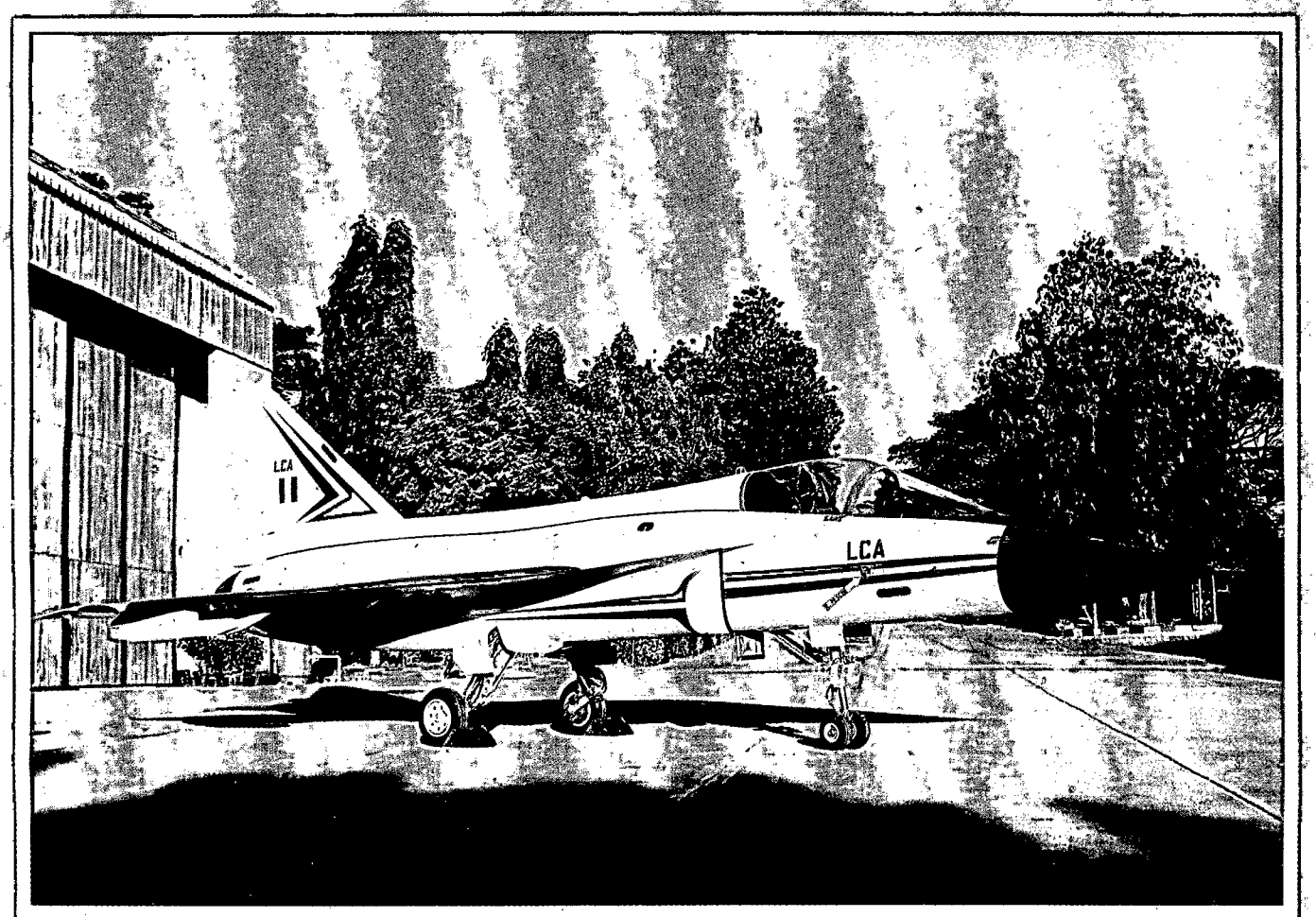
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Development Diary

NCDC Spreads Wings

The National Cooperative Development Corporation proposes to extend its assistance to the livestock rearing sector by helping in the setting up of cooperatives for processing wool and leather-based industries. For this purpose a Bill has been introduced in Parliament.

NCDC's active support has resulted in creation of infrastructure in the cooperative sector for storage, marketing, processing and export of agricultural produce, especially in such major commodities like cotton and sugar. Recognising the need to expand the installed capacity in vital sectors of sugar and textiles, NCDC has earmarked atleast half of its annual outlay to initiate modernisation, expansion and diversification projects in these two commodities. These efforts apart from yielding more output will induce greater efficiency in capacity utilisation and upgradation of quality, which in turn will enable cooperatives to compete with the corporate sector and also in exports.

The highlight of the Corporation's support to the agricultural and other rural cooperatives has been the highest ever disbursement of Rs. 386.26 crore in 1994-95, a hundred crore rupees more than the previous year.

50 Lakh Beneficiaries

About 50 lakh urban poor will benefit from the Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP) during 1995-96 to 1999-2000. All the 345 Class II towns in the country would be covered under the new programme. The objectives of the Programme are effective achievement of social sector goals, community empowerment, employment generation and skill upgradation, convergence and environmental improvement.

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44th Year of Publication

SAPTA: A Step Forward

B. Bhattacharyya

INDIA has always endeavoured to forge strong trade and economic linkages with its neighbours. One evidence of that is India's consistent efforts to promote South Asian Association for Regional Cooperation, commonly known as SAARC. However, due to the similarity in production structure as well as the relatively smaller domestic market size in some of these countries, the actual volume of trade between India and the neighbours has been so far rather small. Bangladesh occupies the 11th position and Sri Lanka the 16th position in the list of India's export markets in 1994-95.

Exports from India to the rest of the SAARC region have been only 2.8 per cent on an average during the last five years. Likewise, imports from these countries constitute barely 0.7 per cent of India's global imports. Apart from the economic impediments to increased trade, there are also political difficulties. Pakistan and India are both members of the World Trade Organisation and, therefore, are obliged not to discriminate against each other. Even then, Pakistan has so far refused to grant Most Favoured Nation treatment to India.

Formation of South Asian Preferential Trade Arrangement (SAPTA) is a major step towards raising the trade within the region. SAPTA comprises India, Bangladesh, Pakistan, Nepal, Sri Lanka, Maldives and Bhutan. Though the decision to form SAPTA was taken more than two years ago in the Dhaka Declaration in April 1993, it came into effect on December 7, 1995.

Under SAPTA, the member governments have offered preferential tariff concessions for trade among themselves on select products. India has offered tariff concessions on the maximum number of products, totalling 106. Pakistan has offered concessions on 35 products, Sri Lanka on 31, Maldives on 17, Nepal on 14, Bangladesh on 12 and Bhutan on 11.

SAPTA is based on the following principles: first, overall reciprocity and mutuality of advantages; second step-by-step negotiations and extension of preferential trade arrangement in stages; third inclusion of products covering all stages of processing and fourth, special and favourable treatment to the least developed countries. In SAARC, the least developed countries are Bangladesh, Bhutan, Nepal and Maldives. These countries will be granted higher level of tariff concessions, more liberal rules of origin as well as technical assistance for accelerated economic and social progress.

The initial impact on trade of the tariff concessions so far granted is not expected to be large because the current base level of trade is small and the product coverage of the concession list quite narrow. The share of intra-regional trade of the SAARC countries in the total trade was less than 4 per cent in 1994. So far as India is concerned, trade with the SAARC countries accounted for just 2.2 per cent of its global trade in 1994-95. The present low level of trade is mostly due to the fact that some SAARC countries such as Maldives or Bhutan do not have many products to offer for exports. However, the potential for trade, even though not enormous, is still substantial. One proof of that is the existence of a substantial unrecorded or indirect trade among some of the SAARC countries. Such trade between India-Nepal and India-Pakistan is reported to be quite high. According to one estimate, the volume of indirect trade taking place between India and Pakistan routed through third country ports such as Dubai, Singapore and Hong Kong can be as high as one billion dollar annually.

Members of SAPTA are also members of other preferential arrangements. Hence, SAPTA, in order to be effective, must ensure that it has not merely duplicated preferences exchanged under other arrangements. It appears that at least 25 of the 149 products offered concessions by Bangladesh, India and Sri Lanka do not stand to get any benefit as these have received either equal, or higher rates of tariff preferences under other arrangements. For example, 17 of the 18 products offered concessions by India to Sri Lanka on bilateral basis have the same tariff preferences as those offered under SAPTA. Thus as and when customs notifications under SAPTA are issued, Sri Lanka will derive no additional benefit in respect of those 17 products. Similarly, Bhutan and Nepal are already entitled to export goods of local origin duty free to India under bilateral trade treaties.

It is a matter for concern that the majority of the products offered concessions by the member countries were not being imported at all! In fact, during 1993-94 India imported only 22 of the 106 products it had offered concessions under the Agreement. Similarly, Pakistan imported only 13 of the 35 products it had offered concessions during the same period.

It is therefore, not surprising that the value of concessional imports covered under the exchange of concessions amounted to no more than US $ 72.5 million as per latest data available from member countries. According to Direction of Trade Statistics Year book 1994, the total imports among SAARC member countries was US $ 1163 million in 1993. Thus preferential imports covered no more than 6.2 per cent of the intra-regional trade of the member countries.

Prospects

It is obvious that the first round of tariff concessions will have to be taken forward by initiating action on two fronts. First, the beneficial impact of tariff reduction will be felt only when the enabling environment in which trade takes place is made more conducive and user-friendly. This will imply that logistical support systems, availability of uptodate information on business opportunities, financial mechanism and procedural formalities will have to be evaluated and upgraded wherever required. Developing new sources of supply and close, sustained relationship among firms among different countries take time. Therefore, the full impact of the SAPTA will be visible only after the major players have time to put their respective strategies in place. Second, the government of the SAARC countries will have to take further action to liberalise intra-regional trade by further eliminating tariff and non-tariff barriers.

Some steps towards that direction have already been initiated. The ultimate objective is the establishment of South Asian Free Trade Area (SAFTA). The Commerce Secretaries of the SAARC countries met in Delhi in November to prepare the groundwork towards that objective. A team of exports drawn from the academia, business and the government will be constituted with nominations from each of the SAARC countries to work out the modalities of transition from SAPTA to SAFTA. The SAARC Commerce Ministers met in January 1996 in New Delhi to give direction and work out the terms of reference to this committee. The SAARC secretariat has fixed July 31, 1996 as the date for submission of the Report of the expert committee.

Political Dimension

For India, managing its trade relations with its neigbours is not purely an economic issue. Because of its large size relative to the neighbours, India is quite often perceived as a big brother. And the regional countries sometimes feel that greater regional integration and trade liberalisation will confer bulk of the benefits to India. As a result, the economic question of increased trade develops political connotation. The Government of India has so far managed this tricky issue quite well. There are, therefore, reasons for optimism that trade and economic links between India and its neighbours will flourish in the coming years.

