. (news report)

Table 21.5 showing export of some important forest products

S.No.		*Produce*	*Unit 2010-11*
1	Anardana	Qtls.	1036.85
2	Rasount	Qtls.	1165.00
3	Resin(oleo	Qtls.	6060.18
4	Rosin	Qtls.	5416.79
5	Guchain	Qtls.	120.59
6	Harar	Qtls.	496.00
7	D Oileodar	Qtls.	337.00
8	Timber	Cft.	18720.87
9	TurpentineOil	Qtls.	470.42
10	Sandal Wood	Qtls.	302.65
11	Walnut Butts	Cft.	1262.79

(Source: Annual Administrative Report, J&K Forest Department, 2010-11)

21.3.5 Specie wise Forest cover

The specie-wise area under forests has remained stagnated during last few years. An area of 1075 Sq. Kms. is under Deodar constituting 5.31% of the total forest area. 1825 Sq. Kms. are under Chir, having 9.02% share, 1969 Sq. Kms. are under Kail which accounts for 9.74%, 3401 Sq. Kms. are under Fir, representing 16.81%. Largest area of 10075 Sq. Kms. falls under other categories having a share of 49.8%. Thus, 18345 Sq. Kms. are under coniferous (soft wood). Non coniferous (hard wood) covers 1885 Sq. Kms. claiming 9.32% of total forest area. An area of 1962 Sq. Kms. is covered by Rakhs and wild life reserves.[3]

21.3.6 Forest Based Industries

Some of the forest based industries in J&K include:

1) Eco-tourism
2) Turpentine and Resin Industry
3) Kashmir Willow Industry
4) Joinery, Ply and other wood based industries
5) Pharmaceuticals etc.[4]

21.4 ROLE OF FORESTS IN JAMMU AND KASHMIR

The rich and diverse forests of J&K are quite important and essential due to their role in soil conservation, water security, and for meeting the needs of local population for timber, firewood, fodder and other forest produce. Forests of the State were constituted along with the initial revenue settlement as per State specific demarcation rules.[5] Forests constitute the largest land based resource in the State. Hence there lies ample scope of these forests being used to address some issues and solve some problems of the state. However, one thing needs to be noted; that during exploitation of these forests for meeting our needs, we should keep in mind the fact that exploitation or trading in forest products for getting revenue, or even the use of these products for household purposes should not be unsustainable. Keeping these issues in mind, The J&K govt. adopted for the first time an independent forest policy in 2010.

Forests play a very important role in moderating the soil mantle, improving soil fertility, purifying the air, arresting soil erosion and in regulating the flow of water in rivers and streams. Indicator like forest area as percentage of geographical area gives the idea about availability of forests in a particular district/region.

The role of forests in J&K Economy shall become clear from the following points:

Basis of Life in the hilly areas: Forests are said to influence the three basic components of biosphere, i.e. soil, water and air. Jammu and Kashmir is no exception to it. Not only the uninterrupted supply of water in the hilly regions of the state, but also the healthy quality of soil speak a lot about the forests being the basis of life.

Meet needs of Other sectors: As most of the people of hilly areas depend on forests for their basic needs for fuel, fodder, food as well as some timber products, this makes essential the presence of forests for the survival of other sectors like agriculture, horticulture, animal husbandry etc. This is so true about J&K that, the famous Kashmiri saint, Sheikh Noor-ud-din Wali (1377-1440 CE) once said, "*Ann poshi teli, yeli wann poshi*, i.e., food will last as long as forests last." This shows that the other sectors can't flourish unless we have an adequate forest cover. Jammu and Kashmir's (except Ladakh region) rich forests thus contribute a lot towards the development of other sectors.

Significance for hydro-electric projects: Many hydro-electric projects exist in J&K. Huge potential lies for electricity generation. Again comes the role of forests. By preventing soil erosion, they encourage the development of hydro-electric projects.

Source of raw materials for forest based industries: Many forest based industries in the state like those producing paper, pulp, matches, boxes, sports (cricket bats) items, furniture, joinery, toys and some decoration pieces etc. are heavily dependent on forests for the raw materials or inputs. In sports goods, furniture and wood artifacts, the Willow, Mulberry and Walnut trees play a significant role. As per some estimates, about 5000 workers depend on these forest based industries and earn annually an amount of Rs. 5 crores. Turpentine and many resins, used in chemical industries, lac used in adhesives, printing ink etc. too have been obtained from forests. In Kashmir, a boat made of an axe-cut timber is preferred more. So the boat industry is also highly dependent on wood (in particular, the deodar wood). Besides, forest products are also highly useful in basket industry.[4]

Medicinal value: Some of the products having a high medicinal value like Kuth, Baladona, Dioscoria, Hyoscyamus, Podophyllum, Digitalis, Artemisia etc. are inputs for the pharmaceutical industries.[5]

Habitat for some species Forest also acts as a habitat of some wildlife species amongst which Hangul, Brownbear, Markhor, Snowleopard etc. are certain examples found in the state.[5]

Scope for tourism: Tourism has always remained a leading sector in the state economy. Only recently ,i.e. after the insurgency and the problem of militancy, the no. of visitors have been affected adversely. However, the beauty of forests can be tapped with regard to some innovative types of tourism, like eco-tourism, village tourism etc. in which there is much incentive for the visitors as well as a sense of responsibility towards the preservation of forests. The health resorts of our State like Gulmarg, Pahalgam, Aharbal, Patnitop, Batote, Kud, Achhabal, Kokernag, Daksum, Verinag are situated amidst these forests and thereby add beauty to these health resorts, which attracts tourists from all over the world. *Recently, some steps have been taken towards promoting eco-tourism e.g. a destination at Dera Ki Gali was selected in 2010 under Eco-Tourism Development with a project report for an amount of Rs. 923.00 Lakh in which the main components were the construction of two wooden huts, laying of water supply line, construction of tank, natural trail/trekking routes, chain link fencing etc. For promotion of Eco-Tourism in the State, the Govt. has created an ecotourism wing in the J&K Wildlife protection department headed by a Chief Conservator of Forest.

CHECK YOUR PROGRESS-II

1. Name some important forest based industries of J&K.

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2. Discuss the role of forests in J&K Economy.

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21.1 LET US SUM UP

In this lesson, we discussed about the distribution of forests in J&K, revenue realized from them, some forest based industries and role of forests in state economy.

END NOTES

1. Source: Indicators of Regional Development 2011-12, part-I, An Overview, Directorate of Economics and Statistics, Govt. Of J&K.
2. Source: Environment and forest chapter of State level Banker's Committee.
3. Same as above.
4. Source of this section: Annual Administrative Report, J&K Forest Department, 2010-11)
5. Source: J&K forest policy, 2010.
6. Source: yourarticlelibrary.com, 2015.
7. Source: See 4 above.
8. Same as above.
9. Same as 8 above.

UNIT - IV

Semester - II	EC-201	Lesson No. 22

HYDROPOWER POTENTIAL IN J&K

-Dr. Neelam Choudhary

STRUCTURE

22.1 OBJECTIVES

After going through this lesson, you shall be able to :

- understand the hydropower potential of J&K.
- know the problems faced by the sector
- know about the role of hydropower in J&K Economy.

22.2 INTRODUCTION

Electricity has changed our life. The presence or absence of power makes a difference in the way of doing things. With the growing population figures, demand is likely to increase further. We often observe that frequent power cuts make domestic life miserable; the situation is much more troublesome for the running of industries, as production comes to a stand still and substantial loss of revenue occurs. India is a land of rivers; hence there lies huge scope for tapping the potential of hydropower for meeting the shortfall in supply of electricity and overcoming the power crisis which we have to come across every now and then. In this lesson, we shall discuss about the hydropower potential of our own state Jammu and Kashmir, the northern most state of India. We'll learn how much potential has been explored and what needs to be done to improve the services of this sector. We'll also be able to understand the challenges that lie ahead in this endeavour.

22.3 HYDROPOWER: INTRODUCTION

As per IPCC Fifth Assessment Report , the States with high dependency on conventional energy sources for meeting the energy demand contribute significantly to environmental degradation. Though the demand for energy to meet economic development exists; a strategy should be developed towards lowering the Green House Gas emissions from the energy system besides satisfying the global demand for energy services. Increasing the share of renewable sources in the existing energy generation mix is assessed as the best possible option towards meeting the global energy supply challenge.(J&K Envis Centre). Among renewable sources of energy, Hydropower is considered a clean and safe source ; hence the future demand of electricity can be met with the help of it. Hydropower, as the term indicates is the tapping of fast running water to generate electricity. Usually, scholars talk about technical, economic and environmental benefits of hydroelectric power that makes a strong case for its being utilized. Of particular importance is the small hydropower (SHP) which represents an alternative to fossil fuel generation and does not contribute to either greenhouse gas emissions or other atmospheric pollutants(ICHPSD-2015). But when it comes to big projects, often they are opposed by groups advocating the protection of environment, as there are many threats involved.

22.4 HYDROPOWER: STATUS IN J&K

Many rivers flow through Jammu and Kashmir. So hydropower is the major source of energy in the state. The major rivers and their perennial tributaries can be effectively utilized for domestic energy requirements through water mills and small-scale hydroelectric

units. The state of Jammu and Kashmir has a long history of Hydropower projects as early as 1905 (9MW Mohra Hydro-electric Plant, as mentioned in a report of JKSPDC). Still there are about 2000 un-electrified villages/hamlets in the state.[1] Hence the significance of these projects has been very well identified and shall go a long way in meeting the growing energy demand of the state, without environmental degradation. The hydropower potential of the state has been estimated as 20,000 MW of hydroelectric power. But out of this, only 16,000 MW has been identified economically and also meets the criterion of technical feasibility. The current status shows that the state is able to exploit only 15% of this potential with installed capacity of 2438.70 MW. Out of this, the ownership and control of about 95% lies with the centre; and the rest i.e. 5% or 758.70 MW with the state. The power demand in the state has been estimated as 10370 MU (million units). State can meet only part of this demand i.e. 1692.5 MU with its own generation; the rest it purchases from the central projects, though on state's own water resources.[2]

The single largest consumer of electricity in the state is the domestic sector with 34% consumption. As the state moved towards modernization and urbanization, the per capita consumption of the state increased from 849.98 kWh in 2010-11 to 882.82 kWh in 2011-12. According to the sixteenth All India Power Survey, the power requirement of the State is expected to reach 19,500 million units during 2020-21 (J&K Envis Centre).

Table 1 showing the consumption of electricity by different categories of consumers

Sl. No.	Consumer category	2009-10		2010-11		2011-12	
		Energy Consumption (In MU)	%age	Energy Consumption (In MU)	%age	Energy Consumption (In MU)	%age
1	Domestic	1,350.00	35.00	1,255.55	33.01	1,431.59	33.56
2	Non-Domestic/ Commercial	295.00	7.70	340.40	8.64	333.24	7.81
3	Industrial	859.00	22.35	816.84	20.21	805.53	18.91
4	Govt.						
4.a	Irrigation/ Agriculture	295.00	7.70	198.50	4.90	140.07	3.30
4.b	Public Lighting	14.00	0.37	29.07	0.72	15.00	0.04
4.c	Public Water Works	305.00	7.95	589.28	14.50	638.14	15.01
4.d	State Central Govt.	533.00	13.88	711.25	17.60	651.59	15.30
4.e	General Purpose Bulk Supply	78.00	2.02	93.10	2.29	144.10	3.38
	Grand Total	[illegible]	100.00	4,042.02	100.00	[illegible]	100.00

Source: (J&K Envis)

The major hydroelectric power plants in the state are Uri Hydroelectric Dam (480 MW), Dulhasti (390 MW), Salal (690 MW) and Baglihar (450 MW). The Uri hydroelectric power station is established on the Jhelum River near Uri in Baramula district. This station is largely built under a hill with a 10 km tunnel. The Dulhasti hydroelectric power plant is established in Kishtwar district on the swift-flowing Chenab River in the Doda region. This project provides peaking power to the Northern Grid with the neighbouring beneficiary states Punjab, Haryana, Uttar Pradesh, Uttarkhand, Rajasthan and Delhi. The Baglihar hydroelectric power project is a run-of-the river power project on the Chenab River in the southern Doda district with a volume of 1,800,000 m3 and crest elevation of 844.5 m [1].

Table 2 showing list of Hydro-electric projects in Jammu and Kashmir

Sl.No.	Project Name	River	Basin	District
1	Baglihar Stage-1 Hydroelectric Project	Chenab	Indus up to International Border	Doda
2	Chenani Hydroelectric Project	River Tawi tributary of Chenab	Indus up to International Border	Ladden 8 km from Udhampur, J&K
3	Chenani-III Hydroelectric Project	Tawi	Indus up to International Border	
4	Chutak Hydroelectric Project	Suru	Indus up to International Border	Village-Minji, Kargil
5	Dulhasti Hydroelectric Project	CHENAB	Indus up to International Border	Doda
6	Ganderbal Hydroelectric Project	Sindh Nallah tributary of Jhelum	Indus up to International Border	20 km from Srinagar, J&K
7	Iqbal (Kargil) Hydroelectric Project	Wakharong	Indus up to International Border	Kargil/leh
8	Kishenganga Hydroelectric Project	Kishanganga	Indus up to International Border	
9	Lower Jhelum Hydroelectric Project	Jhelum river	Indus up to International Border	Near Warikhah, Baramulla
10	Nimmo-Bazgo Hydroelectric Project	Indus	Indus up to International Border	
11	Ranjit Sagar Dam Hydroelectric Project	Ravi	Indus up to International Border	SHAHPURKANDI (Pathankot)/ GURDASPUR
12	Salal - I & II Hydroelectric Project	River Chenab	Indus up to International Border	Reasi/Udhampur

13	Sewa-II Hydroelectric Project		Indus up to International Border	Kathua
14	Sewa-III Hydroelectric Project	Ravi	Indus up to International Border	
15	Stakna Hydroelectric Project	Indus	Indus up to International Border	Leh
16	Upper Sindh Hydroelectric Project	Sindh Nallah tributary of Jhelum	Indus up to International Border	57 km from srinagar, J&K
17	Upper Sindh-II Hydroelectric Project	Sindh Nallah & Wangath nallah of Jhelum	Indus up to International Border	
18	Uri-I Hydroelectric Project	Jhelum	Indus up to International Border	8 km from Baramula Distt-Kashmir North
19	Uri-II Hydroelectric Project	Jhelum	Indus up to International Border	

(Source: Water Source Information System of India [WRIS])

22.5 PROBLEMS/ CHALLENGES:

Though J&K is a water resource-rich state, certain factors render it unable to tap full potential of hydropower. Some of these are:

Indus water treaty: Both India and Pakistan are bound by this treaty. Though it is one of the few success stories (conflict resolution) in Indo-Pak conflicts, certain clauses of it like the one which " prohibits reservoir storage of water on major rivers of J&K", restrict the scope of generating electricity from hydro power to generation from only run of the river projects.

Geographical and technical barriers: The energy crisis gets aggravated by the unique topography of the state. There are still many villages where it is next to impossible to lay down Transmission and Distribution lines. Some areas suffer from extreme cold conditions,and hence still rely on conventional fuels like wood, charcoal though they damage the environment. Though these areas are electrified, the inadequate power supply compels them to adopt these methods. In some hilly terrains, it is uneconomical to supply power, as the houses are not placed closely. So despite sufficient resources, the state remains starved of power in certain places.

Lack of state control over water resources: As discussed earlier, the centre has a substantial control over many projects built on water resources of the state. So the state can have access to hydropower generation of these plants only by purchasing it.

Transmission and Distribution losses: There is a gap between the generation of power and its transmission to the ultimate consumer. In this process, transformation occurs at various stages. It involves loss of power, called Tansmission and Distribution (T&D) loss. In our state, about 61% power gets lost in this process. Reasons range from technical to commercial. Whereas the former are due to use of obsolete methods which are still used, and which can be corrected by making use of latest technology; the latter is in the hands of consumers. In other words, if consumers are responsible citizens and don't resort to illegal means to have access to power, these losses can be avoided.

22.6 CONTRIBUTION OF HYDROPOWER TOWARDS STATE ECONOMY

Apart from the general benefits of being a clean and cost-effective as well as technically feasible source of energy in the state, this source has contributed a lot towards state economy . Let us discuss in what ways has the hydropower potential of the state been explored in true sense:

Source of revenue: If the cost of one unit of energy is taken to be Rs. 2.56 (the per unit cost estimates for the purchase of electricity by the state from central power projects), the revenue comes out to be 87,600 MU x 2.56 = Rs 22,425 crores.

Employment: If one MW of hydropower generation is assumed to employ 8 skilled/ unskilled persons (as per estimates), 20,000 MW are expected to render employment to 1,60,000 persons.

Income: The revenue of Rs.22, 425cr.is expected to raise Net State Domestic Product (NSDP) from Rs.27,099 cr. to Rs. 46,639 cr. and the Per capita income is expected to rise from Rs.26,715 to Rs. 45,978

Investment : As per the estimates, the average infrastructure cost of setting up of hydel project in J&K is six crore per one MW. As the state exploits 20,000 MW of hydropower, the investment required is Rs. 1,20,000 cr.It has been evidenced that on an average, about 60-70 percent of the project cost is spent locally especially on civil works including compensation for land acquisition and employment. Therefore, spillover effect on local economy at 65% =Rs. 80,000 cr. ($2.5billion) which can generate a stream of perpetual incomes through multiplier effect."

22.7 RECENT STEPS TAKEN BY THE GOVERNMENT

Though the government has undertaken the task of identifying the households consuming power illegally and hence metering started many years back, to avoid losses in revenue, revenue realization has not been impressive, though it showed an upward trend in 11th plan and there has been increase in recovery of tariff since 2002. Starting with 2002, revenue realization has fluctuated from a low of 66.54% to as high as 94.69 in 2006-07. In 2011, it was 77.44%. This shows that the issues like " high power thefts/illegal uses/ unregistered consumers, uncontrolled and unaccounted consumption of power, lesser load agreements, low tariff rates and poor collection efficiency" etc. contribute substantially towards the gap between the revenue realized through tariff and the cost of purchase of power by the state. As per the estimates, this deficit or gap increased from ` 2451.14 crores in 2010-11 to 3371.41 crores in the year 2011-12.

Some of the reform measures taken by the government include:

- Jammu and Kashmir Electricity Act 2010 has been passed by the State Legislature on the pattern of Central Electricity Act 2003.
- The Jammu and Kashmir Conservation Act on the pattern of the Central Act has been passed by the State Legislature in the Budget Session-2011.
- SERC has been made fully operational. Tariff petitions are being filed regularly since 2006-07 before the Commission.
- Consumer metering has been revived. Nearly 99612 meters were installed ending September 2012 during 2012-13.
- The mismatch between the demand and the agreed load is being addressed. Nearly 423.16 MW of additional load was brought within the tariff regime between 3/2011 to 09/2012.

- Multi-tier inspection squads have been constituted to check the misuse of power. Judicial Magistrates have been associated with inspections to curb power theft.
- 100 % computerization of energy bills achieved in the State.
- Voluntary Load Disclosure Scheme (VLDS) for domestic and commercial consumers was launched in June 2012, under which the people were encouraged to voluntarily disclose their load. Incentive in the shape of waiving-off of Security deposit and other charges which are normally recovered from consumers on account of addition of load was also included in the scheme. Large number of consumers availed the scheme which resulted into addition of 423.16 MW load.
- A toll free helpline number 1800-1807-666 was launched in November 2012 for the consumers to report their grievances free of cost.

CHECK YOUR PROGRESS

1. Discuss the hydropower potential of J&K. What challenges lie

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2. What steps have been taken by the state government recently to bring reforms in the power sector?

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22.8 LET US SUM UP

In this lesson, we discussed about the hydropower potential of J&K state. We also discussed the challenges that lie ahead and some recent steps taken by the government.

END NOTES

1. Nazakat R, Nengroo A. Impact of Indus water treaty on Jammu and Kashmir State: with special reference to hydro power potential. Journal of recent advances in agriculture, 2012; 1(4):157-63 (Cited in ICHPSD 2015)
2. ICHPSD-2015.
3. Sources of this section are: Economic survey report Jammu and Kashmir, chapter 40: Power; 2013-2014. P.468-511 and JKPDCL, Energy audit report of hydro electric projects, Jammu and Kashmir Power Development Corporation Limited; 2011. Both have been cited in ICHPSD 2015.
4. Source of this section: ICHPSD 2015.

UNIT - IV

Semester - II	EC-201	Lesson No. 23

AGRICULTURE IN J&K

-Dr. Neelam Choudhary

STRUCTURE

23.1 OBJECTIVES

After going through this lesson, you shall be able to:

- Understand the role of agriculture in J&K
- Understand the efforts made by the government in this regard.

23.2 INTRODUCTION

Agriculture, with its linkages with other sectors, continues to hold importance in Indian Economy. Whether we talk about the employment potential of this sector (given the fact that a significant number still resides in villages)or its usefulness for agro-based industries or its importance being recognized in increasing demand for goods (e.g. a good crop means rich farmers and hence more demand); the list is endless. Since independence and during planning period, the focus has been on ensuring self-sufficiency in foodgrains. So agriculture is arguably a sector which is still important despite the fact that over a period of time, its share in Gross Domestic Product (GDP) has decreased. In this lesson, we'll discuss about the role of Agriculture in J&K Economy.

23.3 STATUS OF AGRICULTURE SECTOR IN J&K

As per the census (2011) reports, in J&K, agriculture and allied sectors provide livelihood to abvout 70% of the population. The share of Agriculture & allied sector to Gross State Domestic Product (GSDP) has declined e.g it was 21.19% in 2011-12, as compared to 28.06%, registered in 2004-05 at constant prices. It shows that like the national economy, structural transformation has started making its beginning in the state also.

Depending on the agro-climatic conditions, the three regions i.e. Jammu, Kashmir and Ladakh differ with regard to cropping pattern. e.g. paddy is the main crop of Kashmir, followed by maize, oilseeds, pulses, vegetables, fodder and wheat. In Jammu region, wheat is the predominant crop followed by maize, paddy, pulses, oilseeds, fodder, vegetables and other crops while in Ladakh, barley is the major cereal crop followed by wheat. J&K's Pampore tehsil of Pulwama district is well known for the world famous saffron. Besides, Basmati rice of R.S. Pura,Rajmah of Bhaderwah, Kishtwar and Bani and Black Caraway (Zeera) of Jammu and high quality apricots and seabuck- thorn berry etc of Ladakh etc. too contribute significantly towards state economy. Paddy, maize and wheat account for more than 90% of the food crops grown here. The diversification in the physiographic features and agro-climatic variation at macro- and micro-level, involving cold arid, temperate, intermediate and sub-tropical zones, within a small geographical area of 2.22 lakh sq. km indicates the inherent agricultural potential of the State.[1]

23.4 FEATURES OF AGRICULTURE SECTOR IN J&K :

The following points further explain the agriculture profile of J&K state.