However, history of regional economic groupings over the years generally does not inspire much confidence. Very few of them have turned to be really successful. The notable exceptions are the European Union and the ASEAN. The ASEAN experience is most relevant while evaluating the success of SAARC and what can be expected of it in future. ASEAN was launched in the 1960s. At that time, the South East Asian countries were often referred to as the 'Balkans' of the East, because of hostilities and rivalries among these States. Now over the years, it has become one of the most successful regional groupings in the developing world. One basic reason behind this has been the decoupling of economic from the political issues. By focussing attention on the regional economic cooperation and depending on the consensus method of decision-making, the ASEAN countries could proceed fast, despite lingering political differences.

The situation in SAARC is more or less identical to ASEAN in this respect. There are strong political divisiveness but that should not stand in the way of economic cooperation. SAARC should emulate ASEAN's example of asserting the primacy of economics over politics. With increased economic cooperation, it is hoped that political perceptions also will tend to converge.

The author is Dean, Indian Institute of Foreign Trade, New Delhi.

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Budgetary Control

Need For More Transparency

P.P.Mitra

A Transparent Financial Information System is a pre-requisite for a sound government budgetary control mechanism. The need for such transparency arises at a time when the world over government budgetary control mechanism has assumed importance in short-term economic stabilisation and medium-term adjustment programme.

Developed and developing countries in recent years have witnessed budgetary deficits which have made them resort to borrowings both in the domestic as well as in the international markets. The nature of budgetary deficits have assumed such serious proportions that governments had to change their overall economic policies. For instance, many governments have embarked upon privatisation programmes to enable the private sector to raise resources for economic activities. There have also been instances where extra budgetary resources have been raised through issue of bonds and other debt instruments by public sector companies.

The fiscal deficit of Central government for all developing countries as percentage of Gross Domestic Product (GDP) increased from 3.5% in 1984 to 9.8% in 1991. The fiscal deficit for seven major industrialised countries (United States, Japan, France, Italy, United Kingdom and Canada) during this period has varied from 3.4% of GDP in 1984 to 2.4% of GDP in 1991.

According to one estimate, since 1982 accumulated debt stock of the developing countries almost increased two fold from US $ 752940 billion to US $ 1417459 billion in 1991. The net transfer of resources on debt after adjusting for debt service payments which was US $ 6443 billion in 1982 turned into a negative amount of about US $ 16 billion in 1990. The problem of external debt accentuated in the nineties with 44 countries entering the Work Bank's list of highly indebted countries Bank's list of highly indebted countries as compared to only 17 in 1985.

In India, there has been a growing concern about the levels of budgetary deficit in recent years. The gross fiscal deficit of the Central government as a percentage of the GDP at market prices increased from 4.1 in 1985-86 to 5.2 in 1992-93. The rise in fiscal deficit has, however, been higher during the intermittent years. Accompanied with an increase in fiscal deficit, there has been a rise in the internal and external liabilities of the government. The total outstanding liabilities as percentage GDP increased from 43.9% in 1980-81 to 56.2% in 1992-93. There has also been an increase in the overall rate of interest on total liabilities from 7.3 % in 1988-89 to 11.5% in 1993-94 due to continued replacement of old lower interest debt by new higher interest debt. Interest payment as percentage of total expenditure of Central government increased from 14.3% in 1985-86 to 26% in 1993-94.

The need to bring about budgetary control very clearly comes out from the above data. The intention of the Central government to strengthen fiscal discipline has been reiterated with the emphasis on generation of own resources by the government rather than depending on Reserve Bank of India for meeting its expenditure through ad hoc Treasury Bills. A monetary limit has been imposed on the issue of ad-hoc Treasury Bills, recourse to which would be progressively reduced. It has been indicated that by 1997-98, government will cease to have direct recourse to the Reserve Bank of India for financing its deficit and government will have to meet its entire requirement through borrowing from the market. Recourse to market borrowings would imply curtailment of RBI as a source of subsidised money and shifting of emphasis to sources at market determined rates of interest.

The focus from now would clearly, shift towards better budgetary control through an efficient expenditure management policy. The contours of this policy will have to be laid down through detailed mapping of governmental resources with the help of clear financial classifications which would provide necessary signals on a day-to-day basis to bring about fiscal correctives. The present dispensation does not always provide for such transparency leaving scope for avoidable and infructuous expenditure.

We would now attempt to analyse the present budgetary formats that are utilised for monitoring government expenditure on a day-to-day basis and also suggest areas where improvements could be made to make such formats more transparent and meaningful to the policy makers.

At present, the Detailed Demand for Grants presented by the various Ministries to Parliament contain a break-up of secretariat expenses which include salaries and wages, over-time allowance, travel expenses, library expenses, hospitality expenses, payment of professional and special services, publicity, Grants in Aid, rents rates and taxes, other surcharges and subsidies. There are also other items of expenditure such as expenditure incurred on materials and supplies, motor vehicles, etc. Although, the present break-up of secretariat expenses provides useful information for expenditure control it would be necessary for us to include more details about certain other items of expenditure to ensure better expenditure management.

Case Study

A case study of the revenue expenditure pattern for the Department of Science & Technology during 1992-93 (Grant No. 70) brings out the need for ensuring further transparency of the financial information system. The major items of revenue expenditure as a percentage of the total budget of the Department has been analysed. The table below provides a break-up of major items of expenditure:

Sl No.	Item of Expenditure	Percentage of Total Budget (Revenue)
1.	Salaries	31.69
2.	Travel Expenses	1.51
3.	Office Expenses	4.56
4.	Material & Supplies	4.38
5.	Overtime Allowance	1.47
6.	Pension & Gratuities	1.46
7.	Interest Payment	2.58
8.	Grants-in-Aid for Programmes Bodies and Schemes	46.63

Source: Compiled from Monthly Accounts Data.

The table indicates that 31.69% of the Revenue Budget was spent towards salaries, 1.51% for Travel Expenses,, 4.56% Office Expenses, 4.38% for Materials and Supplies, 1.47% for Overtime Allowance, 1.46% for Pension and Gratuities, 2.58% for Interest payments and 46.63% by way of Grants-in-Aid for Programmes, Bodies and Scheme. It is in this area that further transparency of financial information is required to bring about proper expenditure management.

A look at the Detailed Demand for Grants indicates that budgetary provisions for Schemes and Programmes are included as mostly single line entries. The single line entries indicate quantum of Grants-in-Aid which are given under various programmes during a particular financial year. Although inclusion of more details under these programmes is likely to make the detailed Demands for Grants documents more complex and bulky, nonetheless, an attempt could be made to make budgetary allocation for these programmes more transparent so that a better picture could be obtained about the financial variables of the scheme. Such transparency would provide a better over-view of the manner in which resources are deployed, particularly when such resources are scarce and have alternative uses. More financial transparency could be brought about through inclusion of a detailed break-up of the salaries and wages, travel, consumables including materials and supplies and equipment procured under the various schemes and programmes.

There are several advantages in bringing about more transparency in the financial information system. It would at a glance give an indication of the programmatic content of the various schemes and their efficacy. It would also ensure better concurrent audit by the implementing agencies as these agencies would be able to assess the progress of the schemes in keeping with their original objectives. Information would also be available on the pattern of expenditure incurred and the proportion that go towards payment of salaries and wages, travel, and other consumable items that are directly booked under the scheme. Suitable corrective action could be taken on the basis of expenditure trends if salaries and wages and travel exceed prudent financial limits. Information on equipment procured would also establish the foundation for designing a more systematic asset accounting frame-work which is not available at the present juncture in government financial systems.

The need to generate detailed financial information has become paramount at a time when governments face the prospect of mounting fiscal deficits. It is, therefore, necessary that resources mobilised with difficulty and at rising cost to the exchequer are deployed effectively to meet their objectives. Greater financial transparency would only help in assessing the efficacy of the programmes and the actual worth of resources mobilised. ❐

The author is Controller of Accounts, Ministry of Power.

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Appraisal Of Value Added Tax System

Prof. V. Gangadhar and T. Ramesh

IN India we have a two fold system of Taxation viz., direct taxes and indirect taxes. The direct taxes cover the Income Tax and Corporate Tax. Indirect Taxes are mainly levied as the part of the production or distributive process in the form of Excise or Sales Tax, and also as customs duty on imported materials or goods. In order to get more revenue, to reduce tax evasion and also to simplify the procedure in tax collection the necessity to reform the structure was felt by the government and the Tax Reform Committee (TRC) under the chairmanship of Professor Raja Chellaiah was constituted. The Committee has recommended introduction of Value Added Tax (VAT) throughout the country in a phased manner. The new incorporation of the value added tax gives credit for earlier taxes paid on the sale item and also helps in breaking the vicious circle of high and multiple tax rates which lead to evasion of tax, thereby compelling stiffer tax rates to make up for the revenue loss. This is a different form of sales tax administered at various stages from production to the retail level.

VAT

The value added tax is a tax on value added by any economic action (be it at the manufacturing, wholesale or retail level) to the commodities and services rendered. A comprehensive form of VAT covers value added at all three levels viz. manufacturing, wholesaling and retailing. It also takes into consideration the process of final use of various goods and their services. Currently this form of VAT is predominant in the fiscal systems of many developed and developing countries.

VAT is not a new kind of tax levied but mere administration of tax in a different form. It is a method of taxation of the final price paid by the consumers.

Under VAT, tax is levied on both the goods and services. Reduction of the multiple rates of excise duty, enlargement of the tax based on services, withdrawing exemption notifications and simplified valuation methods are major objectives of the VAT system. The entire tax system gets radically transformed into 'simple', 'fair' and 'rational' one from the economic point of view.

Objectives

Following are the broad objectives of VAT:

(i) To provide neutralised revenue between the Central and state governments in order to avoid benefit in revenue to one state government at the cost of another at different levels.

(ii) To implement uniform tax-base throughout the country.

(iii) To have freedom to set the tax rates in order to reflect social, economic priorities and fiscal needs of different state governments and local authorities.

(iv) To avoid inter jurisdictional border control and adjustments between Central and state taxes.

(v) To provide mechanism to collect taxes with reference to location of economic activities.

(vi) To have relatively simple method of tax system to administer and to achieve complete compliance of books of account.

(vii) To have uniform rules of taxation on international flow of goods across the nation.

(viii) To have inter-governmental tax conditions in order to avoid unequal or inefficient tax competition among different jurisdictions or state.

Types

There are two different types of VATS, viz. Central VAT and state VAT. The former would replace Union excise duties and the latter the state sales tax. The state VAT however, has varying rates across the states. The structure and operation of VAT would be more or less the same. This would create a rationalised tax system at the Centre as well as the state level. For a state VAT, the sales tax which comprises Central sales tax (CST) and state sales tax (SST) would be merged into one on the basis of destination principle following the invoice method.

There are broadly three types of VATS, depending on the extent of coverage of gross value added in the tax base:

(a) Consumption VAT

(b) Net Income VAT

(c) Gross Income VAT

Consumption VAT is the tax on the final sales to consumer by an integrated business firm carrying all the three levels of economic activities, such as manufacturing, wholesaling and retailing. In an open economy having imports, the retail sales of the commodity exceeds the value added by domestic production to meet the part of domestic demand. It is so, because the value added in producing imports accrued to the home country. In the case of export of a part of domestic production of commodity, the domestic value added exceeds the retail sales since the retail sales do not account for the value exports.