1. The foodgrain production increased from 4.52 lakh tonnes in 1950-51 to 15.21 lakh tones in 2010.
2. No. of Small/Marginal Farmers -85%.
3. Small and fragmented land holdings (Av. holding size: 0.66 ha.).
4. Huge diversity in physio-graphic features and agro climate at micro & macro level (sub tropical, temperate, inter mediate & cold arid zones exist).
5. Hilly terrain
6. Increasing pressure on land due to growing urbanization.
7. Fragile Soil in hilly areas susceptible to soil erosion.
8. Limits to mechanized farming and transportation of products.
9. Extreme limits to irrigability of cultivated land.
10. Single Cropping season in temperate / high altitude areas.
11. Inadequate and unorganized marketing infrastructure.
12. Distant markets for export outside the State.[2]

Table 23.1 showing Land Resource in J&K:

S.No.	Particulars	Area(Lac Ha.)
1	Forest	6.58
2	Non-Agri Lands	2.91
3	Barren & Un-cultivable lands	2.11
4	Pastures & other grazing land	1.05
5	Land under Misc. trees	0.63
6	Cultivable Waste Land	1.05
7	Fallow land	0.74
8	Net Sown Area	9.09
9	Total Reported Area	24.16

(Source: Agriculture production department, Govt. of Jammu and Kashmir)

Table 23.2 showing Area under various crops in J & K State:

Crops	Area(Lac Ha.)
Paddy	2.58 Lac Ha
Maize	3.19 Lac Ha
Wheat	2.62 Lac Ha
Pulses	0.30 Lac Ha
Vegetables	0.51 Lac Ha
Flowers	0.00250 Lac Ha
Other cereals & millets	0.38 Lac Ha
Oilseeds	0.62 Lac Ha

(Source: Agriculture production department, Govt. of Jammu and Kashmir)

23.5 ROLE OF AGRICULTURE SECTOR IN STATE ECONOMY:

The data mentioned above give you an idea of how much is the agriculture sector contributing towards state economy. The significance of this sector for the smooth functioning of state economy shall become clear from the following points showing the strength of this sector. These points are in addition to the basic data provided in '**Status of Agriculture sector in J&K**' in the introductory part of the lesson:

1. The horticulture component is doing well. There has been observed tremendous growth in it since the last 50 years. There has been expansion both in the area covered as well as production. The production reached over 22 lac metric tones during 2010-11 as compared to about 33000 M.T. in 1960. The state tops the list of states with regard to the production of temperate fruits. Factors like introduction of high density varieties, better orchard management, adoption of better cultural and production techniques etc.[3] made it possible. Apple alone contributes about 85% of our total fruit production. The state has huge potential to achieve substantial increase in the production of other fruits like walnuts and almonds. In 2010, the state earned Rs. 2500 crores annual income from fresh fruit, Rs 300 crores from dry fruit and about five lakh families got directly or indirectly benefitted through involvement in the sector. About twenty

seven lakh people were involved in trade. Estimates show that each hectare of Orchard generates 400 man days per year (1.30 lac man - year). The share of the horticulture sector in the agriculture GSDP is about 45 %. The sector generated an annual income of Rs. 3500 crore in the FY 2011, which also included a foreign exchange component of Rs. 209 crore.[4]

CHECK YOUR PROGRESS-1

1. Write a note on the status of agriculture in J&K.

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2. What features characterize the agriculture sector in J&K?

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2. Another source of revenue for the state is the vegetable sector. Vegetable cultivation in the state is a spectacular success story. There has been an increase from 13.92 lakh Mts in the FY 2009 to 14.65 lakh Mts in FY 2011 and from 60000 hectares to 62000 hectares in the area under vegetable cultivation during the same period. Vegetable export from the state has more than doubled from Rs. 100 crore in the FY 2009 to Rs. 225 crore in the FY 2011.[5]

3. Another area making strides is the cocoon production. The State has the unique distinction of producing the highly valued bivoltine cocoons. Despite the monopoly on the trade until recently, the state had to surrender its primacy in sericulture to the north-western states. However, today it ranks first in cocoon production amongst these states because of proactive R&D interventions. The state produces around 900 MTs cocoon annually. Around 3100 hectares of land are reportedly under cultivation of mulberry trees.[6]

4. The status with regard to livestock is also very encouraging. The livestock count of the

State as per the last census has been estimated at 104.73 lakh as compared to 40.08 lakh in the year 1956. Livestock breeding's share towards state's GDP is about 13%. The deficit in the supply of animal products like mutton, poultry and milk owing to local breeds has been changed primarily due to better breeds and various schemes of the government for vaccination, fodder production etc. As a result of timely interventions by the government, the milk production too has improved a lot. The per capita availability of milk in J&K till few years back was estimated at 330 ml, as against an average of 220 ml at national level and the level of 285 ml. recommended by the ICMR and the WHO.

5. Besides, apiculture too has great hidden potential in the state, due to different kinds of flowers grown here. Floriculture is an emerging area; also there is huge scope for aromatic and medicinal plants. This is one of the thrust areas of the government's recent agriculture policy.

6. The state can do very well in exploring further biodiversification, as different climatic conditions in different regions of the state have been gifted by nature. Growing those crops, fruits, vegetables in the regions they are meant for and identifying new such crops shall go a long way in adding to the state revenue as well as employment figures.[7]

23.6 CHALLENGES

All is however not well with the agriculture sector in the state. Given the fact that a significant portion of the state is hilly terrain with limited crop growth potential, the potential of this sector has not been realized fully. Following are the various challenges the sector faces in this state:

1. Though there has been improvement in the production of foodgrains from 4.52 lakh tonnes in 1950-51 to 15.21 lakh tonnes, the demand is still deficit by 38 per cent. As per the Economic Survey (2008-09)[8], the deficiency in cereals is nearly by 40 per cent, 70 per cent each in pulses and oil seeds and 30 per cent in vegetables. The State still relies on other states for meeting shortfalls. Some crops have even observed negative production growth rates of -2.55, -0.48, -3.36 and -0.44 per cent in case maize, wheat, cereals & millets; and food grains, respectively with negative productivity

trends of -2.78, -4.86 and -0.35 per cent in case of rice, wheat and total food grains respectively. It means that the state is still not self sufficient.

2. Even the resources available have been underutilized. The hilly and mountainous areas of the state are remotely placed i.e. Inaccessible and suffer from poor soil conditions and short season. Besides, some socio-economic constraints like small holdings of land, low productivity, poor techniques of production, lack of awareness about post harvest techniques etc. too have led to underutilization of given resources, and hence low productivity. It is not possible to apply mechanised farming techniques, multiple cropping etc. to these areas.

3. Though area, production and productivity of different crops have increased over time, the rate of development has been very slow. The cropping intensity in Jammu region is reported to be 176%, whereas Kashmir and Ladakh regions closely follow with the levels 123% and 106% respectively. In Kashmir and Ladakh regions, high cropping intensity is by the incidence of moisture stress at the sowing time in October-November, inundation of fields in low lying areas after winter, harsh winters and short growing.[9]

4. Like in other parts of the country, the introduction of New Agricultural strategy in the state, too, has had its mixed experience. Some of the common effects have been the damage to the environment, land, water and biodiversity.

23.7 EFFORTS TAKEN BY THE STATE GOVERNMENT

To meet some old and new challenges in the agriculture sector, the government has taken the following steps:

1. Sometimes, there remains a communication gap between the researchers/ policy makers and the farmers. This gap needs to be bridged for the proper implementation of the schemes meant for the farmers. This issue is being addressed by the empowerment of farmers, so that their status as important stakeholders is recognized.[10]

2. There has been significant increase in the seed replacement rates (SRR), across different crops in the state, with the infusion of more liquidity in the sector. The SRR of rice in the Valley increased from 9.5 per cent in the FY 2009 to 16.3 per cent in the FY

2011. Likewise, in the case of wheat and oilseeds, the SRR has shown a spike to the levels even beyond the national average of 25 per cent during the same period. In Jammu division, the SRR of rice has increased to 25 per cent while in the case of maize and wheat, the replacement rate has enhanced to the levels of 11.20 and 30 per cent respectively during the same period.

3. To increase productivity, steps towards hybridization of agriculture are being taken. Use of fertilizers too has been encouraged.

4. The products which can yield good amount of revenue have been given special focus, e.g. saffron, 'basmati' rice, medicinal plants, 'ambri' apple etc.

5. To improve post harvest infrastructure in the Horticulture sector, 11 F&V satellite markets had been completed during the three years (FY 2009-2011) at a cost of Rs. 15.38 crore. Besides, 1216 shop sites were allotted to the fruit growers/traders during the last FYs (2009-2011). This has facilitated the smooth working of mandis by providing adequate information to the different players of the market.

6. Traditionally, J&K has been a mono-crop region with Sericulture being a subsidiary occupation. In order to make it remunerative for the beneficiaries, the department, with the assistance of the Central Silk Board and the SKUAST, has introduced double cropping in the Valley. In Jammu division, the effort has been taken to a still higher level by introducing a three crop adjustment programme. The introduction of multi-cropping in the state is expected to increase the production levels significantly.[9]

CHECK YOUR PROGRESS-II

1. Discuss the role of agriculture sector in J&K. What challenges lie ahead?

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2. What efforts have been put in by the state government to meet the challenges in agricultural sector?

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23.8 LET US SUM UP

In this lesson, we discussed about the status and role of agriculture in J&K and the challenges faced by this sector. We also discussed the efforts taken by the government in this regard.

END NOTES

1. Source: document related to Agriculture Policy, J&K.
2. Source of this section: Data taken from Agriculture production department, Govt. of Jammu and Kashmir.
3. Agriculture policy document.
4. Source: Agriculture production department, Govt. of Jammu and Kashmir.
5. Source: Agricultural Prod Dept.
6. Source: Agricultural Policy document.
7. Agricultural Department, J&K)
8. Cited in Skuast-Jammu vision 2030)
9. Same as 3 above.
10. Same as 5.
11. See 10 above.

UNIT - IV

Semester - II	EC-201	Lesson No. 24

LAND REFORMS IN J&K

STRUCTURE

24.1 OBJECTIVES

After going through this lesson, you shall be able to know about the land reforms of J&K before and after independence.

24.2 INTRODUCTION

In this lesson, we'll discuss about the land reforms of J&K.

24.3 LAND REFORMS IN J&K : INTRODUCTION

Land reform is one of the most significant aspects of our agricultural development. Since agriculture occupies an important place in the state's economy, as in the national economy, due emphasis was placed on land reforms since independence. Among all the states of India, the Jammu and Kashmir state has the unique distinction of having introduced Land Reforms Legislation of considerable magnitude and thus brought in Agrarian Revolution.

The concept of 'Land Reform' has been used with different meaning and has been given different interpretations. Some defined it very broadly to include all policies relating to transformation of agrarian economy. United Nations in its Third Report on the progress of Land programme of measures designed to eliminate obstacles in the agrarian development including modification in rural credit, land division, land taxation, marketing facilities, cooperative organization, agricultural education and advisory service. Most of the European countries as well as USA has accepted this interpretation. In most of the traditional and developing countries it has been used in restricted sense signifying acquisition and redistribution of land and change in the land ownership.

Therefore, land reforms are generally defined in the sense of land appropriation and redistribution and other accompanying measures. These measures include :

(i) abolition of intermediaries;

(ii) tenancy reforms which include (a) regulation of rent, (b) security of tenure for tenants; and (c) conferment of ownership on them;

(iii) ceilings on land holdings;

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

(v) organization of cooperative farms.

More than 150 Land Reform Acts are in force today in our country. The main objectives of these Acts are:

(i) Abolition of landlordism in all its aspects;

(ii) Breaking up the concentration of land holdings by imposing land ceiling;

(iii) Bringing about consolidation of holdings;

(iv) Rehabilitation of landless labourers.

(v) Providing security of tenure;

(vi) To confer absolute rights and fix fair rents;

(vii) Prohibiting arbitrary eviction and insecurity.

(viii) Fixing of tenure

(ix) Land tax and

(x) To reduce and remove economic disparities by changing the existing agrarian structures and distorted distribution of land.

24.4 LAND REFORMS BEFORE INDEPENDENCE

The land system in the state owned its genesis to the practices inherited from the successive alien regimes which ruled it for centuries by conquest, through the use of brutal force or by deceit or reward for retiring potentates over the state. In order to establish themselves in the foreign land, the ruling dynasties had created a class of feudal landlords who helped them in exploiting and subjugating the masses. They were actually not landlords of the type dealing with the cultivation of land but a class of exploiters. They acted as collectors for rulers, therefore, the agrarian system in state before the introduction of Lawrence's land settlement in 1889 was not only feudal in character but also exploitative in nature.

When the Mughals took over the valley from the Chaks, the condition of the Kashmiri cultivators was in a deplorable state. Emperor Akbar by an edict made all the land in Kashmir as Khalsa land. Consequently Kashmiries lost their property rights in land. A fresh land settlement was introduced and cultivators were ordered to disperse with $\frac{1}{2}$th of the annual produce. Afghans followed the Mughals but kept on raising their demands. As a

result cultivator's share was reduced to $\frac{1}{2}$th of the produce.

Maharaja Gulab Singh who got the Kashmir Valley in the treaty of Amritsar in 1846, did not take any significant step to reform land revenue system as most of his time had been spent to consolidate his newly achieved empire. However, he appointed four revenue collectors in the entire valley. To regulate the *Jagirs* and free grants of land, he confiscated all the unauthorized grants. These steps resulted in an increase in the agricultural production as well as the revenue of the state.

During in the regime of Maharaja Ranbir Singh in 1859 AD the valley parcelled out among kardars, who were land agents of the state with very large powers. It was the duty of a Kardar to get the largest possible quantity of grains for the state, and for that purpose he would arrange the cultivation of his estate in such a way that a family consisting of a man, his wife and an adult child who formed a unit for cultivation would get four acres of irrigated land.

The Kardars distributed the land among the Shakdars, whose duty used to be to watch the crops of the villages under their control. At the harvest time division was made and the state used to take three quarters of field. In 1860 A.D. the state reduced its share to little offer one-half. After that a system was adopted by which revenue was to be collected Chakladars, a class of speculating contractors.

In 1865 A.D. a change was introduced by which the land dues were to be collected in four annual installments. The Kandars were replaced by Tehsildars to collect about one lakh of rupees on the plains and about half a lakh on the hills. The tehsils were also grouped into wazarats or districts. Then ryotwari settlement was introduced in 1873 A.D. to reduce the influence of Chakladars and middlemen. In 1883 A.D. a settlement department was established in each district. The work of settlement as well as assessment of land tax to be supervised by the district officers named as wazir-a-wazarat.

Immediately after his accession to the throne in 1885 AD, Maharaja Partap Singh announced to bring about reforms in land revenue system. In 1889 AD Maharaja entrusted this work to Walter Roper Lawrence, settlement officer of British origin. Regarding the conditions of farmers at that time, he wrote in his book- "In 1887 the state was bankrupt.

The rich land was left uncultivated and the army was employed of forcing the village to plough and army was employed in forcing the villagers to plough and sow, and worse till, the soldiers came at the harvest time, and when share of the state had been seized and these men of war helped themselves, there was very little grain left for these unfortunate peasants to sustain them during the severe winter. The peasant were literally crushed under the burden of taxes." Lawrence records that then he started settlement of land, everything - air and water, was under taxation.

After ten years second settlement was made which got completed in 1905. It was decided to collect only 30 per cent of the gross yield as used to be collected by the government. The period of settlement was fixed for 15 years. Each occupier was given a small book containing entries of his interest i.e., the area of the field, the rate he had to pay and so on. The all round incidence of the new land revenue came to Rs. 3.12 per acre of cultivated land.

Maharaja Hari Singh further carried on the efforts of land reforms in the state. Prior to 1933, land in Kashmir province and in the frontier districts was held by Zamindars either in Haq-I-asami or tenants holding directly under the state. The actual Assamindar has all the rights of a proprietor, but had no right of alienation by sale or mortgage, as the state was theoretically supposed to be the real owner of the land.

Tenants-at-will held land subject to the will of the proprietor, who could eject them at any time. Occupancy tenants had the right of occupancy of land under a proprietor or an Assami. They could not be ejected without special reasons, nor could rent in the land be altered at the will of the landlord. Their right was hereditary, and could be sold with the permission of the landlord. However, in 1933, Maharaja Hari Singh granted proprietary rights to Assamis in Kashmir province and Frontier district as well as to occupancy tenants in Jammu province in order to create in them a great sense of self-respect and self-reliance.

24.5 LAND REFORMS AFTER INDEPENDENCE

Just after independence, the state Government took the lead and introduced far reaching land reforms in the state. The then state Government, under the leadership of late Sheikh Mohammad Abdullah in April 1948 abolished as many as 3910 Jagirs and Maufis. The

land thus released was thrown open to cultivation by tenants. About 4250 acres of land granted as a privilege to Jagirdars for residential and other purposes was released and transferred to cultivators of the land. This abolition of feudal privileges not only saved the state about Rs. 7 lakhs per annum but also relieved the peasants of the crushing burden of payment in kind to the tune of Rs. 3.25 lakhs. With the liquidation of feudal rule within the state about 2.50 lakhs people were freed from subjection and medieval autocracy.

By another Act, protected tenancy rights were given to the tenants at will in respect of lands not exceeding 17 kanals (irrigated) or 33 kanals (unirrigated) in Kashmir province and 33 kanals (irrigated) or 65 kanals (unirrigated) in Jammu Province.

Fixation of Statutory Limits To Rentals Fixity of Tenure and Protection From Ejectment

In October, 1984, the Government amended the state Tenancy Act, 1924. By amending the old law, it granted fixity of tenure to the tenants in respect tenancy holdings not exceeding 2.1/8 acres of wet or 4.1/8 acres of dry land in the Kashmir province and about double the size in the Jammu province. Also fixed the maximum rent payable by a tenant to his landlord in respect tenancy holdings exceeding 12.5 acres at ¼ of produce 9 or cash value thereof) in case of wet lands and at 1/3rd in case of dry lands.

The amended law also provided for reinstatement of a tenant, who had been wrongfully ejected after April, 1947 and simplified the procedures for the partition of cooperative landholdings with a view to permit the weaker sections of the cultivating classes to occupy and have appropriate shares of land due to them.

Distressed Debtor's Relief Act 2006 Samvat

In order to alleviate the distress of the poverty stricken peasants of the state, the Distressed Debtor's relief Act, 2006 Samvat was enacted. This relieved the agriculturists, the artisans and the village menials of the burden of their accumulated debts. This measure also for the restitution of mortgaged property which included boats pawned by the debtors with their creditors. This Act also contained a provision for constituting Debt conciliation Boards to bring about voluntary conciliation between the debtors and creditors. Such boards were established and debt claims upto nearly Rs. 175 lakhs were conciliated by them and scaled down to Rs. 85 lakhs. Moreover, mortgaged debts of the value of Rs. 14.59 lakhs were liquidated.

24.6 THE BIG LANDED ESTATES ABOLITION ACT, 1950

On the 17th October, 1950, the Big Landed Estate Abolition Act- 1950 was passed which brought a significant change in land relationship. It was a big experiment in moulding the whole structure of village life on new formations of social and economic relatively.

Main Features of The Act Were

1. Every proprietor retained only 22.75 acres of land.
2. Fixation of a ceiling on the holding of proprietors at 22.75 acres of land excluded orchards, grass farms, fuel reserves and uncultivated waste land.
3. Expropriation of proprietors from areas exceeding the ceiling;
4. Transfer of areas from which owners were expropriated to tillers in cultivating possession of the area without compensation.
5. Such lands from which owners were expropriated, and were not in cultivating possession of any person, went to the state and were made available for the settlement of landless peasants and field labourers.
6. The law also provided that no tiller would be with the land so transferred if he already owns more than 20 acres of land in ownership right.
7. The law also applied to the lands owned by the evacuees and to those which belonged to the Enemy Agents and had since been forfeited to the state.
8. All rights, title and interest of the proprietor in land (including trees, wells, tanks, ponds, water channels and pathways) from which he was expropriated, vested in the tiller free from all encumbrances.
9. If any proprietor or tiller-owner dies or transfers his land or any interest therein without due permission, or a tiller-owner sub-lets his land continuously for two harvests, the right of ownership was liable to be extinguished and the land should lapse to the state.

This Act proved to be most beneficial. About 9000 proprietors were expropriated from 4.50 lakh acres of land held in excess of ceiling. Out of this, 2.3 lakh acres of land were transferred in ownership right to the tillers free of any compensation while the remaining part of land was taken over by the state. This part was to be distributed from time to time, among landless agricultural labourers.

In 1963 a Land Commission was set up to undertake a detailed examination of the existing land laws. After the examination of State's agrarian system, the Commission proposed certain basic changes in these laws to bring them in tune with broad objectives of increasing agricultural production and providing social justice. One of the recommendations of the Commission was that the system of landlord tenant relationship in the State's Agrarian Economy should be replaced by the institution of peasant proprietorship of land.

24.7 THE JAMMU AND KASHMIR AGRARIAN REFORMS, ACT-1972

In order to bring the tiller into direct relationship with the State by abolition of all intermediary interest in land the State Government on the recommendations of the Wazir Committee (1953) and Land Commission (1963), came up with a bold legislation in 1972. A bill know as the 'Jammu and Kashmir Agrarian Reforms Bill 1972' was introduced in the State Legislative Assembly in March, 1972. Important provisions of the Jammu and Kashmir Agrarian Reforms Act-1972, were :

(a) Vesting of ownership rights of land (excluding orchards) held by owners and intermediaries who are not in its personal cultivation to those who held such land in personal cultivation on 1.9.1971;

(b) Fix ceiling on land at 12.5 standard acres, varying in terms of ordinary measures between 71 kanals and 182 kanals approximately depending on the class the region in which the land is situated;

(c) relate the ceiling area to family consisting of husband wife and their children excluding married daughter and the major son who was separated from his father on or before Ist September, 1971;

(d) ensure that with a few exception which are in general public interest ownership follows personal cultivation;

(e) provide rehabilitation facilities for parties expropriated from a land by permitting resumption in certain cases and requiring payment of levy in full lumpsum except in case of indigenous tillers; and

(f) provide secure land to the landless and poor persons.

The salient features of this Act may be briefly stated as under:

(i) to abolish absentee landlordism;

(ii) to provide a land to landless;

(iii) to impose ceiling on agricultural land orchards;

(iv) to make provisions for the selection of land, if land exceeds ceiling area;

(v) to make provisions for resumption;

(vi) to provide adequate compensation to the aggrieved parties;

(vii) to allow cultivation of land in genuine cases;

(viii) to recognise the private agreements between landlords and tenants with regard to the apportionment of land;

(ix) to prohibit the, creation of new tenancy and extinguish the existing tenancy except in certain cases;

(x) to protect the interests of mortgagor and mortgage;

(xi) to prohibit alienation of land by way of sale, gift, mortgage with possession, bequest and exchange;

(xii) to make provisions for the attachment by the collector of the orchard or a plantation of trees on state land or land reserved for grazing purpose; and

(xiii) to create new administrative machinery for the implementation of the provisions of the Act.

24.8 ACHIEVEMENTS UNDER LAND REFORMS

Land Reforms undertaken in the state have proved to be the most important single factor which engineered basic changes in the rural sector of the state economy. The following achievements were made as a result of implementation of land reforms in the state:

I. Out of 6915 villages in the State, the attestation of mutation work under section 4, 5, and 6 of the Agrarian Reforms Act has been completed in 5944 villages;

II. In respect of displaced persons, holding evacuees land in their personal cultivation, occupancy rights have been vested in them on 156569 kanals benefiting 6046 persons/families;

III. Ownership rights in the land held by the exowners not in their personal cultivation in kharif 1971 have been extinguished and vested in the state in respect of 2344251 kanal of land;

IV. 4, 37, 912 tillers have been recorded as prospective owners in respect of the land measuring 23, 04, 251 kanals held by them in their personal cultivation;

V. 41000 kanals of land have so far been declared as surplus and are likely to be allotted among the persons according to the preference given under section 15 of the Agrarian Reforms Act ;

VI. 63822 prospective owners have so far been vested absolute ownership rights under section 8 of the Agrarian Reforms Act in respect of 520 thousand kanals of land;

VII. An amount of Rs. 1,40,22,302 has been recovered from the prospective owners on account of levy out of which Rs. 40,02,721 have been disturbed to the ex-owners in lieu of leaving their rights on land.

Through the implementation of land reforms it is expected that it would bring to an end the age old system of an intermediary between the tiller of the soil and the state itself, enable him to acquire proprietorship over the land which he tills with the sweat of his brow, absentee landlordism stands abolished; adjust claims amicably between the tillers and the petty land-owners and allow self cultivation.

KEY-WORDS :

Land Reforms: There are improvements in tenancy methods so that obstacles to agrarian development can be removed like rural credit, land division, land taxation, marketing facilities, cooperative organization, agricultural education and advisory service.

Agrarian Reorganization: Agrarian reorganisation includes consolidation of holdings and prevention of sub-division and fragmentation.

SELF-ASSESSMENT QUESTIONS :

- Discuss the board features of land reforms in J&K.
- Explain the features and achievements of 1976 land reforms in J&K.

SUGGESTED READINGS :

- P N K Bamzai (1973) A History of Kashmir, New Delhi: Metropolitan Book Ltd.
- WR Lawrence (1895) India We Served, London: Henry Forwards J&KL government (1985) The Big Landed Estates Abolition Act. XXII of 2007 (Amended).