Net income VAT : considers income or net value added in the conventional sense as base. The consumption and the investment together form the aggregate base for this tax.

Gross product VAT : It takes gross value added in the conventional sense as base. The consumption and gross investment together form the aggregate base for the tax.

Methods Of Computation

There are three methods of computation of VAT. These are known as Credit, Subtraction and Addition methods.

Credit Method : A business firm has to keep a record of VAT paid on all purchases which are shown in the purchase invoices, along with the price of goods and services purchased. This firm can take credit for it while computing the net liability of tax on sales. While calculating the net tax payable, the sum of all value added taxes are found and are credited against its own gross tax for a given period of time.

Subtraction Method : Under this system the VAT is computed on the basis of substracting the total purchases from the sales of that firm. It is value addition of the firm acts as the base for VAT in the conventional sense.

Addition Method : It prescribes the sum of the factor payments to form the base for VAT. A comprehensive VAT captures the value added between the manufacturing and the retailing stages of supply of a commodity. With the credit method, if any intermediary firm is rated at zero, that particular firm's gross tax is computed at zero rate instead of exempting from paying VAT with zero rating and the taxes paid by other firms in the earlier stages are refunded and thus the tax chain is not broken.

Benefits

Following are the benefits of VAT system:

VAT is the rational substitute for most of the indirect taxes. The small enterprises will also be covered under VAT to increase the revenue.

Tax administration will be simplified and clear as compared to the complex structure of earlier tax system. VAT becomes the mechanism for resource mobilisation, simplification of tariff system and rationalisation of tariff rates, along with the abolition of numerous exemptions and concessions.

It covers value added at all three levels viz., manufacturer, wholesaler and retailer. The tax rates will be uniform throughout the nation. The local governments will get benefit due to more revenue and there by meeting their local needs.

It replaces specific taxes by ad valorem duties. With ad valorem duties, there can be enhanced elasticity of revenue with respect to national income and buoyancy of revenue on account of increase in prices. Tax evasion can be avoided.

Calculation

The tax payable under VAT on commodities are calculated on the sale value of goods excluding the tax paid on the same good at the preceding point or sale of tax collected by the same dealer.

According to rules of the VAT, tax levied at the preceding point of the sale, shall be deducted from the tax payable at the second and subsequent sales. At first point of sale the dealer is liable to pay tax at appropriate rate on the taxable turnover. The tax due at the hands of second and subsequent seller shall be calculated on the value of the goods arrived at after excluding tax levied on the same goods at the time of purchase. So from the amount of tax due to be paid on the sale turnover, tax already paid at the preceding point of the sale on the same goods to the registered dealer shall be deducted. If a dealer purchases these goods from an unregistered dealer he will not be entitled to claim setoff of tax paid at the preceding point of sale.

Incase a seller at the preceding point of sale, due to any reason did not show the value of the goods and the tax collected separately, but the invoice shows that tax was indeed collected, the tax collected by the seller at the preceding point of sale, will be arrived at by adopting the following formula:

For Example : 'A' sold goods to 'B' at Rs. 1,100 at all inclusive price. The tax collected 'A' can be worked out as follows when the tax rate is fixed at 10%.

FORMULA

$$\frac{\text{Tax rate (10\%) x Rs. 1,100—sale price at preceding point of sale}}{\text{110 (i.e. 100 + tax rate)}}$$

Thus the tax worked out be Rs. 100 and the same will be deducted from the tax payable on sale value of the same goods at second point of sale.

(Contd. on page 30)

Morarji Desai: An Idealist In Politics

S.C. Gangal

MORARJI Desai or Morarjibhai (as he was popularly known) passed away in April last year—shortly after the nation-wide celebrations of his hundredth birthday. If destiny had waited just a little longer, he would have been in our midst to see India move into the twentyfirst century. Even so, rich tributes were paid to his memory. And he was variously described as "a man of principles and rare courage"; the "centurion of Indian politics"; the "Bhishma Pitamah" of India's public life, and as a "statesman with a moral plus." It could probably not be otherwise for a man who spent the better half of his adult life—spanning 100 years—in dedicated service to the nation, as administrator, freedom-fighter, legislator, Chief Minister (in Bombay and at the Centre), and as Prime Minister of India.

For all this soaring and distinguished record in the realm of public service and in holding high offices of State, Morarji Desai had rather humble origins, and his early life was common place. He was born (on 29 February 1896) at Bhaweli in Bulsar district in Gujarat—the eldest of eight children of a middle school master, Mr. Ranchoodji Desai. From early childhood, therefore, Morarjibhai got used to the simple and frugal life-style of a lower middle-class household. As he grew into adoloscence, he lost his father and got married. Morarjibhai had to bear the obligations of having to support a family of nine—without a regular or assured income. Nevertheless, against heavy odds, he passed his matriculation or school-leaving examination and won a scholarship of ten rupees per month for his college education at Bombay. Ten rupees was quite a bit of money at that time. But in view of his obligations to the family, Morarji lived very frugally, living in a free boarding house. He saved the bulk of his scholarship and sent it home for the maintenance of the family. Even so, it was a life of extreme poverty for him and the family. Thus simplicity and austere living came to Morarjibhai early in life. No wonder therefore, that he had no difficulty later in opting for a life of voluntary poverty of *aparigraha* under Gandhiji's leadership. This early experience revealed to Morarjibhai, as one commentator has aptly said, the "value and joys of austere living." He therefore, commended it not only to political leaders (in their personal lives) but also to governments and public bodies and corporations. In his autobiographical work, *In My view* (published in 1966) he writes: "The only way out for us (i.e., India) is the path of austerity. In the government, in public corporations and companies as also in the personal lives of the privileged segment of our population, a determined spirit of austerity should inform our activities... Resource mobilisation through austerity is the highest form of patriotism."

Together with his penchant for simplicity and austerity, Morarjibhai was a staunch believer in non-violence (in private life as much as in State policies), truth in speech and action (in personal and public relations), vegetarianism, prohibition and family planning through self-restraint.

As regards non-violence, Morarjibhai was a Gandhian to the core—like he could not persuade himself to accept the Socialists as part of the Congress outfit because of the latter's adherence to Marxism which, in his view, did not fully rule out the use of violence in the process of social and political transformation. Again, Morarjibhai's strong opposition to nuclear weapons sprang from his abhorrence of violence. These weapons of "mass violence are neither weapons of attack nor of defence, but of destruction and demoralisation... Looked at from any point of view, the desire (or decision) to manufacture a nuclear bomb is suicidal for us." This was said when Morarjibhai was out of office (in 1966). But he stuck to this position firmly even as Prime Minister during 1977-79. Likewise, he pursued truth to the extent of practising it even in politics and international relations. Several events and incidents of his political career testify it. When (after his rise in politics) several commentators extolled his 'sacrifice' in giving up (in 1930) the Deputy Collector's post in Bombay to join the freedom struggle, he said, "I have not made any sacrifice by resigning my government post... I was (till then) betraying my country. (Hence) I only did my duty by resigning from British service....It cannot be called sacrifice. I cannot be said to have made any sacrifice." Even in interaction with visiting foreign dignitaries, he spoke the truth unmindful of its diplomatic impact on India's foreign relations—like his reported conversation with Soviet leaders, Khrushchev and

Bulgnin. when they were on a ceremonial visit to Bombay (in 1955) during Morarjibhai's Chief Ministership. True to his pompous political style, Khrushchev remarked that the Soviet policy was to do good to those who were good to the Soviet Union. On this Morarjibhai told the Soviet leader: "There is no great merit in being good to those who are good to us. We can claim goodness only if we return good for evil. This is the policy we try to follow and therein lies the difference between our policies." On another occasion (in 1958), he firmly rejected British leader, Nye Bevan's advice to give up the policy of prohibition, and effectively demolished Bevan's argument that prohibition came in the way of the nation's development. In early 1978, despite his 'excellent' rapport with the then US President Jimmy Carter he told the latter openly that India would not accept the so-called "fullscope safeguards" in relation to India's peaceful nuclear programme as the "safeguards" (pressed on India by the US administration) were discriminatory.

Definite Views

Besides strict adherence to fundamental principles like truth and nonviolence, as a statesman, Morarjibhai had very definite views on democracy, socialism, the nature and role of the State or government, and the problems of international relations and world peace. As a seeker after truth and a votary of nonviolence, Morarjibhai was a firm believer in the principles and practice of democracy. He was also an ardent champion of socialism. But he insisted that socialism—to be worth the name—"must be achieved with the consent of the people, and not by force" or, in other words, it should be "democratic socialism". He also believed that Gandhiji's "Constructive Programme" was the best way to move towards an egalitarian society and self-sustaining economy—which constitute the crux of the political philosophy of socialism. Many socialist societies of our time called themselves "dictatorship" (of the proletariat) and were often marked by political repression and regimentation. But Morarjibhai believed that "it is impossible to improve the nature of man through regimentation or force. Mahatma Gandhi realised it very clearly and showed the practical and peaceful way of achieving it (socialism) by persuasion and self example." In this context, he commended the Gandhian precepts of the national minimisation of wants and the conservation of resources. Thus he was strongly against the growing trend towards a consumerist society which hurts both the individual and society by frittering away scarce resources on the production and possession of rather useless articles, like liquor and drugs, and habit-forming products like tea, coffee and the fashionable soft drinks. Thus understood, "socialist democracy has to be translated into a living reality in every sphere of the nation's life." This "calls for several progressive steps" like the guaranteeing of equality of opportunity (by abolishing all discriminatory laws and practices) and equality of status (through freedom of thought and action and adult suffrage and the abolition of the feudal Zamindari system). Education is a powerful instrument of peaceful social change. Hence education (starting with universal primary or basic education) should be among the top priorities of a socialist, progressive democracy, which Morarjibhai wanted India to become.

Democrat

Rule of law is the cornerstone of a democracy, for it provides the real protection to the fundamental rights and interests of the people. To this end, like Gandhiji, Morarjibhai believed that "that government is best which govern least." Even so, the task or obligation of maintaining the rule of land and protection of individual liberties cannot be entirely left to the governments who (even in democracies) are sometimes motivated by the objective of retaining power through the dubious practice of building up the so-called 'vote-banks' and safe constituencies. According to Morarjibhai, this could be better achieved or ensured through a free press, an independent judiciary and a vibrant multi-party system. He also commended the 'pluralist' approach (often associated with thinkers like Bertrand Russell, Harold Laski and Gandhiji). The main thrust of the pluralist approach is that political society should not be 'monistic' or 'monolithic', wherein the State performs or has pervasive powers of interference even in the cultural and the social lives of the people. The nurturing, protection and promotion of those varied activities should be left to smaller associations, groups and cooperatives, formed and run as per the basic laws of the land and the broad parameters of the Constitution. Poverbially speaking, it meant that Morarjibhai was a champion of 'unity through diversity'.