UNIT - IV

Semester - II	EC-201	Lesson No. 25

INDUSTRIAL DEVELOPMENT IN J&K

-Dr. Neelam Choudhary

STRUCTURE

25.1 OBJECTIVES

The main objective of this lesson is to enable you to understand the Industrial development of J&K.

25.2 INTRODUCTION

In the balanced growth of an economy, all sectors play a specific role. Take the case of Industrial or secondary sector. For the proper functioning of any economy, it is very important to have a strong industrial structure. In India, there has been focus on heavy industrialization from the very beginning of the planning era. Apart from basic and heavy industries, the small scale and cottage industries too contribute a lot by providing employment to many uneducated unemployed, besides keeping intact few, if not all features of a village economy. In this lesson, we'll learn about the industrial development in J&K and its role in the state economy.

25.3 INDUSTRIAL DEVELOPMENT IN J&K : A BRIEF HISTORY

In the ancient times, cottage and crafts were widely patronized by King and Emperors. Kashmir Craft's and Woollen Shawls enjoyed a great reputation all over the world. The period between 1600 to 1850 saw a tremendous expansion of such industries in the state. But, with decline of handicrafts in other parts of the country the process of decline was also witnessed in the state and it was at its lowest by 1890.

In the beginning of Twentieth Century efforts were made to restructure the old industrial structure, which was completely shattered. The government initiated the process of established of woollen, drugs, resin and turpentine, cricket bats, fruit canning, fur tanning, food processing units etc. In absence of proper Industrial Policy and firm steps to be taken by the Government, the Industrialisation in the state could not attain the desired level. It was only Sericulture, which could develop during this period, that too, because of an increase in the demand for silk yarn from Britain. About 90 per cent of silk yarn produced in the state was exported to England alone. However, in order to established industrialization on sound footing, the State Government established the Directorate of Industries in 1923. Time to time, the Government established new units and also provided a direction to the industrial growth in the State.

In order to regenerate the industrial activities in the State, the Government took some concrete steps like the State Aid to Industries Act was passed in 1937. Under this Act the Government sought to :

(a) guarantee a part of the loans;

(b) subscribe to debentures;

(c) grant land, raw-materials on favourable terms; and

(d) impose protective duties.

In addition to this Act, the Workmen's Compensation Act, 1993, Jammu and Kashmir Children Act, 1945 and Jammu and Kashmir Factories Act, 1949 were also passed.

After the World War-II, the development of industries in public and private sector took place. This was due to a sudden increase in the demand from different sections. In order to meet this demand, the British Government had a drastic cut on imports which proved a boon in developing industrial activities in the State. Even during the war years employment of the people in different kinds of factories in the State increased from ten thousand to seventeen thousand. The export of wool and woollen goods increased from Rs. 30 lakh 5 thousand during 1938-39 to Rs. 60 lakh 5 thousand during 1945-46. But the partition of the country and subsequent attack by the tribals on the state gave a severe blow to the economy of the State. It can also be observed from the data i.e., the number of factories which stood at 99 in 1946 came down to 30 in 1950. The labour employment also declined from 17726 in 1946 to 7297 in 1950. The annual production of cottage and small scale industries declined from Rs. 1,63 crore in 1946 to Rs. 23.10 lakh in 1950.

Industrial Development After Independence

The first concrete initiative to industrialisation the state was taken by the government in late fifties with setting up. Of industrial estates in various parts of the state. Unfortunately however, most of the estates for a long period remained un-utilised or under utilized. Even today most of the industrial estates established particularly in rural areas are being utilised for non-industrial purposes.

It was in the beginning of seventies that the state government formulated a comprehensive set of incentives for the development of industries in the state. At the same time central government also sanctioned special concessions for promotion of industries in backward areas that included capital investment, subsidy, tax concessions etc.

In order to being rapid industrialization in the state, a Development Review Committee comprising of experts from various fields was constituted in mid-seventies to make a comprehensive study of the problems of prospects of industrial development in the state. At the same time state government invited some large industrial houses to make investments in the state.

These efforts of the state governments proved fruitful and several projects in the semi-large and medium sector came up in the state. Industrial programme in the state was further strengthened with the introduction of District Industries Centres of 1978. these centres have been set up in all districts of the state. The main idea behind setting up the District Industries Centres is to provide all facilities under one roof and this policy is consistent with the policy of single-line administration set up in the state. After an extensive survey is made of all the districts by these centres, efforts will made to generate industrial activities in all districts of the state.

Since mid-seventies, there has been a significant investment in the industrial sector of the state as compared to a earlier years. Out of the total plan expenditure which was incurred on industrial development from the beginning of the First Five Year Plan up to the year 1981-82, expenditure made during 1974-75 to 1981-82 alone had been 78 percent. During Fourth Five Year Plan total amount spent on the industrial sector was Rs. 1502.68 lakhs which Included Rs. 755.38 lakhs on Village and Small Scale Industries and Rs. 747.30 lakhs on Large and Medium Industries. During Fifth Five Year Plan total expenditure on the industrial sector Rs. 1730.69 lakhs out of which Rs, 462.06 lakhs were spent on Village and Small Scale Industries and 1268.63 on Large and Medium Industries. However, sixth Plan outlay was Rs. 5900 lakhs including Rs. 3000 lakhs on Village and Small Scale Industries and Rs. 2900 lakhs on Large and Medium Industries.

These efforts of the government have brought lour state on the industrial map of India. The existing industrial units are producing goods of common use like building material, stainless-steel and other metallic products, electronic accessories, Joinery and furniture items, chemical and pharmaceutical products, metallurgical and other supplies, electronic and precision items, biscuits, electric bulbs and so on.

25.4 CURRENT SCENARIO OF INDUSTRIAL DEVELOPMENT IN J&K

Though the hilly terrain and remoteness of many areas of the state have created obstacles in the path of industrialization, still efforts have been made to develop this sector depending on the suitability of a particular industrial unit for the region. Some of these include: small and medium-scale industries basically in the traditional sectors along with some new areas like food processing, agro-based units and metallic and non metallic products (Eco survey 2014). The status with regard to different indicators of industrial progress is:

Industrial, handicraft and handloom cooperative societies

As per the data available for the year 2011-12, 3402 Industrial cooperative societies existed in the state covering 35.24 sq. km of area as per average of 3 years (2009-10 to 2011-12). Looking at the district level position of these societies, Ganderbal district having one society per 1.67 sq km ranked first while as in Leh, each society had to cover 5012.22 sq km and hence disadvantageously placed. On an average one society was available per 8.62 sq kms, 34.80 sq kms and 218.57 sq kms respectively in Kashmir, Jammu and Ladakh regions respectively.

Small scale industrial units

There is enough scope for the small scale industrial units in the state, as most of these make use of labour intensive methods of production. To give a boost to these units, the District Industries Centres were set up in the State in the year 1978. Till March 2012, there were 54714 SSI units registered with the state Industries Department giving employment to 260393 persons. On an average at State Level, per 100 sq km of area, around 53 registered SSI units are available (reg indicators) On Dec.31, 2015 about 29,449 small scale units were registered providing employment to 1,35,892 persons.

Share of Industry towards GSDP

During the last four decades, sufficient progress has been made by the industrial sector in J&K. It has contributed towards state income as well as employment. As of 2014, it contributed about 25.87% to GSDP of state.

No. of Industrial estates:

In 2014, the State had 53 existing industrial estates spread over an area of 31335Kanals of land.29 new Industrial estates too are being developed.

Handicrafts

The high quality of handicraft items of the state are known worldwide. These items do not need the use of sophisticated techniques nor do they cause damage to the environment. So they provide employment and bring in foreign exchange without being harmful to the environment. Some of the main attractions are: Crafts like Shawls, Crewel, Namdha, Chain Stitch, Wood Carving, Papier Machie, Costume Jewellery, Kani Shawls and the Carpets etc. A special place is occupied in national and international markets by carpets made of silk. As per an estimate, Around 8500 persons are trained in handicrafts annually through 553 training centres in the state. Exhibitions/Bazars etc. are held within and outside the state to promote the sale of these products.

Handlooms

Handloom goods too are in high demand both at national and international levels. There are approximately 0.38 lakh weavers in the State who are engaged in this industry under organized and un-organized sectors. There are 3741 handloom units in the State employing same number of persons producing Loies, Puttos, Tweed, Blankets, Raffal, Pashmina and Dusoti Khad. The Department has 523 registered Handloom Industrial Co-operative Societies in the State with a membership of 15275 weavers. There are approximately 38,000 Handlooms in the State. During 2013-14, 10.26 million meters of handloom fabrics valuing Rs.232.95 Crore were produced in the cooperative sector. The production and value of handloom fabrics for the financial year 2014-15 (ending 11/2014) was of the order of 9.98 million meters and Rs.226.61 Crore respectively. The Department runs 100 training centers to impart training in various trades which include readymade garments, handloom weaving, Pashmina spinning and weaving, and Kani shawl weaving.

Sericulture

About 30,000 households (most of them being very poor) in the state have Sericulture as a subsidiary occupation. The annual generation of cocoons is about 1022 MT in which income of about Rs. 2026.00 Lac is generated for these silkworm rearers and the annual employment generation is about 3.5 Lac mandays (3.0 Lac on-farm and 0.50 Lac off-farm). (Source of the whole section: Economic survey 2014).

25.5 SOME OTHER FEATURES

The data with regard to industrial activity in J&K is as follows:

- Horticulture
- Floriculture

- Handloom & Handicraft
- Tourism
- Mineral based Industries
- Gem & Jewelry
- Sericulture
- Information Technology
- Pharmaceuticals
- Insecticides
- Pesticides
- Electronics
- Hardware

Data with regard to industrial clusters:

- Industrial Complex Bari Brahmana, Jammu
- Industrial Estate, Gangyal, Jammu
- Industrial Growth Centre, Samba, Jammu
- Industrial Infrastructure Development Project (IIDP), Udhampur
- Export Promotion Industrial Park (EPIP) Kartholi, Jammu
- Industrial Complex Rangreth, Srinagar
- Industrial Complex Lassipora, Pulwama, Kashmir
- Industrial Complex Khunmoh, Srinagar
- Industrial Complex, Zainkot, Srinagar
- Industrial Estate, Zakura, Srinagar
- Industrial Growth Centre, Ompora, Budgam

Industries with more potential in the state

As per the policy document (State Industrial Policy-2016), following are the fields in which manufacturing activities can bring more revenue/benefits in the state:

- Food processing industries
- Meat processing industries
- Leather
- Pharmaceuticals

- Wood industries
- High grade raw silk
- Woollen fabric
- Computer and Information Technology

Number of SSI Units registered with the Directorate of Industries & Commerce Kashmir/Jammu

Table 25.1 showing no. of SSI Units registered with the Directorate of Industries & Commerce Kashmir/Jammu

S.No	District Units	2010-11 Enmployment	2011-12 Units	Enmployment
1) Anantnag	4312	18723	4452	19316
2) Kulgam	149	660	184	856
3) Pulwama	2816	13307	2897	13893
4) Shopian	115	392	138	527
5) Srinagar	10021	48403	10163	49054
6) Ganderbal	137	641	175	917
7) Budgam	4121	27873	4206	28552
8) Baramulla	4184	17216	4272	17588
9) Bandipora	117	421	161	587
10) Kupwara	1812	6351	1866	6512
11) Leh	953	2379	960	2706
12) Kargil	661	1773	671	1821
13) Jammu	10357	68853	10547	71399
14) Samba	95	1462	158	2352
15) Udhampur	3895	10754	3907	10869
16) Reasi	5	52	7	65
17) Doda	1723	4230	1732	4282
18) Kishtwar	7	59	12	79
19) Ramban	3	35	7	48
20) Kathua	4892	19941	4944	20918
21) Rajouri	1477	3930	1547	4184
22) Poonch	1692	3796	1708	3868
Total J&K	**53544**	**251551**	**54714**	**260393**

(Data Source: State of Environment Report, J&K, 2012-13)

Agencies associated with the industries:

SIDCO: J&K SIDCO (Jammu & Kashmir State Industrial Development Corporation) is the nodal agency for promotion & development of medium and large scale Industries in the state. Following are the various ways in which incentives are being given by SIDCO to medium and large industries in J&K:

5 Years of 100% Income Tax Holiday 100% Excise exemption for 10 years.

Capital Investment Subsidy upto Rs. 30.00 lakhs and Rs. 45.00 lakhs for thrust area project.

Land on 90 years lease.

Govt. of India Grant upto Rs. 75 lakhs @ 33.33% for Food Processing Industries.

Upto Rs. 4.00 Crores subsidy on Agro-based Projects under mini mission-IV.

100% Subsidy on Testing Equipments / DG Sets.

A host of incentives on capital goods, term loan, transportation, working capital, branding etc.

SICOP: The agency responsible for promoting and developing the small scale industries in J&K is J&K Small Scale Industries Development Corporation Limited (SICOP). The aims and objectives of SICOP are:

- To aid counsel, assist, finance, protect and promote the interests of the Small Scale Industries in the State.
- To undertake and provide Marketing facilities to Small Scale Industrial Units in the State.
- To undertake procurement and sale of various raw materials whether imported or indigenous for supply to the Small Scale Industrial Units.
- To set up and manage raw material depots for effective and speedy supply of industrial raw materials, finished or semi-finished to Small Scale Industrial units.

- To work as stockiest in the state for Iron & Steel and other materials and supply them to the Industrial units.

- To maintain quality control testing centers for ensuring quality standard of industrial products and providing such facilities that may be required for the purpose.

- To develop Industrial Estates with a view to providing basic infrastructural facilities to the Small Scale Industrial units in the State.

Marketing Assistance to SSI units:

The Marketing of end products of SSI units is major activity being persued by the Corporation to ensure uniform and sustained growth of SSI sector in the State.

25.6 RECENT STATE INDUSTRIAL POLICY-(2016)

Recently, the state has announced the fourth industrial policy (after 1995, 1998 and 2004 policies). The industrial sector performed well after various incentives were given by the centre in the form of Central Package-I. It was offered by Department of Industrial Promotion and Policy (DIPP) in 2002 for 10 years. It was modified in 2011 and further extended as central package-II for five years ending year 2017. The new State Industrial -2016 shall remain in place for 10 years. The areas where focus shall be put include:

- Encouragement to development of more and more labour intensive industries to remove unemployment.

- Promoting the growth of thrust industries i.e. high tech and knowledge based industries.

- Making the process of industrialization in the state environmentally sustainable by encouraging the development of greewn industries through more and more use of green technology.

- To achieve some targets like increasing the share of manufacturing to SGDP, annually getting an investment of around 2000 crore in the industrial sector, creating over 15,000 employment opportunities annually through direct and indirect employment etc.

- Providing improved infrastructure and support services including power supply, internet connectivity etc.

- Procedures of work shall be simplified to facilitate ease of doing business.

- Brand promotion, modernization and quality certification shall be promoted.

- Encouraging Research and Development in this sector.

- Inviting reputed establishments to promote state as an ideal investment destination.

- Transfering of all existing industrial estates to SICOP and SIDCO for efficient management.

- The unemployed youth shall be linked with start up India Program to avail benefits.

- Various types of incentives shall be given to industrial units, including capital investment subsidy and interest subsidy.

- There will be special subsidy on installing pollution control devices in industries and other green initiatives like waste management, rainwater harvesting etc.

- These are some of the many initiatives, the proper implementation of which is expected to bring gains to the industrial sector in the J&K economy, which shall have implications for the overall growth scenario of the state.

CHECK YOUR PROGRES

1. Write briefly about the industrial development in J&K.

   ____

   ____

   ____

2. Discuss the current scenario of Industries in J&K. What are the features of recent Industrial Policy?

   ____

   ____

   ____

25.7 LET US SUM UP

- In this lesson, we discussed the industrial profile of J&K. We also discussed the recent industrial policy.

End Note

1. This section has been taken from the existing lesson in the old study material, to which the script writer has not contributed.

UNIT - IV

Semester - II	EC-201	Lesson No. 26

TOURISM DEVELOPMENT IN J&K

-Dr. Neelam Choudhary

STRUCTURE

26.1 OBJECTIVES

After going through this lesson, you shall be able to know:

- The role of tourism sector in J&K
- Some initiatives taken by the government in this regard
- About some new tourist destinations in J&K

26.2 INTRODUCTION

The tourism sector of any country has a lot to contribute towards state economy, provided conditions are met for attracting tourists. A sector with capacity to employ many people on account of multiplier effect, to bring in foreign exchange, to bring a region on the landscape of world tourism etc. offers many benefits for the hosts as well as the visitors. There is exchange of ideas, exhibition of self made high quality local goods, which apart from being a source of revenue for the state is equally beneficial in certain aspects which can't be measured directly. So worldwide, tourism has been recognized as a leading sector. In this lesson, we'll learn about the status of tourism sector in J&K.

26.3 TOURISM IN J&K: AN OVERVIEW

From the very beginning, tourism has been recognized as an important sector in J&K. This has been felt particularly in case of Kashmir Valley and Ladakh. As tourism is a services-oriented sector, the sectors which have gained more include transport, hospitality, horticulture and small scale industry. The lush green forests, sweet springs, perennial rivers, picturesque alpine scenery and pleasant climate of Kashmir valley, has remained an internationally acclaimed tourist destination, whereas Jammu region is attracting a large number of pilgrim tourists and the important destination has been Shri Mata Vaishno Devi Shrine at Katra. Ladakh region, the moon land has been a much sought-after destination, especially for the foreign tourists and is famous for adventure tourism. The tourism tag has always placed the State of J&K in the limelight at the national level as well as international level. [1]

Some of the attractions include: the slopes available at sonamarg, pahalgam and gulmarg (promoting winter tourism);the ride of cable car corporation (Gondola) is known to everyone. The state has three distinct niches, while leisure tourism is available in Kashmir valley, pilgrim in Jammu and ladakh has the potential to offer adventure tourism. [2]

Table 26.1

(000 Nos.)

S.No.	Year	Indian	Non-Indian	Total
1	2	3	4	5
1.	1950	9.33	1.25	10.58
2.	1955	48.19	2.83	51.02
3.	1960	63.07	11.19	74.26
4.	1965	35.70	7.63	43.33
5.	1969	125.79	19.93	145.72
6.	1974	148.32	19.30	167.62
7.	1979	441.34	19.32	[illegible]
8.	1982	540.42	45.92	584.32
9.	1988	465.10	35.03	[illegible]
10.	1995	0.32	8.20	8.52
11.	1996	3.31	5.75	9.06
12.	1997	7.02	9.11	16.13
13.	1998	99.64	10.25	109.89
14.	1999	190.98	13.36	[illegible]
15.	2000	104.34	7.58	111.92
16.	2001	66.73	5.86	72.59
15.	2000	104.34	7.58	111.92
16.	2001	66.73	5.86	72.59
17.	2002	24.87	2.39	27.26
18.	2003	182.21	9.56	191.77
19.	2004	358.10	18.63	376.73
20.	2005	585.70	19.68	605.38
21.	2006	412.88	20.01	432.89
22.	2007	417.26	24.58	441.84
23.	2008	551.04	21.59	572.63
24.	2009	577.34	23.91	601.25
25.	2010	710.50	25.98	736.48
26.	2011	1282.30	32.12	1314.42
27.	2012	1274.67	37.17	1311.84

Source: Directorate of Tourism Kashmir/Jammu

Tourists coming to Kashmir Valley

Having a look at table 26.1 with regard to the no. of visitors to the valley, It first increased till 1980s, dwindled sharply in 1990s, recovered and increased again, with minor fluctuations. We also observe from the data that during militancy hit years, the tourism sector got a heavy setback, and most of the visitors during this time were non-Indian. The latest figures show that 1311.84 visitors visited Kashmir valley during 2012, out of which 1274.67 were Indian and 37.17, non-Indian. The number of non-Indian or foreign tourists (details shown in the table 26.2) too has increased more or less steadily since 2002. Since 2004, UK has topped the list of non-national tourists visiting the state, where as for the years 2010, 2011 and 2012 this position was

Table 26.2

Country – wise number of foreign tourists coming to Kashmir Valley

(000 Nos)

S.No.	Country	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1.	Canada	0.25	0.44	0.20	0.08	0.11	0.18	0.33	0.32	0.41	0.43	0.44	0.42	0.27	0.38	0.62
2.	U.S.A	0.99	0.71	0.02	0.01	0.39	0.95	1.09	1.22	1.12	2.07	1.67	1.24	0.92	1.29	2.09
3.	France	0.71	1.00	0.26	0.18	0.07	0.23	0.54	0.96	0.76	0.92	0.75	1.04	0.89	0.47	1.39
4.	Germany	0.55	0.98	0.46	0.29	0.18	0.37	0.67	0.98	0.79	0.73	0.69	0.73	0.92	0.91	1.21
5.	Italy	0.54	0.43	0.22	0.22	0.05	0.34	0.49	0.78	0.62	0.80	0.91	0.95	0.58	0.41	0.67
6.	Netherland	0.02	0.42	0.11	0.36	0.16	0.18	0.71	0.25	0.22	0.09	0.16	0.46	0.11	0.38	0.22
7.	Spain	0.13	0.27	0.09	0.14	0.23	0.16	0.23	0.36	0.34	0.29	0.28	0.24	0.29	0.39	0.54
8.	Switzerland	0.06	0.26	0.11	0.29	0.06	0.17	0.07	0.27	0.23	0.22	0.22	0.01	0.08	0.27	0.37
9.	Russia	0.15	0.09	0.00	0.02	0.07	0.13	0.16	0.21	0.26	0.26	0.50	0.67	0.75	0.62	1.16
10.	S.Africa	0.14	0.66	0.13	0.09	0.04	0.13	0.38	0.79	0.54	1.19	0.87	0.80	1.20	1.49	1.63
11.	Malaysia	0.17	0.28	0.12	0.11	0.05	0.25	1.30	1.67	1.07	1.09	1.32	0.94	1.72	4.69	5.09
12.	Japan	0.05	0.64	0.37	0.39	0.47	0.27	0.36	0.29	0.01	0.25	0.19	0.36	0.15	0.34	0.36
13.	Australia	0.25	0.36	0.25	0.07	0.07	0.26	0.91	0.61	0.60	0.71	0.71	0.35	0.82	0.78	0.99
14.	Newzealand	0.05	0.59	0.36	0.02	0.02	0.56	0.11	0.16	0.14	0.18	0.31	0.18	0.17	0.16	0.23
15.	Iran	0.05	0.09	0.06	0.02	0.02	0.06	0.11	0.16	0.52	0.05	0.12	0.08	0.08	0.29	0.16
16.	Belgium	0.23	0.31	0.41	0.08	0.04	-	0.16	0.16	0.16	0.23	0.18	0.29	0.17	0.16	0.27
17.	U.K	0.05	0.94	0.43	0.42	0.38	0.12	0.33	1.40	1.69	1.85	1.55	1.91	1.46	1.36	2.15
18.	Sweden	0.16	0.28	0.06	0.07	0.07	0.65	0.25	0.18	0.26	0.12	0.10	0.24	0.12	0.21	0.25
19.	Others	9.17	7.33	3.79	2.78	3.80	4.62	9.15	9.37	9.01	13.04	10.45	13.81	15.06	17.14	18.02
Total		15.25	15.59	7.28	3.66	3.80	8.56	18.63	19.88	20.01	24.28	24.59	23.84	25.81	28.14	37.17

Source: Directorate of Tourism, Kashmir/Jammu

overtaken by Malaysia. As far as the number of pilgrims to Amar Nath Ji and Vaishno Mata (details in the table 26.3) is concerned, in 2012, about 6.21 lakh people visited the holy cave, whereas the no. of pilgrims to Vaishno Devi increased from 0.03 to 104.95 (number in lakhs) from 1950 to 2012.