Morarjibhai was a firm secularist—both by birth and his political education under Gandhiji. It was sometimes said of Gandhiji that he could not but be a secularist because he was born and brought up in Gujarat—a land of many faiths like Hinduism, Islam, Jainism and Zoroastrianism. Hence even as a child he (Gandhiji) learnt to give equal respect to all religions and faiths. In a large measure, this also explains Morarjibhai's strong belief in secuarlism, who was also from Gujarat. Also, it may be noted, the historic victory of the Janata Party in the Parliamentary poll of 1977 was

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S&T

Employment And Manpower Planning For S&T Personnel

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THERE is no denying that India will have to live with the problem of unemployment for many years to come. The immediate crisis cannot be solved by any measures taken either to curb population growth or to reorient the educational system. Those already born and who are at school will continue to enter the employment market. Restricting fertility is a long-term measure and this would affect the recruitment pattern in the year 2000 or later. Changes in the educational system may alter the situation after 10 or more years. Only the creation of jobs for the available manpower can help to reduce unemployment in the immediate future. Immediately after Independence, the country made concerted efforts to make available adequate S&T personnel, with the belief that application of science and technology to socio-economic development will increase productivity and employment opportunities. But, the disproportionate mix of S&T personnel and their increased supply resulted in unemployment and related problems to the S&T personnel themselves. This paper deals with employment and associated issues/problems of Science and Technology (S&T) personnel, as S&T manpower is a critical resource for the country.

Estimated stock of S&T personnel grew from 0.25 million in 1951 to 2.82 million in 1981 to 4.80 million in 1991 and further to 5.06 million in 1992. Its share in the total stock of degree holders in all disciplines was estimated to be 30%. S&T personnel stock in relation to India's population is not high. Out of total stock of 1.94 millions of economically active S&T personnel in 1980, nearly 0.3 million (or 300,000) of such personnel were unemployed and in terms of percentage, it was about 15% of the total economically active stock, as reported by a draft paper by Institute of Applied Manpower Research (IAMR). By the same paper, the estimated unemployment of S&T personnel was 4,63,000 in economically active S&T personnel stock of 2.93 million in 1990. Economically active S&T personnel stock refers to those S&T personnel in labour force or in other words, those employed, seeking employment, students and those available for employment. Whereas total S&T personnel stock comprises economically active S&T personnel stock and all those S&T personnel not available (or not seeking or out of labour force) for employment. The composition of the degree holding S&T personnel stock by disciplines was that 55% were science graduates, 14% science post graduates, 15% engineering and technology, 10% medical and 6% agriculture. This composition remains more or less the same over the years. Disciplinewise the highest unemployment rate is among the engineering diploma holders which was about 20% and among the science graduates at 20.6%. Despite this high rate of unemployment, the country continued to produce plain science graduates in large number who are not employable. The rate among science post graduates was 4.9%, engineering degree holders 7.1% and so on. There are indications as per National Sample Survey Organisation (NSSO) that unemployment rates among technical, professional graduates and post graduates in science may decline during 1995-1997. Though the concern is mainly about the unemployment among qualified S&T personnel (graduates and above), the unemployment among the educated manpower (matriculates and above) as a whole, is worth noting. The unemployment rate on weekly status basis for the younger age group 15-29 years was the highest with 27%. Besides the highly qualified S&T personnel whose unemployment/under-employment/wrong-employment and measures to alleviate the same is discussed in the paper, there is a sizeable unemployment among the middle or lower level technicians—trainees of Industrial Training Institutes (ITI) and apprentices of the Apprenticeship Training Scheme. As per broad

estimates available, roughly 20% of the ITI certificate holders and 13% of apprentices were unemployed. It may be mentioned that reliable up-to-date data on stock, employment by activity/ nature of work and unemployment of S&T manpower are not available and this needs immediate attention to set up an information system and to create data bases to analyse supply/demand of S&T manpower. Such analyses will help to make S&T manpower planning by streamlining education and employment planning.

Even the employed S&T personnel are no better in terms of salary/job satisfaction. This may be partially seen from the analysis of the salary structure of the S&T personnel in the institutional R&D units and in the in-house R&D units of the industrial sector. The salient features of this analysis are as follows: In the institutional sector, nearly 85% of the S&T personnel were in the annual gross salary of less than Rs. 1,00,000. Only 0.18% of the personnel were drawing annual salary of above Rs. 1,50,000 and only 0.02% were drawing more than Rs. 2,00,000 per annum. It may be noted that nearly 16.5% of S&T personnel were drawing gross salary between Rs. 10,000 and Rs. 50,000 per year. As compared to the institutional sector, industrial sector seems to present a better picture. In the public sector, though nearly 35% were below Rs. 50,000 annual gross salary, 8% were drawing above Rs. 1,00,000 per annum. In the private sector, though 4.5% were drawing below Rs. 50,000 per year, 14% were drawing above Rs. 1,00,000. In fact, 2.3% were drawing gross salary between Rs. 1,50,000 and 2,00,000 and 1% above Rs. 2,00,000. The overall average annual gross emoluments per S&T personnel employed on R&D activity worked out to be about Rs. 70,000 per annum or Rs. 5,800 per month including all allowances.

At present, the emolument levels in the industry for managerial positions are several times higher and in comparison, the cash compensation package for S&T personnel employed in R&D activities is very low. The reasons for this low salary for qualified people may be many. One of the striking reasons is that several posts of the lower level requiring lower qualifications are invariably filled by those with higher degrees as they are available in sufficient numbers resulting ultimately in frustration and lack of job satisfaction for such candidates. Another reason may be that there is a co-existence of unfilled vacancies and of unemployed persons. This analysis though it is confined to the R&D personnel, by and large, can be taken as true of S&T personnel employed in other types of jobs as well.

The Department of Science & Technology (DST) conducts annual surveys to collect data on manpower employed for science and technology activities and also the quantum of financial resources deployed for such activities. For a few years, the data on manpower are available. The R&D and auxiliary manpower employed by all R&D institutions together does not show any appreciable increase during 1973 to 1992. The auxiliary manpower who are extending technical and scientific support to those engaged on R&D activities is also taken since most of these personnel are having S&T qualifications. The increase in R&D and auxiliary manpower employed by R&D institutions showed a compound rate of growth of only 5.6% in 1992 over 1974 and 6.1% in 1990 over 1974. In fact the growth rate was only 3.5% in 1992 over 1984 and 2.3% over 1988. The employment was growing rather slowly in late eighties reaching almost no growth or negative growth in the early nineties for which data are available. Compared to this, the R&D expenditure at current prices has registered a compound rate of growth of 17% in 1992-93 over 1975-76, 14% in 1992-93 over 1985-86 and 11% in 1992-93 over 1988-89. As such, the growth rate in R&D expenditure also showed a downward trend but the growth rate of R&D personnel employment declined much faster and reached almost a no growth scenario.

An attempt has been made to correlate the employment of R&D and auxiliary personnel (which are assumed to be mostly S&T qualified) and the R&D expenditure for the country as a whole. A linear regression has also been fitted with R&D expenditure as independent variable and R&D and auxiliary personnel employed in the research institutions as the dependent variable. They are showing a very high correlation. By using this regression equation, one can project the amount of S&T expenditure required to employ a certain quantum of qualified S&T personnel. An attempt has also been made to fit a regression line between all the employed S&T personnel out of the total stock of S&T personnel as a dependent variable and GNP as an independent variable and also to fit a regression line between all the employed S&T personnel in the total stock and the industrial output. All the employed S&T personnel data have been obtained by subtracting the S&T personnel registered with employment exchange from the total stock. The best fit between the general industrial production indices and employment stock of S&T personnel has also been attempted. All these regressions show a very high correlation. There are certain limitations in the data like S&T stock figures which are not available from one source alone. Many other related variables (like employment of non S&T personnel, the time factor etc.) to GNP or industrial output are

not considered in the problem. These regressions have shown that the total stock of employed S&T personnel are indicating high correlation to the industrial output and also to GNP. This by and large goes to show that the increase in employment of S&T personnel is related to increase in the GNP and increase in industrial output. Of course, the increase in the output of industrial production is reflected in the increase of GNP.

Corrective Measures

To provide increasing employment for S&T personnel, some measures are indicated below. These only indicate measures in broad terms.

To check the unemployment of S&T personnel, a multi pronged attack which include streamlining of S&T education and increasing industrial growth. These are discussed below under the broad heads: Education, Industry, Training and others.

Education: As a cautionary measure, it may be stated that it will not be possible to reduce the unemployment to the desired extent as higher education in India goes on expanding due to social and political reasons rather than on economic and manpower consideration. However, some of the suggestions regarding the change of the educational contents and forms and also the trainees may be useful. This may facilitate the process of gainful employment of large stock of unemployed S&T personnel to some extent.

A question arises as to the need for producing such a sizeable number of science graduates when the economy of the country is unable to utilise them. There are reasons to believe that barring those who pursue higher education in science, work as laboratory technicians/teachers, and a major chunk of them go in for clerical jobs which do not require scientific knowledge or skills. In order to reduce the dimensions of the problem, it is necessary to adopt the following approach:

(i) Vocationalization of education after the school stages;

(ii) Selective enrolment through tests of aptitude and examination results in B.Sc. courses;

(iii) Limited admission in M.Sc./Ph.D. courses according to manpower needs.

(iv) Serious gaps have appeared in technical education in creating medium level skills. The courses of engineering colleges and polytechnics need to be restructured to fill these gaps.

It should be a step in the right direction if along with delinking of academic degrees from job specifications where such qualifications are not required, a number of existing colleges should be made to vocationalize college education. To begin with, they can concentrate on such courses as publishing, printing, tourism, insurance, accounting, public health and hygiene, commercial publicity, photography, stage craft, script writing, industrial documentation, electronics, musicology, etc. The case for introducing courses in public health and social hygiene should be seriously considered. Vocationalization in rural colleges should centre round the needs of rural development, cottage industries and programme designed for the development of backward areas. The UGC should set up an expert group to examine the development of new vocational courses. High level body of experts should work out the requirement of various categories of jobs which are likely to be created in near future and to prepare job profiles with the levels of training at each point.

There is a widespread view that technical education especially at the university level should be need based and job oriented. It is a general feeling of the employers that the products from the university possess some amount of theoretical knowledge but they are not sufficient in skills and therefore are not able to handle problems of the industries. This may partly be attributed to the fact that the teachers themselves do not have operational knowledge which is necessary to meet the day to day problems of industry. There is therefore, a need for frequent professional contacts between faculty members and technologists in the industry, so that the teachers may update their practical knowledge and the industrial technologists become more fully acquainted with the current developments. In this context, interaction between industry and technical education has to be made compulsory for industries. Some of the steps which may be taken in this regard are as follows:

(i) Members of the teaching faculty should be encouraged to take up consultancy work and this could be treated as part of the working load.

(ii) Industrial technologists who have good record of performance should be appointed to suitable visiting positions in educational institutions and they should be permitted to direct students for Ph.D. degrees in applied topics and in other research programmes. They should be encouraged to serve on curriculum committee of the universities and other institutions.

(iii) There should be courses on continuing education for engineers working in industries.

(iv) Working engineers in industries should be encouraged to take up

part time courses in universities leading to higher degrees.

(v) Industrial management courses specially for the middle level should be introduced in technical institutions.

(vi) Scientists from universities, research laboratories should occasionally swap positions with technologists in industries. Necessary changes in regulations may have to be made to facilitate its implementation.