Table 26.3

Yatries coming to Vaishno Devi Ji and Amar Nath Ji Holy Caves

(Figures in lakh numbers)

S.No.	Year	Amar Nath Ji Holy Cave	Vaishno Devi Ji
1	2	3	4
1.	1950-51	NA	0.03
2.	1955-56	NA	0.06
3.	1960-61	0.04 (1963)	1.50
4.	1965	0.07	2.30
5.	1967	0.08	3.12
6.	1974	0.07	5.01
7.	1977	0.12	5.16
8.	1978	0.14	6.02
9.	1980	0.23	12.13
10.	1983	0.42	14.65
11.	1990	0.25	27.69
12.	1992	0.50	40.13
13.	1996	1.20	43.20
14.	1997	0.76	46.34
15.	1998	1.50	46.22
16.	1999	1.14	44.61
17.	2000	1.73	51.10
18.	2001	1.19	50.57
19.	2002	1.11	44.32
20.	2003	1.52	54.00
21.	2004	4.00	61.10
22.	2005	3.88	62.52
23.	2006	3.85	68.02
24.	2007	2.14	73.22
25.	2008	4.98	65.76
26.	2009	3.74	82.35
27.	2010	4.55	87.49
28.	2011	6.35	101.15
29.	2012	6.21	104.95

NA: Not Available

Source: Directorate of Tourism, Kashmir/Jammu

Table 26.4

Table No16: Tourists' arrival from 2008 to Feb 2015					
Year	Kashmir Valley		Jammu	Ladakh	Total State
	Amar nathji	Domestic / Foreign	(Mata Vaishno Devi Ji)	Domestic/ Foreign	
2012	621000	1308765	10394000	178750	12502515
2013	353969	1171130	9287871	137650	10950620
2014	372909	1167618	7803193	181301	9525021
2015	Nil	34474	359453***	1495 *	395422
*upto 15th Feb, 2015; *** upto Jan, 2015					

(Data Source: State of Environment Report, J&K, 2012-13)

Some more details regarding the no. of foreign and domestic tourists to Jammu, Kashmir valley and Ladakh can be found in the table above.

26.4' ROLE OF TOURISM SECTOR IN J&K ECONOMY AND PROBLEMS FACED BY IT

Tourism is a complex and multidimensional phenomena whose incidence is felt on almost every section and activity of the society. Protagonists of tourism have visualized it as harbinger of economic growth and mollified of social and economic inequalities, while the critics have enlighten various social strains which are caused by the development of tourism examples being distortion of indigenous cultural expressions, conversion of small farmer into wage labourers due to high land cost which tourism creates and associated alienation of land, perpetuation of racial inequalities and erosion of dignity. Tourism has also been considered as a force, which extracts a price from the host community and at the same time, bestows benefits upon it. This price is not only in terms of investment in infrastructure and superstructure projects, but also in terms of other factors which may be non-monetary but are never the less important. Therefore, whether or not tourism is blessing or blight eventually depends upon the capacity of host economy to harness its potential gains and mitigate its evil effects.

Tourism as a social-cultural and economic phenomenon is one of the most important forms of interaction between people from different parts of the world. It is a phenomenon,

which entails the exchange of value and transfer of capital or foreign exchange from one country to another and thereby, influences the shape and speed of social and economic change particularly in the host country. In fact tourism is now recognized as a social form of industrialization with all its advantages and dis-advantages.

The State of Jammu and Kashmir is known all over the world for its beautiful valleys, shimmering lakes snow capped peaks, invigorating climate, gushing brooks, opportunities for trekking, fishing, skiing and number of archeological, historical, cultural and religious places. All the three divisions of the state viz., Jammu, Kashmir and Ladakh, present a synthesis of diverse ethnic, religious, cultural and linguistic strands and have their own peculiar tourism resources. The valley of Kashmir for Scenic beauty, Jammu of Vaishno Devi and ancient temples and Ladakh for Gumpas are visited especially by thousands of Indian and foreign tourists.

Tourism is an important industry in the State. Tourism brings a number of social and economic benefits like promoting of national integration and international understanding, creation of employment opportunities, removal of regional imbalances, opening up of new growth centers, augmentation of foreign exchange earnings and so on. Some of the important benefits of tourist industry in the state are listed below :

Economic Benefits

In the J&K State, where the scope of large scale industrial development is very limited and due to hilly terrains and samll size of land holdings agriculture is unable to meet the expectations of the State economy, tourism is considered to be an economic bonanza. Being labour-intensive industry, the scope of employment is very vast. It requires very low level of investment and was provided under this industry are comparatively higher than many other industries. Tourism is regarded as multi-segmental industry, therefore, provides different types of jobs like hotel managers, receptionist, accountants, clerks, guides, tour conductors, travel agents transport operators, chefs, cooks, attendants, porters, photographers and many other jobs which are required to strengthen the tourism. The Positive economic benefits of tourism are given below :

Contribution to State's Income Generation

Tourism has proved to be successful in generating state's income. Being a multi- segment industry, the hotels and restaurants, transportation services, tourist's resorts, amusement parks, sales outlets of handicrafts, jewelleries, paper mashie etc., provides services to both tourists and non-tourists and contribute in the process of income generation in the state. The process of income generation starts with the money spent by the tourists. Every unit of money spent by the tourists circulates in the economy and brings prosperity in the economy. The money spent by the tourists, it has been estimated by the tourism experts, takes 13 to 14 transactions before it disappears. Out of these transactions 5 to 6 transactions take place within the first year. The money spent by the tourist goes into circulation in the economy through accommodation and meals in hotels and restaurants, transport for sight seeing, entertainment, gift, photography, drugs, cosmetics and clothing etc. In this circulation money goes on adding to its value. Ultimately, it creates a chain reaction in the economy.

Expansion of Employment Opportunities

The expansion of employment opportunities is an outstanding contribution of tourism industry. As mentioned earlier, it is a highly labour intensive industry in which we find different types of employment for skilled, semi-skilled and unskilled persons. It generates large-scale direct and indirect employment. Under direct employment, the number of jobs are created in various sectors of the state economy viz., hotels, restaurants, house boats, transport service, guides, travel agents and so on. Indirect employment is generated in jobs created through the demand for goods and service required by directly employed persons viz., manufacture of handicrafts, paper mashie, cottage industries, bakeries, laundries, tea stall etc. The tourists, during the visit to state purchase local products like woollen shawls, carpets, embroidery worked material, wooden carvings, jewellery and paper mashie products. This increase in the demand for such products provide employment to the local artisans, carpenters, jewellers, wood carvers and also to many other people who provide raw-material to these producers.

Raising Tax Revenue

The tourism sector contributes a lot to the state tax revenue. All sort of economic activities associated with the tourism contribute towards the state revenue. In the past,

share of tax revenue had been between 3 to 15 per cent.

Generation of Foreign Exchange

Foreign exchange a prerequisite for economic development is also earned through international tourism. Foreign exchange earned by the state goes to country's exchequer. The additional income generation effect of a foreign visitor has been more than that of Indian visitor to the state; foreign tourist on an average spends more than two times compared to domestic tourist.

Transformation of Regional Economy

Tourism helps in developing or transforming backward and rural areas into prosperous developing areas. The development of Gulmarg, Pehalgam, Achhabal, Kukarnag etc., in Kashmir Province and Patnitop, Kud, Mansar, Sanasar, Sudmahadev, Shadara Sharief (near Rajouri) in Jammu Province and Leh and Kargil in Ladakh give positive evidences for the contribution of tourism to the development of backward areas in the state. These places were relatively unknown villages with dismal economic activity and now are well-known tourist resorts.

The investment on socio-economic infrastructures for tourism increases the mobility of men and material, extends the size of market and helps in accelerating the rate of growth of the State economy.

Social Effects

The people of different places and regions meet with each other, which help in speeding up their learning cycles. Tourism also helps in setting up the nation's social life in which we find very little scope for narrowing the thoughts and ideas. In a true sense, tourism is basically a social activity which in addition to the national understanding paves ways for international understanding, projection of a fair national images abroad, contraction in the ideological gaps and speeding the awareness of World affairs. However, appreciation of social impact of tourism has been widely neglected. Sir George Young opined that the social consequences of economic activity almost universally have to be taken into consideration at some stage during the growth of that activity, because tourism involves the trafficking of people, it is an industry very sensitive to non-economic influences, it requires the establishment of crucial balance between economic and social benefits, and in tourism there is personal confrontation between affluence and poverty.

Cultural Effect

Revival and strengthening and cultural heritage is found to be an outstanding benefit of tourism industry. Tourism helps in boosting the growth of art., protecting and maintaining monuments and heritage. Some of the monuments like Martand Temple, Shankaracharya Temple, ancient ruins at Awantipora, Patan, pari Mahal, hari Parbat are supposed to be the permanent structures of out cultural heritage in the State . The development of tourism helps in protecting these monuments, thus, cultural heritage. It also helps in the protection of architectural wonders and land marks of the glorious ancient part of the Mughal Empire.

Impact on Environment

Tourism also helps in making the environment pollution free. The tourist spots like national parks, hill stations, wild life and bird sanctuaries, gardens etc. help in maintaining the ecological balance. Thus, it has a two fold positive impact viz., First, the environment is kept free from the pollutants and second, the tourist centers directly contribute to the ecological balance.

Problems

Tourism being a complex and sensitive phenomenon needs to be tendered and promoted through rightful thinking and planning. Haphazard and unplanned endeavours of the societies to harness the profit potential of tourist traffic which have enhanced the magnificence of some selected tourist sports, have also simultaneously created repulsive and depressing conditions around them because commercialisation has taken precedence over protection of land and environment.

The problems faced by the tourist industry in the state of Jammu and Kashmir are as follows:

Mismanagement

During the whole planning period, there was wither under-spending or over-spending of funds in the tourist sector. There has always been a wide gap between planning and its execution. Since long, there has never been an organised tourism-marketing programme.

Tourism has never has never been commercialised and merchandised in the outside world. The basic reason for this state of affairs has been that tourism in the state is treated merely as a governmental department rather than a result oriented industry.

Unrestrained plunder of resorts in the name of tourism development has triggered off the process of destruction of those very attractions, which have excited tourists to visit them. Extinction of Anchar lake shrinking of Dal lake and ruining of Pahalgam by overcrowding are some of the instances of either neglect of injudicious planning for the development of tourism in the state. Same is happening in the other parts of the state. In Jammu main concentration of the tourists is on Mata Vaishno Devi and in Ladakh they prefer Leh. During the season, here is an artificial like in the prices of commodities, deficiency of resources and ultimately, shorten the stay of tourists in the state.

Problem of Infrastructure

Inadequate infrastructure facilities are the major bottlenecks retarding the tourist traffic in the state. Provision of a adequate accommodation for different levels of tourists at different tourist spots is still a major infrastructure problem before the state tourism. During busy season tourists do not get desired type of accommodation, catering facilities and soon.

Lack of Transport Facilities

Transport is a vital component of the tourism. Tourists visiting the state are mostly not satisfied with travelling arrangements in the State. They often complain about bad conditions of roads, over crowding, non-availability of reservation in time, unhealthy and unhygienic eating places on their routes and so on. However, it has started to change recently.

Lack of Basic Facilities

During the peak season, basic facilities like water, electricity etc., are found lacking, which causes a lot of inconvenience to the tourists. Commodities of daily use like milk, eggs, meat, cheese, butter-etc.., become scarce and their prices shoot up steeply.

Militancy in the State

The State has faced militancy in the past, which has prone to be a serious, set back to the tourist industry. Many foreign tourists were put to unnecessary torture and humiliation and their kidnapping threatened their safety. Also due to frequent bandhs and strikes, the tourists shifted their destination to neighbouring states like Himachal Pradesh and Haryana. The wever, with recvery, things hav again taken a positive turn

Natural Factors

During rainy and winter seasons most of roads get blocked due to heavy land slides or snow which hinders the smooth flow of tourists. Also the uneven climate within the state has hampered the smooth flow of tourists in the state. This is a natural factor in which nothing can be done.

26.5 RECENT INITIATIVES TAKEN BY THE GOVERNMENT TO PROMOTE TOURISM SECTOR IN J&K

Following is the strategy of tourism sector in the state, as per the tourism policy:

- Circuit Tourism
- Season based tourism
- Development of tourism infrastructure.
- Development/promotion of off-beat destinations
- Improved accessibility to the tourist destinations
- Diversification/ innovation in the tourism products
- Marketing and promotional tools
- Human Resource Development and Capacity enhancement
- Inter-linkage among various departments.
- Sustainable tourism and carrying capacity
- Public Private Partnership
- Research and survey wing
- Incentive and taxes
- Safety and security and disaster/crisis management
- Targets and timelines (Source: Eco survey).