The universities should be encouraged to introduce non-formal education in science and technology. Evening/vacation courses in science and technology which are not necessarily experimental can be introduced. This may add to employment opportunities without additional capital input. Introduction of evening courses will relieve pressure on admission in the day colleges and also it will motivate students to seek employment (including self-employment).

The present system of education has locked itself in rigid discipline oriented departments. It is, therefore, necessary that both the universities and IITs should have greater flexibility both in deciding the curricula and the courses so that the new emerging areas can be exploited quickly with efficiency.

It is no easy task to make the colleges aware of the academic purpose. It calls for a high level of administrative competence, managerial ability and political determination and skills.

Industrial Growth

The second major requirements for easing the S&T manpower employment situation is increasing the rate of industrial growth. However, the way industrial growth rate has fluctuated of late rules out the feasibility of such containment of the number of the educated unemployed. So far, more than 5% growth could not be achieved in spite of the pious intention. It is hardly possible to find employment unless the industrial growth is stepped up to at least 12-14% if not more to take care of most of the existing unemployed and the future out-turn of S&T personnel during that period. A quantitative growth rate here is specified as an indicator, as it was observed that industrial growth is highly related to S&T employment in the organized sector. The pattern of industrial investment so far rules out such a growth rate within the prevailing framework of resource availability. Therefore, something massive has to be done to achieve 12-14% growth rate. In addition, special schemes must continue to be implemented and expanded in self-employment enterprises. Economic and industrial liberalisation introduced in 1990 is yet to result in the desired growth rate.

One can think of a two-day approach towards increasing industrial growth and both should supplement and complement towards the total objective of creating more employment. The two-way approaches are increasing—on the one hand the small scale and village industries and on the other the basic and heavy industries.

Eradication of unemployment is closely linked with increasing the income of the people and development of the economy and as such the means to solve the evils should be found out. The true solution of both long term and short term is building up the economic infrastructure of the country and laying a sound base for the growth of industries both small and large scale (cottage, village and agriculture).

Undoubtedly, in a country with a large population and scarcity of capital, small industries and self-employment schemes and village industries like Khadi, bee-keeping, pottery, metalcraft etc., have their place, but such enthusiasm for quick means of solving unemployment should not lose sight of the need for investment in basic and heavy industries without which sustained material progress will not be possible. Moreover, increasing employment through the means of labour intensive technology alone is a very temporary and transitional phenomenon. The viability of such a technology is not very attractive and the value added per worker may be so low that it results in low returns on capital and low pay to the wage earner. Therefore, an appropriate mix of small scale industries etc., on the one hand and heavy industries on the other is to be planned.

Training

Since humanware is the key element of any transformation, training to enhance/update operating abilities, setting up abilities, adapting abilities, reproducing abilities and improving/innovative abilities, besides managerial, interpersonal and financial skills is of utmost importance. In this section, the in plant training to upgrade skills is dealt with in detail and at the same time bringing out the importance of training and the lack of it in the country.

The importance of in plant training (IPT) as a source of skilled human resource development is becoming apparent now, especially its value in enhancing national competitiveness.

IPT typically aims to achieve the following objectives:

— the induction/orientation of new employees;

— the updating of knowledge and theoretical concepts to enable employees to appreciate fully the nature of their current job responsibilities;

— the acquisition of technical skills by existing employees, as demanded by their current job profile;

— the enhancement of technical skills and/or the learning of new skills, developing the capabilities required to take up advanced technical jobs and/or higher-level positions; and

— the acquisition of managerial and attitudinal skills for planning and control, as well as for inculcating a positive disposition towards work among employees.

From the point of view of the employee, IPT is an avenue to enhanced efficiency and dexterity on the job, while it eases job conversion and facilities the handling of multi-skills jobs. IPT is also expected to facilitate promotion of employees to higher positions and towards employment in occupations requiring enhanced skills.

In India, for example, no direct institutional support for IPT is available from the government. Nevertheless, government initiatives have an indirectinfluence on IPT. For instance, the new national economic policy of the government has made enterprises more open to international competition, making it necessary for them to enhance their productivity and cost effectiveness. This creates the need for well-designed IPT in enterprises to enable them meet demands for new skills resulting from the updating of technology. On the whole, however, it appears that IPT has not been the focus of government policy makers in India. The governing philosophy appears to be that IPT is best left to individual enterprises.

In India, many large enterprises, both in the manufacturing and services sector, have good training infrastructure and expend considerable effort in planning for IPT. Smaller enterprises usually perceive IPT as a non-critical function, on the other hand, and financial constraints often limit resources committed to IPT, in any case.

In India, there is no policy document on vocational training that specifies a government strategy for skilled manpower development in different fields, including the relative emphasis it would like to place on different sources of skilled manpower development. In fact, IPT is probably not even recognized as a source of skilled manpower development which needs to be exploited by the government. Second, new national economic policy seeks to trim the labour force in enterprises, and employers have had to intimate voluntary retirement schemes. The government has instituted a national renewal fund aimed at providing financial support for the rehabilitation of the voluntarily retired employees. As of this writing, however, no part of the fund has been made available for the retraining of such employees, which would enable them to develop new skills and be absorbed into other enterprises. Third, there is no evidence that technology management at national level has influenced macro-level IPT systems or policy. It appears that there is insufficient coordination between government departments responsible for technology scanning, forecasting and transfer at a national level, on the one hand, and those responsible for macro-level planning of training activities, on the other.

Studies conducted in India indicate that IPT is not considered a critical activity in many enterprises. There is often no company policy on human resource development, and provisions for the administration of IPT are usually inadequate. The investment in training is usually influenced by the labour market situation, resulting in insufficient financial resources for training. Enterprises, especially the smaller ones, lack up-to-date equipment, machinery and facilities. They are unable to release workers for training due to the small size of their workeforce and the shortage of workers.

These studies have also revealed that smaller enterprises depend more on other sources of skilled manpower—recruiting skilled manpower from other organizations, for example—and therefore give less weight to IPT. Other enterprises employ predominantly unskilled workers, and do not perceive IPT as a critical function. IPT also takes a back seat when profits fall and the enterprise faces severe constraints on resources. In fact, some employers have argued that IPT results in the dissipation of organizational resources, since many employees, having undergone skill development programmes as part of IPT, leave the enterprise for better employment elsewhere. Thus, planning for IPT, far from being pro-active, is usually incremental and bears little relation to future skill needs.

So far as training infrastructure goes, many enterprises in India provide training machines and equipment of relatively inferior quality and features, since it is expensive to provide the latest models for training. Generally speaking, larger organizations have better training infrastructure compared to the smaller ones. Financial constraints are often given as the reason that enterprises cannot provide high standards of training infrastructure. Further, sharing of such infrastructure among similar enterprises is uncommon, though many enterprises are aware of the potential mutual advantage.

The Indian study indicates that enterprises need to focus more on the

selection of training faculty. Where it is customary to have dedicated training faculty, on the other hand, those who are selected for these positions are typically persons who have been found unsuitable for line jobs, which are considered more challenging. In enterprises where the training function is accorded little priority, training department staff may be non-performers in operational departments who have been "dumped" into training positions. Motivation among such persons also tends to be low and, as a result, one should not expect to see innovative approaches to IPT.

Ideally, the determination of training needs for the enterprise should be based on anticipated technological changes, resulting changes in job profiles, and concomitantly emerging skill needs. Training needs are also conditioned by such factors as preferred management philosophy (e.g., total quality management), priority issues (e.g., safety awareness), and considerations of general motivation and productivity.

In the context of generating employment through more investment, the following alternative could also be considered. The investments by non-resident persons of Indian origin in shares of Indian companies on a non-repatriation basis should be viewed in a larger perspective of national interest as an instrument to generate economic benefits to the country.

Overseas Indians have now acquired capacity to locate and negotiate for new and difficult technologies and they can import sophisticated technologies into India with much greater ease and facility and assist in filling up the technological gap of our country.

In addition to improving the educational system to be more need based and to increasing investment in both small and large industry, India should go in for large scale industrial extension services, on similar lines of agricultural extension services. In order to bring in more collaboration between industry and institutions in the utilisation of technologies developed in the institutions, such industrial extension services would be very useful. Moreover, these extension services would absorb a large number of our S&T personnel.

Along with the measures of reforming the present education system and of increasing the investment, R&D in new and emerging areas may have to be taken up by the institutions and the industry. These new/emerging and thrust areas are given in a number of papers presented at a number of meetings by various scientists/ technologists.

As mentioned earlier it has been estimated that the unutilized stock of S&T manpower may be of the order of 4,00,000. Obviously, the task of providing meaningful opportunities of employment for this large human resource is a complex one. There will be no single or simple solution. However, efforts should be made to tackle this problem in a speedy manner and with earnestness since the number of unemployed youth, qualified in various areas of science and technology, will increase year after year. Ideally, a scientific approach to this problem would be to catalogue carefully the opportunities available in every state and in every block of each state for salaried or self-employment in the following groups of professions:

(a) Land and water based occupations including agriculture, horticulture, animal husbandry, inland and marine fisheries and forestry.

(b) Small, medium and large industries and other non-land occupations,

(c) Services in tertiary sectors.

No systematic exercise on employment planning in different parts of the country on the above lines has so far been undertaken. Ad hoc solutions will not provide a satisfactory answer to this problem. The country should therefore, consider the matter in greater depth and suggest a methodology which not only will provide a short term solution to the problem already on hand but also a more enduring strategy of S&T manpower planning and utilization. The following approach is suggested for consideration:

(a) Make a catalogue of the unemployed S&T personnel with information on their academic and professional background.

(b) Identify with the help of appropriate experts the jobs which can be immediately created both in the salaried and self-employment sectors. For this purpose, establish national and regional expert committees with members drawn from public and private sector industries, banks and development agencies.

(c) Develop a methodology by which all sanctioned but vacant posts in the S&T sector can be filled up speedily wherever necessary by providing training opportunities to candidates who might otherwise be qualified (in other words, instead of declaring candidates as unfit, take steps to make them fit for appropriate jobs).

(d) Develop a consortium of survey organizations (Survey of India, Geological Survey, Zoological Survey, Botanical Survey, Soil Survey, Forest Survey, Fisheries etc.) which could take up investigations on the development opportunities available in relatively less developed areas; such work on untapped and under-utilised resources should be in the

form of pre-investment surveys since the major aim is to identify the opportunities available for generating gainful employment.

(e) Financial institutions like Industrial Development Bank of India, Agricultural Refinance and Development Corporation, State Bank of India, etc., have considerable information on the kind of investment opportunities available in the agricultural and industrial sectors. Their help will have to be taken to get all the unutilized knowledge available with them, which can be converted into suitable projects.

Once the contours of the qualitative dimensions of this problem and the opportunities available for productive employment are delineated with as much precession as possible, an implementable plan of providing the jobs could be worked out. Gradually, work should be done towards converting the 5,000 community development blocks in the country into "agro-industrial complexes". This kind of transformation will provide opportunities for employment generation based upon scientific resource utilization. For converting each block into an agro-industrial complex, suitable institutional devices for promoting decentralised production backed up by appropriate centralised services will have to be developed.

Based on these exercises, a National Resource Corps of S&T Personnel may be organised, on the lines of the Scientists' Pool managed by CSIR. The aim will be to select candidates who could be absorbed in suitable position either in existing or new projects or who could be assisted in taking to a career of self-employment (either individual or group self-employment).

Concluding Remarks

The foregoing analysis has clearly shown that there is an excess enrolment, output and stock of S&T personnel in India, compared with the conventional indicators of her level of economic development. To put it differently, India's objective of contributing to the elimination of poverty by the appropriate use of science and technology required, it was believed, an increased availability of qualified manpower through the expansion of the educational infrastructure which has not been fulfilled to any appreciable extent. Moreover, there has been no real change in the higher technology content of India's manufactured goods exports, nor has India succeeded in exporting proportionately more high technology goods. This is coupled with unemployment and underutilisation of S&T personnel. This raises doubts as to whether the S&T. content of the present educational system suffers from lack of relevance to the needs of industry or whether industry lacks dynamism and professional management, or both.

Of course, there is no denying the fact that India will have to live with the problem of unemployment for many years to come. The immediate crisis cannot be solved by any measures taken either to curb population growth or to reorient the educational system. Those already born and who are at school will continue to enter the employment market. Restricting fertility is a long term measure and this would affect the recruitment pattern in 1990 or later. Changes in the educational system may alter the situation over 10 or more years. Only the creation of jobs for the available labour supply can help to reduce unemployment in the immediate future. To check the unemployment of S&T manpower, a two-pronged attack is required—streamlining S&T education and increasing industrial growth and exports and, in turn, overall economic growth. Some remedial initiatives were already discussed under three broad headings: education, industry and other measures. They consist of both long and short term measures. These are only broad suggestions and the details will have to be worked out case by case. The spectrum of skills available in the country in the form of S&T manpower should be codified into: obsolete skills, obsolescence skills, surplus skills, transferable skills, shortage skills and zero stock skills and they should be continuously monitored to correct the imbalance between supply and demand of S&T manpower. Such a dynamic exercise will lead to education planning (comprising both curriculum and course planning) and employment planning leading to appropriate manpower planning and development.

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READ YOJANA TO KNOW INDIA

Rural Inequalities: Comprehensive Area Approach Imperative

Dr. Prem S. Sharma

THE importance of the study of rural inequalities needs no emphasis. In India the existence of vast inequalities in income and assets have received wide attention both by the scholars and the policy makers. The various Five Year Plans in India have set economic growth with social justice as the major objective of planned development with a view to reducing economic inequalities along with eradication of poverty. This is mainly because inter-personal as well as inter-regional economic disparities are quite large in India.

It may be stressed that disparities have to be distinguished from diversities in the functioning of a rural economy. Inter-regional disparity denotes the failure of a region to exploit the development potential of its initial resource endowments, its latent comparative and absolute economic advantage relative to another comparable economic region. This could be due to human, institutional and historical factors. As against this, inter-regional diversity is a reflection of the difference in the initial resource endowments, largely of a natural and physiographic character.

Existence of inter-personal and inter-regional disparities leads to the emergence of categories like "haves" and "have-nots". Broadly, it could be stated that since the haves are able to generate and appropriate more surplus and are able to utilise it for further productive investment in the long run, the benefits would tend to be cumulative and self-sustaining in character. Thus, it could be visualised that inequalities would become more and more accentuated, unless vigorous steps are taken to check the growth of these imbalances. Because of this process of inequalisation, reduction of imbalances of various kinds and promotion of balanced regional development have been a part of the multiple objectives of economic and social planning in various developing countries including India.

In the context of countries of Asia, associated with huge population densities, land, water and capital are main factors of production and inequality in their distribution has caused maldistribution of income, wealth and assets. Such a pattern of distribution of income, wealth and assets is reflected in the inequality in the distribution of consumption expenditure as is revealed by the NSSO data on consumption expenditure in India.

It has been argued that different patterns of income distribution would represent different levels of national welfare according to the share of the needy and weaker sections of society in the distribution of income compared to those of the affluent classes. However, in countries like India, a given increase in national income within the framework of a largely unequal society and higher inequality in income distribution, would not represent an equal or even a proportionate increase in national welfare. Under such situations, in order to promote the welfare of weaker sections of society, special programmes in terms of skill formation, assets distribution, employment generations are undertaken. This is reflected in the promotion of programmes like IRDP, NREP, RLEGP, Jawahar Rozgar Yojana; Desert Development Programme etc. in the context of Indian conditions which are anticipated to cater to the needs and requirements of weaker sections of society. Mal-distribution of the means of production among different classes of people leads to inequality in several aspects such as (a) inequality in access to institutional finance, material inputs etc.; (b) inequality in access to technical knowledge, extension advice and the diffusion process; and (c) inequality in consumption expenditure leading to the problem of contractual and/or ancestral indebtedness.

In the context of rural areas, land inequality is both a cause and effect of assets inequality. The case of land inequality accentuating the process of assets inequality could best be explained with the help of irrigation facilities which play an important role in agricultural development and growth. It is agreed that access to more land in the case of large farmers helps in creating the demand and installation of irrigation facilities. Availability of more irrigation facilities, through its impact on the generation of large marketable surplus, would create favourable situation for the purchase of more land and other farm assets. Thus irrigation could have a cause and

effect relationship with land inequality. In other words, land inequality would lead to assets inequality, which in turn, would further accentuate land inequality.

The concentration of land and other assets does have implications in terms of exploitation of one class of society by another section. This would have repercussions in terms of inefficient and/or inadequate use of land as well as other resources and in this process could damage and depress production.

The most sensitive factor influencing the pattern of distribution of rural incomes is the pattern of distribution of land creating in the process the problem of privilege, status and power. In India, farm lands constitute about 80% of agricultural assets in rural households. At any point of time/over time, exogenous variables like (a) sale and purchase of lands; (b) land reform measures; and (c) the process of urbanisation and development of infrastructure facilities could influence the problem of land distribution. This pattern could also be affected by endogenous variables like (a) laws of inheritance; and (b) demographic pressure etc.

Even though in developing countries like India, the objective of economic and social planning have been to achieve the targeted gross domestic product (at factor cost) growth rates along with social justice, several studies have shown that in actual practice due to the failure of the process of percolation mechanism, the planning strategy has resulted in the creation and even accentuation of economic inequalities due to greater sharing of economic and social gains by the relatively better-off classes to the neglect of the weaker classes. The economic inequalities thus created, lead to a situation in which the gains to the relatively better-off get frittered away in the type of conspicuous consumption, requiring greater and greater imports of luxury items with its implications for savings and balance of payments situation.

Land inequalities could be reduced and the constraint of land-man ratio could be eased if the availability and access to land of small and marginal farmers as also of landless labourers could be increased. Redistribution of land acquired through imposition of ceilings could, however ease the situation only to a limited extent. This is based on the argument that the acquired surplus lands may not be adequate to make all the non-viable units viable and productive. The officially declared "surplus land" (5 to 7 million hectares) available for distribution among weaker sections of farming community are far below the potential surplus land worked out on the basis of land holdings data of agricultural census and NSS. Actually distributed surplus land is hardly 20-25% of the officially estimated figure. However, the situation in West Bengal and Kerala is different. In these states, land reforms measures have been implemented with success and the small farmer has benefitted by these measures. Certain studies on the distribution of land holdings over the period 1953-54 to 1981-82 for all the states have shown that (a) glaring inequalities continue to persist, (b) practically in all the states, land concentration has become more pronounced at the middle level and (c) a large majority of rural households at the bottom of land ownership hierarehy has remained by and large, unaffected in the process of land distribution.

Land availability as a constraint could ease if there was the possibility of absorption of workers engaged in cultivation into non-cultivation occupations. Here the prospects do not seem to be bright. The percentage of workers engaged in agricultural pursuits has remained rather sticky around 70% of the total working force as reflected by the recent population censuses. Thus the experience of economic development of developed countries in absorbing agricultural workers into non-agricultural pursuits does not seem to hold good in India. This is, however, not to deny the proposition that to ease the population pressure in different regions of India, out-migration flows take place from backward regions e.g. Bihar, Eastern U.P. in favour of relatively advanced regions like Punjab, Haryana and West U.P. It should, however, be made clear that under Indian conditions, migration could, at best, be considered only a palliative for meeting the rigours of the problem of poverty.

Focus

Land inequalities and its effects could be reduced through making the weaker sections of our society as the focus of our development efforts and the beneficiaries in the gains of development. This is known as the "target population approach". Schemes/projects having backward area development orientation could also help in reducing rural inequalities. The Government of India is already committed to the implementation of both these approaches. Efforts are being made to integrate both these approaches in the context of promotion of rural development.

Public credit system favouring the priority sectors has been considered to be a powerful means of reducing rural inequalities in many ways. It eliminates the inequality of usury; it raises the incomes of the weaker sections; and it can bring about a radical change in the distribution of major non-land assets like livestock; irrigation capacity etc. As credit availability for purchase of material inputs and irrigation equipment improves through building conscious biases in favour of weaker farmers, it is likely to affect the distribution of non-land assets in favour of weaker sections in the rural society.

As on March 1990, the commercial banks were providing 42.4% of the net bank credit to the priority sectors. Among the priority sectors, agriculture sector, accounted for 17.4 per cent of the total net bank credit. This policy orientation has helped in meeting the financial needs of small and marginal farmers, rural artisans etc. On March 1994, this percentage of credit to priority sectors got reduced to 34.4 per cent and in agriculture sector to 13.5 per cent. There is need to examine whether the credit advanced under the priority sector schemes are being advanced to the targeted and the needy groups. Further, the decline in the deployment of bank credit to the agriculture sector is a serious development and all necessary steps need to be taken to reverse this trend at the earliest. Along with providing commercial bank credit to the targeted groups, the government has introduced the policy of dual pricing in fertilisers for providing fertilisers to the small and marginal farmers at a subsidised rate.

But the fact remains that the various programmes of rural development have not made a dent in increasing rural incomes and/or generating substantial avenues of employment. In this context, it is mentioned that there has been an apparent lack of successful programmes of rural development as compared to successful projects. Thus rural development to be meaningful has to be extended from the project-oriented phenomenon to the comprehensive area approach involving all the people and categories of persons in the area as well as the sectors and activities, thereby bringing to the fore their inter-dependent character. Thus agriculture has to be juxtaposed into the framework of rural development, which, in turn, has to be linked with non-agricultural growth including infrastructural facilities like rural electrification; rural roads; agro-processing industries etc.

Studies have shown that the growth of irrigation has a significant and positive impact in reducing the poverty ratio in rural areas. Keeping in view this aspect, stress has been laid in the allocation of adequate plan outlays to the irrigation sector both by the Central and state governments. However, it has been observed that the plan funds stipulated for the irrigation sector in a plan period (say the VII Plan) are not being spent, thus creating a gap in the stipulated investments and actual investments in the irrigation sector. The actual expenditure on irrigation and flood control fell short of the plan outlay by about 40 per cent during the VII Plan period. Such a situation needs to be avoided at all costs.