These initiatives shall go a long way in enabling tourism sector make sustainable gains

out of the visits by tourists to the state, as it is quite comprehensive and takes care of all aspects of the sector.

Table 26.5

Table No 19. Mega Projects identified for sanction during 2010-11		
S. No	Name of the Project	Status
1	Trans Himalayan Cultural Centre Leh	Sanctioned at a cost of Rs. 22.15 crore and Rs. 11.21 crore released/expended. The work is in progress.
2	Dev. of Mega tourist circuit from Naugar Nagar to Wailab	Sanctioned at a cost Rs. 30.15 crore and released Rs. 18.22 crore and expended. The work is in progress.
3	Conservation/ Restoration of Mubarak Mandi Heritage Complex, Jammu	Sanctioned at a cost Rs. [illegible] crore and released/expended Rs. 3.36 crore as 1st installment. Project assigned to Archaeological Survey of India

Table 26.5 shows the mega projects sanctioned during 2010-11.

26.5.1 Incentive Scheme

Recently, the government has been taking various steps to encourage the private sector to take initiatives and invest in this sector. The different incentives (modified since April 2012) include:

- Incentives in the shape of Capital Subsidy for Taxi Operators for Purchase of New Vehicle as well as replacement/up gradation brought upto a Ceiling of Rs. 7.00 lac;
- Increase in capital investment subsidy upto Rs. 1.00 crore for setting up of prestigious tourism units costing more than Rs 25.00 crore.
- Investment subsidy for modernization of travel agencies brought to 50% of project cost with an upper ceiling of Rs 4.00 lac.
- Ceiling of Subsidy for DG sets increased to Rs 4.00 lac.
- Ceiling of subsidy for adventure equipment increased up to Rs 7.00 lac

26.5.2 Identification of new destinations with tourism potential

Apart from some other incentives, some new destinations having tourism potential have been identified. As a result, about 20 Destinations have been covered for exploitation of tourism potential by creating more Development Authorities, whereas earlier they were only five in number. These twenty development authorities are: Gulmarg, Pahalgam, Sonamarg, Yousmarg, Dodpathri, Verinag, Kokernag, Leh, Kargil, Patnitop, Lakhanpur-Sarthal, Atharbal, Manasbal, Zanaskar, Rajouri, Poonch, Bhaderwah, Kishtwar, Surinsar-Mansar and Lolab-Bungus-Drungyari. Besides, the off beat destinations in state like Gurez, Bani-Basholi, Lolab-Bungus, Kokernag-Sinthantop, Verinag-Doda, Bhaderwah-Achabal, Poonch-Rajouri, Marigam Hills in Kishtwar, Zanaskar etc too are being developed.

In this way, the government has been trying to improve the services of this sector to make the experience of tourists pleasant as well as fetch more revenue for the state.

26.6 LET US SUM UP

In this lesson, we discussed about the role of tourism sector in J&K. We also discussed the problems faced by it. The recent initiatives taken by the government too have been dealt with.

CHECK YOUR PROGRESS

1. Write briefly about the role of tourism in J&K.

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2. Discuss some recent initiatives taken by the government with regard to tourism in J&K.

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END NOTES

1. Source: J&K Envis Centre.
2. (Eco-survey J&K 2014-15)
3. This section of the lesson has been taken from the existing lesson of old study material, to which the script writer has not contributed.

UNIT - IV

Semester - II	EC-201	Lesson No. 27

STATE FINANCES

-Dr. Neelam Choudhary

STRUCTURE

27.1 OBJECTIVES

The main objective of this lesson is to familiarize you with the financial position of J&K state, with special emphasis on recent trends.

27.2 INTRODUCTION

By having a look at the finances of a state, we can get an idea of how it is doing with regard to main parameters. In other words, through this, we can have a glimpse of the fiscal efficiency of that state. There are different sources of revenue and different ways to spend. Which source of revenue has been relied upon, which kind of expenditure has been made, what has been the ratio of tax revenue etc. have a lot to do with the financial position of that state. In this lesson, we'll discuss about state finances of J&K state. For this, a lot of reliance has been made on the audit report by Comptroller and Auditor General (CAG) on state finances of J&K for the year 2014.

27.3 FINANCIAL POSITION OF J&K STATE

Like other states, J&K too presents an Annual Financial Statement (AFS) or budget. Demand for grants are given by the different departments. Approval is got from the legislative body for drawing out of consolidated fund of the state. Since April 1, 2011, RBI is the banker to state govt. instead of J&K Bank. J&K is one of the 11 states of India, where financing by the centre in different projects is 90% in the form of grants-in- aid. This keeps its status of a revenue surplus state, despite the deficit after excluding centre transfers.

The discussion under the following headings shall enable us to understand the state finances of J&K and the trends observed since the last few years:

- Trends in major fiscal aggregates since 2009-10
- Performance with regard to (Fiscal Responsibility and Budget Management) FRBM act

27.3.1 Trends in major fiscal aggregates since 2009-10

- The state's share in union taxes and duties and grants of the union govt. comprised about 75% of the state revenue receipts in 2009-10. It decreased to 70% and 66% during 2012-13 and 2013-14 respectively. As far as the share of these non-debt resources (from centre to state) in meeting state expenditure is concerned, it has decreased from 65% in 2009-10 to 60% in 2012-13 and 57% in 2013-14. It means the dependence of state on centre for these resources has declined. Also, the revenue surplus of the state has decreased during this period.
- The state's Own Tax Revenue (SOTR) has shown a growth rate of 21.8% during this period (from 20009-10 till 2013-14).

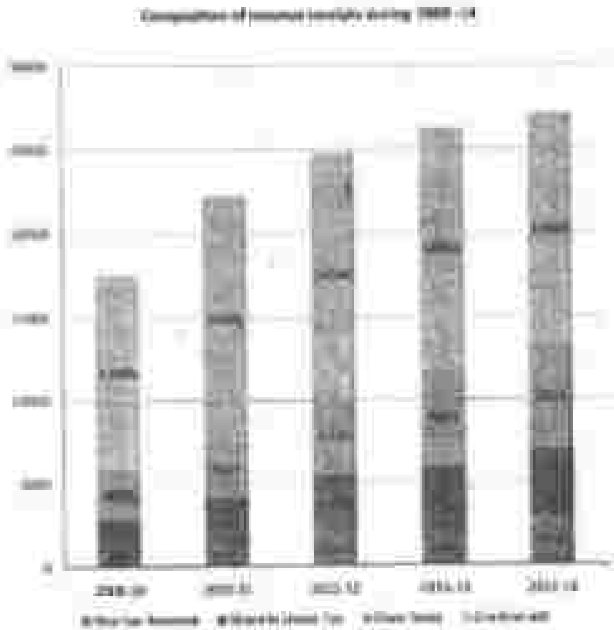
Appendix 1.3

(Reference: Paragraph: 1.2; Paragraph: 1.2.1 & Paragraph: 1.4)

Time series data on the State Government Finances

(₹ in crore)

Time series data on State Government Finances					
Part A. Receipts					
Fiscal Aggregates	2009-10	2010-11	2011-12	2012-13	2013-14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Of which					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Of which					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Part B. Disbursements					
Fiscal Aggregates	2009-10	2010-11	2011-12	2012-13	2013-14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



The above bar chart also shows the share of different components of revenue receipts of the state from 2009-10 till 2013-14. The revenue receipts consist of tax and non-tax revenue, central tax transfers and grants- in –aid from the centre. Let us discuss these one by one:

Trends of tax revenue and non-tax revenue

(₹in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Tax revenue	3,027	3,483	4,745	5,833	6,273
Of which					
Tax on sale of goods and services	2,146	2,425	3,414	4,174	4,579
Non-tax revenue	955	1,093	2,002	2,160	2870
Of which receipts from sale of power	702	872	1,607	1,589	1533
Total	**3,982**	**4,576**	**6,747**	**7,993**	**9143**

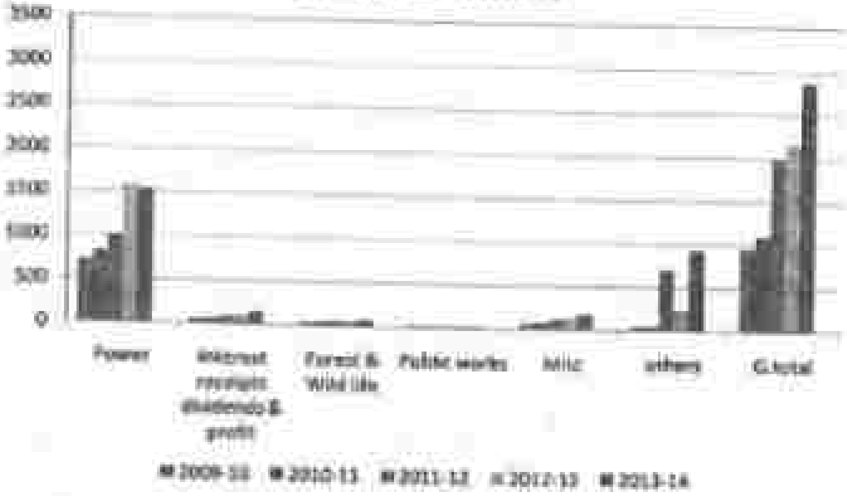
State's own revenue: State's own revenue includes own tax and non-tax revenue. As the table shows, the share of sale of power in non-tax revenue was 73.56% in 2012-13, it decreased to 53.41% during 2013-14. In tax revenue, the share of major component i.e. tax on sale of goods and services increased from 71.5% during 2012-13 to 73% in 2013-14.

Trends of Tax Revenue

(Amount ₹ in crore)

Disaggregation of the tax revenue , as is clear from above chart shows the trends of different components of tax revenue. It shows that land revenue collection as a component has decreased by 83.3% in 2013-14 over 2012-13 figures.

Trends of non-tax revenue



As gets further substantiated, the share of sales of power department decreased in 2013-14 over 2012-13, whereas the share of 'other' items increased.

Expenditure:

The expenditure of the state increased from Rs. 30434 crore in 2012-13 to 2013-14 31686. There was decrease in capital expenditure and increase in revenue expenditure.

27.3.2 Performance with regard to FRBM act : The J&K FRBM Act put the following obligations on the state govt.

- Maintaining and strengthening of revenue surplus.
- The pre-devolution non-plan revenue deficit of the state, which was at 24.73% of GSDP in 2005-06 was to be reduced to at most 20% by 2009-10. There should be minimum reduction of 1% beginning 2006-07.
- The fiscal deficit of the state, which was at 9.96 % of GSDP in 2005-06 was to be reduced to at most 3% of GSDP by 2009-10. There should be minimum reduction by 0.5% (Of GSDP) annually starting in 2006.
- The outstanding liabilities of the govt. which were 63.31% of GSDP in 2005-06 were to be reduced to at most 55% of GSDP by 2009-10. The minimum annual reduction should be 5% of GSDP.

Following is the status of the state with regard to implementation of target deadlines:

- The state continues to have a revenue surplus due to high level of grants from the centre. However, It has decreased now.
- As far as the revenue- expenditure position of the state is concerned, the deficit has been rising consistently due to more expenditure as compared to revenue.
- The target of fiscal deficit could not be met. The amendments had to be done to re-set the target. In 2013-14, it was 5.5% of GSDP as compared to target of 3.6%.

To conclude, we can say that the dependence of the state on centre's resources has reduced. Its own tax revenue has shown rising trend. However, in non-tax revenue, the revenue from power development department has shown a decrease. Though fiscal deficit and other targets have not been achieved, efforts are being made to strengthen the fiscal system of the state.

27.4 LET US SUM UP

In this lesson, we discussed about the financial position of J&K state.

27.5 SELF CHECK EXERCISE

- Discuss the financial condition of J&K, giving details of recent trends.

  Note: All the tables and charts in this lesson have been taken from documents related to J&K government's finances. Most of these have been taken from Comptroller and Auditor General's report no state finances for the period ending March 2014.