Keeping in view the backwardness criterion, the Central government is extending plan support to the various state governments through Central assistance under the Modified Gadgil Formula which has been in operation since 1969. Two prominent characteristics of backwardness, which the Central assistance formula captures are: (a) population of a state (as reflected by 1971 population census); (b) per capita income below national average (applicable only to those states where per capita state domestic product on a comparable basis are below the national average).

Lack of infrastructural facilities e.g. irrigation facilities in the agriculture sector; availability of power; communication facilities, road and marketing facilities in the agro-industrial sectors are also responsible for the continuance of regional disparities. It is, therefore, argued that first it is necessary to develop infrastructure services, and facilities before investment, particularly private sector investment in the sub-sectors of agriculture and allied activities, modern and traditional industries, commerce, banking etc. could take place. It is in this context that the Eighth Plan has laid emphasis on the creation of an appropriate environment for rapid industrial and economic growth through strengthening of the physical infrastructure, particularly in the areas of (a) energy; (b) transport; (c) communications and (d) irrigation etc.

In the past, the developmental impact of investment in infrastructure facilities has been reduced due to (a) low operating efficiency; (b) inadequate maintenance; and (c) lack of attention to the needs of the users. These deficiencies in the operation of infrastructure facilities need to be tackled if the growth impulses emerging from investment in infrastructure facilities are to be captured.

We have highlighted above the difficulties that are being encountered in promoting the process of balanced regional development among the states. But the fact remains that any reduction of inter-class and inter-regional inequalities in rural areas would involve simultaneous attack on problems of (a) raising of agricultural production, particularly in areas unaffected by high yielding varieties; (b) ensuring participation of weaker sections of society in the growth process and the associated greater distribution of benefits of growth in rural areas among weaker sections as also among the lagging regions of backward states. Thus the process of economic growth along with social transformation in the rural areas has to be integrated with the pattern of income distribution which is biased towards weaker sections of rural society. It is, therefore, essential that the various policy packages of the Centre and the state governments should move in this direction. ❐

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A Framework For Financial Resource Planning Of Panchayats And Local Bodies

Dr. Joseph Abraham

WITH the introduction of elections to Panchayats and local bodies, the formation of popularly elected governments at the Panchayat and local level has become a reality. These elected governments of Panchayats and local bodies require a sound financial resource base to become really functional and effective to carry out their development plans, projects and programmes. In this context, it is pertinent to analyse the suitable process of financial resource planning for local bodies.

This paper is aimed at presenting a framework for the financial resources planning of the Panchayats and local bodies giving the various actual and potential sources of financial resource flow. The analysis gives the two broad sources of resource flow i.e. the Panchayats own resources and the resource support from the state government. Details of the individual items of these two broad sources of financial resources are also analysed. The framework given for the financial resource planning of Panchayats in this paper could be extended to local bodies as well without any significant modification in the basic framework.

In general, the plans, projects and programmes of the Panchayats and local bodies can be formulated as a miniature of the present day Annual Plans and Five Year Plans of the Central and state governments. Above all, the plan needs to be formulated within the overall financial resource availability of each Panchayat. The Panchayats and the state government can jointly assess the financial resources availability for the annual plan of each Panchayat sufficiently in advance, preferably an year ahead of the plan.

Following the assessment of the financial resources, the sectoral distribution of these resources can be made for the different programmes and sectors through discussions between the state government, both at the official level and at the level of Chief Minister and elected heads of the Panchayats, in accordance with the overall plans, programmes and priorities of the Panchayats and the state governments. However, the annual plan of Panchayats and local bodies needs to be completed prior to the formulation of the state's annual plan. This will enable the state government to assess the net resource position for plan financing after adjusting the resource inflows and outflows to and from the state budget for the annual plan of Panchayats and local bodies. The details of the various sources of financial resources for Panchayats and local bodies are given below:

Resource Base

As mentioned earlier, the financial resource base for the annual plan of Panchayats could be broadly classified into two groups: the Panchayats own plan resources and the state government's resource support to Panchayats. The Panchayat's own resources may include the following: balance from current revenue (BCR), additional resource mobilisation, contribution of Panchayat level enterprises, share of Panchayats in loans against small savings from post offices located in the Panchayats. Panchayat provident funds from its employees, grants to Panchayats and local bodies from the Finance Commission of the Centre and state, miscellaneous capital receipts, bonds/ debentures and other measures of revenue mobilisation by Panchayats and the opening balance. The state government support to Panchayats may include the following: open market borrowings, negotiated loans from financial institutions, plan grants from Central and State Finance Commissions, formula based state plan assistance and assistance for externally aided projects of the Panchayats. The details of each of the above is given below.

Panchayats Own Resources: One of the fundamental indicators of the net revenue and expenditure position of the Panchayat and local bodies would be the balance from current revenue (BCR). BCR is the difference between the aggregate revenue receipts and non-plan revenue expenditure of the Panchayats. The revenue receipts of the Panchayats may include the share of the Panchayats in the state's tax revenue as determined by the devolution of certain items of state taxes to the Panchayats at an agreed percentage as in the case of the share of state in Central taxes. In addition,

there could be the Panchayats own tax and non-tax revenue and other revenue receipts from the state on account of state government sponsored schemes. The revenue expenditure of the Panchayats may include the expenditure of the Panchayats for non-plan expenditure like interest payments, administrative, fiscal and general services expenditure and other non-plan revenue expenditure for various sectors of the panchayats like agriculture, education, medical, public health, rural development etc. Finally the revenue expenditure may also include the expenditure of the Panchayats on DA, pay, pay revisions etc.

The public enterprises of the state government can also devolve a part of their revenue surplus to the Panchayats in which they are located. In a phased manner, the management of the public enterprise could be entrusted to the Panchayats in which such enterprises are located. The Panchayats may have to eventually manage its requirements of power, transport, and other infrastructure by financing the expenditure for these sectors through its own resources rather than depending on the grants from the state government.

Another major source of finance for Panchayats would be the Small Savings of Post Offices located in the Panchayats. Presently the state governments are granted loans from Centre to the extent of 75% of the net collection of Small Savings by the Post Offices in the state. Similarly, the Panchayats could also be granted loans from the state to a prescribed level of the net collection of small savings mobilised by the post offices located in the Panchayats.

The Panchayats can also mobilise revenue for their plan through short-term impounding of DA of its employees. Presently such impounded DA from the state government employees constitutes a resource base of the state for plan financing.

Depending on the financial viability of the projects, the Panchayats can also raise revenue through debentures and bonds which may be subscribed by the all India and state level financial institutions, by the state government as well as the public. The Panchayats may also be permitted to have a ways and means advance through the Reserve Bank of India (RBI) as presently granted for state governments. This will enable the Panchayats to meet their short-term cash flow requirements and would also facilitate the financial management of Panchayats. This facility in turn would enable the RBI to closely monitor the finances of local bodies and thus extend monetary policy to the grassroots level.

State Government Support: While the above mentioned sources of finance could be generated by the Panchayats themselves, there are a variety of sources of finance which could flow from the state government to the Panchayats. Firstly, the Panchayats could be permitted to raise resources through Open Market Borrowings (OMB) to mobilise financial resources, subject to the overall parameters of monetary policy of the Centre. The quantum of OMB to Panchayats could be decided by the state government based on relevant performance and development variables like the per capita income, level of development of infrastructure, the financial needs and debt servicing capabilities of the Panchayats. Thus, the state government and the RBI can constantly monitor and manage the OMB requirements of the Panchayats.

Secondly, The All India financial institutions as well as banks can also extend loans for the development projects of Panchayats based on the project evaluation of Panchayat level projects. This could only be an enabling provision to the Panchayats to raise loans depending purely on the feasibility and viability of its projects and without any statutory obligation on financial institutions.

Thirdly, a very pertinent issue in this context, is the role of private sector participation in the development projects of the Panchayats and local bodies considering its immense potential for resource mobilisation and development of Panchayats and local bodies. This source would also reduce the strain on the financial resources of the Centre and state government considerably. Further, in view of the limited resource availability of the Panchayats and local bodies, there is a need to explore the potential of private sector participation not only in the infrastructure sector projects but in the social sectors as well.

Fourthly, the Plan Grants from the Centre and state government to the Panchayats and local bodies for their plan schemes and specific problems can be another major source of finance.

Formula Based State Plan Assistance: The state government can evolve a formula for the devolution of a state's assistance among its various Panchayats and local bodies by giving weightage to variables like Panchayat's Domestic Product (PDP) population, tax and non-tax effort of Panchayats, plan performance and special problems of each Panchayat. This calls for a formula for state plan assistance to Panchayats and local bodies which could be worked out through a concensus arrived by creating a new body called the state development council (SDC) at the state level equivalent to the National Development Council (NDC) at the national level.

The SDC which may be headed by

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Light Combat Aircraft—India's Symbol Of Self-Reliance

B.N. Gurumurthy

ON the sunny afternoon of 17th November 1995, a milestone in Indian aviation history was reached when, at the press of a button by the Prime Minister Mr. P.V. Narasimha Rao, the first Light Combat Aircraft—LCA—designed and developed wholly indigenously, rolled out majestically at the Hindustan Aeronautics Limited in Bangalore.

The LCA is the world's smallest, light weight, supersonic, multi-role, single seater combat aircraft and is designed to meet the demands of the Indian Air Force during the first two decades of the 21st century. It has a length of 13.2 m, wing span of 8.2 m and a height of 4.4 m. The aircraft constitutes a precision weapon launch platform and it can carry and deploy upto 4000 kgs of weapons which range from beyond the visual range missiles and rockets to cluster bombs and conventional bombs. Short take off and landing, outstanding agility, high manoeuvrability are some of its salient features. The aircraft can be refuelled while in flight. Extensive use of advanced carbon composites for the wing, fin and rubber has lowered the weight of the aircraft structure significantly. An efficient lightning protection system has been evolved and is in place for all composite structures. Almost all the metallic materials needed for the LCA have been produced in India and certified by airworthiness authorities.

The LCA integrates modern design concepts and state of art technologies like digital fly-by-wire flight control system, integrated avionics, multi-mode radar and a state of art engine named Kaveri specially designed for tropical conditions.

The aircraft will undergo extensive tests for nearly one year to ensure its performance. Only when all the test results are found satisfactory, the flight test programme will begin.

The service life of LCA being in excess of 20 years, the aircraft has been designed to achieve very low operational and maintenance cost by incorporating a high degree of reliability, better maintainability and low fuel consumption right from its initial stages.

In developing an aircraft of this type, it is common practice to test the airframe and the systems first with a proven engine and then integrate a new engine with the proven airframe. The first two aircraft will fly with the GE-404 engine developed by the USA. Later the Kaveri engine which is being developed by the Gas Turbine Research Establishment and now undergoing tests will be fitted into LCA for further flight trials.

While the first LCA prototype will have its first flight in about an year's time, work is already in full swing on the second and subsequent prototypes. Seven prototypes have been planned for flight testing the LCA and the aircraft is expected to be inducted into the IAF by 2002. A two-seater trainer version of LCA with identical front cockpit of fighter aircraft with full combat capabilities has also been planned to impart flight and tactical training to the pilots.

The LCA has been designed and developed through a consortium approach. The combined experience of five decades of Indian aircraft research, design, production and product support capability has been pooled together under the aegis of Aeronautical Development Agency-ADA-a society under the Department of Defence Research and Development. ADA has the overall responsibility for LCA development and programme management. Hindustan Aeronautics Limited is the principal partner in the design and fabrication of LCA and its integration. Laboratories of Defence Research and Development Organisation, Electronic Research and Development Establishment (LRDE), National Aerospace Laboratories, Indian Air Force, academic institutions and national laboratories and also private and public sector industries have been involved in the design and development programme of the Light Combat aircraft.

Apart from developing a complex and highly reliable weapon system that would meet the defence needs of the country in the early part of the next century, the LCA programme has also contributed in achieving a steep jump in the technological capabilities of the country. These capabilities have much wider applications beyond the combat aircraft development.

The LCA will be a symbol of self-reliance of the 21st century India and will be a frontline weapon that the Indian Air Force can be proud of. ❐

Welfare

Global Development And Global Welfare

Dr. Asha Gupta

MOMENTS come, rarely in history, when one age draws to a close and another dawns, when we stand poised between a collapsing past and uncertain future, when established landmarks disappear and the new ones are yet to arrive. Poised at the turn of the century, the world today is facing both the quantitative and qualitative change—quantitative in terms of economic growth and technological change and qualitative in terms of a new paradigm of a new society governed by altogether different values and ethos.

The present transition is unique because of the time scale involved. Impelled by the explosion in science and technology over the last 50 years, tremendous changes have taken place. So rapid has been the pace of these changes that the vast number of the people seem to be disoriented. Traditional concepts like nation state, sovereignty, security, geo-politics and economic development have either become obsolete or need fundamental rethinking. Although the current world is divided into 187 sovereign states, we find only the 4 Ts—telecommunications, television, travel and trade sweeping across the world. While these forces are pushing us hard to move into the direction of globalisation, our 'attitudes' and 'thinking' has not changed. It remains 'pre-global' in most of the cases.

On the threshold of the millennial change, the world today is facing an agonising array of choices and challenges. It has to learn to draw a distinction between 'good life' and 'goodness of life', between 'identity' and independence', between 'holistic well-being' and 'wanton waste', between 'needs and 'desires' and between 'immediacy' and 'importance'. It requires a new vision and fundamental re-thinking on the very presence of human-beings on this planet earth—not as a 'predator, polluter and consumer' but as a 'protector, producer and caretaker'.

It has become a matter of political correctiveness to speak about human security which remains under siege across the world. The threat to human life can come not only from militarism and terrorism but also from environmental pollution, ethnic chauvanism, religious fundamentalism and rising accidents as well. The economic integration of the affluent few at the global level has resulted in adverse effects on social and human development across the world. Global problems of hunger, disease, ignorance, homelessness, political instability, social disintegration, fiscal crisis, ecological degradation and fall in the quality of life require global solutions, especially in the wake of decline in the powers of national governments to act freely and independently.

We find proliferation of welfare ideology at the global level. The UNO Declaration on the Right to Development, the Convention on the Rights of the Child, the World Summit on the Status of Women, the emerging consensus on the rights of the old, disabled and indigenous testify to an explosive proliferation of the ideology of welfarism at the international arena. The World Summit on Social Development was a landmark in this direction, even if it failed to arrive at a consensus.

Unless and until we have a global perspective on human welfare and human development, we will be forced to live in a world that is injured by everyday tragedies of Bosnias and Somalias, on one hand, and abject poverty, hunger and disease, on the other. The electronic conquest of remoteness, the sheer speed and complexity of global telecommunications enhanced by fast data processing not only transformed the local markets into worldwide networks but also magnified the local problems into world security problems, transmuted local poverty into world development problem and converted the ecological behaviour of individuals into global environmental threats.

The growth of violence—individual as well as collective has already assumed a global dimension. The television and cinema have become

the vehicle for the most 'blood curdling violence' and horror. The multi-billion dollar drug-trade has also enhanced drug related crime all the world over. The AIDS/HIV pandemic has assumed alarming proportions. Videos have brought pornography into homes. The crisis in human security and well-being is now found to be more serious than generally perceived.

Today we also live in a world where wide disparities prevail. Despite tremendous progress made in various fields during the last 50 years, we still live in a world where a fifth of developing world's population goes hungry every night, a-quarter lacks access to safe drinking water and a-third lives in a perpetual state of abject poverty. This is further shocking when we find people indifferent towards the plight of others. The well-to-do are no longer bothered about the problems of hunger, disease, ignorance, illiteracy and homelessness of the hundreds of millions of people—the wretched on the earth, constituting almost two-thirds of the global population and occupying almost half of the land. The well-to-do think that poverty is the fault of the poor, exclusion the responsibility of the excluded and equality of outcome—an impossibility.

Not only the poor, the rich are also afflicted by growing human distress owing to the weakening social fabric, rising crime rate, growing violence, civil and ethnic strife, political terrorism, environmental pollution, restlessness among the youth, 'private corruption' by public officials, mafia operations, growing sense of alienation and loneliness. This phenomenon cannot really be explained in terms of 'overload' or 'fiscal crisis'. It has to be explained in terms of behavioural-changes in the wake of methodological individualism which has proved to be anti-structural, anti-functional, anti-normative and anti-sociological.

Crossroad

Once again, we are at a crossroad. The humanity has been through many transitions during its long history, but this time we are involved in a difficult and crucial transition—transition to the global society. Unless and until we have a global perspective on human welfare and human development, we cannot resolve the harmful consequences of economic globalisation. The 'taming' and 'civilizing' of the market forces pre-suppose the development of social and political forces and institutions across the world, and these in return, presuppose the 'culture of globalism' as distinct from the 'culture of globalization'.

It calls for the articulation of a new culture based on those values which take the real world of 5 billion people as an object of concern, the whole earth as a global citizen and a common interest in collective action to solve the global problems. The global problems require global solutions and this requires a paradigm shift in the very perception—the perception based on 'cooperation' in lieu of 'competition,' 'convergence' in lieu of 'conflict' and 'holism' in lieu of 'hedonism'.

This paper seeks to highlight an Indian perspective—certainly not the only perspective on global development and global welfare. It advocates an integrated approach towards harmonious development of the humanity and cosmos as a whole. The notion of 'welfarism' profounded in the classical Indian thought is not only materialistic but also holistic. It lays stress on spiritual well-being as well. It is not only horizontal but also vertical in its approach. It lays emphasis not only on the need for the development and welfare of the entire humanity on the planet earth, but also of the entire cosmos.

The question naturally arises: why an Indian perspective? Obviously because India can be considered a microcrosm of the global-level diversities. It is more than a state, larger than a nation and bigger than a country. It is the second most populous and territorially world's sixth largest country. India's population is more than the combined population of three continents—Latin America, Africa and Australia.

India's continental dimension, survival and continuity for more than three thousand years of recorded history and perhaps one or two thousand years of pre-history, together with its social complexities and cultural diversities, makes it the world's oldest, largest and most tenacious pluralistic society, the like of which the human history has seldom known. It has been the fascinating habitat of human interaction in collective co-existence. It has been one of the biggest laboratories of racial inter-mingling, cross-fertilisation of religious ideas and co-existence of a large number of languages and dialects. The socio-cultural federalism has been India's *sui-generis*.

The main characteristics that mark this trend are—continuity, assimilation and synthesis. In fact, continuity of India can be considered the triumph of assimilation and synthesis. The composite culture in India originated in an environment of 'reconciliation' rather than 'reputation', 'cooperation' rather than 'confrontation', co-existence' rather than mutual annihilation'. It is true, our history is also interlaced with episodes of armed conflicts, tussles over power and supremacy, but we have survived so far mainly because of our belief in 'cultural-symbiosis' rather than 'mono-culture' based on the dominance of region, religion or ethnic segment.

The composite culture of India is the result of many streams of influence.

The *Vedantic* vision imbued a sense of tolerance and respects for many paths of truth (Anekantvad). The tradition of *bhakti marg*—the devotional path emphasised on 'love'—an inter-personal tie extending beyond the physical existence of the individual concerned. The humanist concept of Islam highlighted the fraternity of human-beings.

In the wake of national liberation and interaction with western civilization, India imbibed the values of secularism, openness and democracy. It certainly helped in inculcating the liberal, scientific and rationalist attitude among the educated Indians. India, in fact, has always stood for the 'transition of mankind from an ordinary collection of nations' to 'mankind as a global community'. The global development depends upon the global well-being and the global well-being depends upon the well-being of the individuals all the world over.

Indian Perspective

In the contemporary global space, where self tends to be 'multi-dimensional' and 'decentred', where everyone represents several groups at once, a global culture has to be promoted consciously based upon the principles of 'recognition' respect and 'reciprocity'. What the advocates of globalization advocate now, has long been propagated by the Indian classics in the form of 'globalism'. For instance, *Isopanishad* tells us that the entire cosmos, not merely the tiny speck of dust we call planet earth, is permeated by the Divine.

If divine is all-pervasive, then it has to be found in the heart of every individual. This concept provides basic dignity to all individuals, cutting across all barriers of caste, creed, sex, religion, economic status or nationality. The *Vedanta* does not postulate either a chosen race or a chosen people, a chosen sex or a chosen nation. Rather, it deals with the entire gamut of human race. This concept certainly helped in curbing the harmful effects of egoism, on the one hand, and nourishing the feeling of love, on the other.

The *Vedanta* also believes in the theory that the human race is to be treated like a family. This golden rule of 'global welfare' is inscribed on the very first gate of our Parliament building: which translated into English means:

"Only the mean-hearted think that this is mine, that's yours. For the large-hearted, the whole earth is like a family"

Vedanta also emphasised on the essential unity of all religions. That's why Hindu *Dharma* is called *Manav-Dharma,* 'the religion of mankind' or the 'religion for mankind'. The *Vedanta* clearly stipulates that there can be no monopoly of spiritual truth. Another concept of the *Vedanta* which I would like to highlight is that of 'global welfare' itself. It says: "May all the people be happy, may all the people be healthy. May all see only the good things and nobody should be unhappy".

The million dollar question arises: is it realistic to be optimistic about global development based on humanism and social justice? The present writer would say "yes". Who could think during the 1980s that the Berlin wall would fall, setting the stage for the collapse of communism and disintegration of former USSR? Who could think that centuries-old enemities, the European nations would come together to form the EEC? Who could think that the cold war would end?

Undoubtedly, our age has opened new vistas for tapping the human potential. It is still possible to keep the earth 'green' and the sky 'blue'. This is as true as an individual's ability to explore the distant planets. This spirit is best contained in the words uttered by Edgar Mitchell—an astronaut who got an opportunity of gazing at our earth from the planet moon. He said:

"No man I know of has gone to the moon that has not been affected in some way that is similar. It is what I prefer to call instant global consciousness. Each man comes back with a feeling that he is no longer an American citizen; he is a planetary citizen. He does not like the things the way they are, and he wants to improve them".

This view is fully endorsed by Meadows in his book on *The Global Citizen* when he said—"there are lines in the mind and not in the world". Long ago, Socrates, the wisest man on earth, had said, "I am a citizen of the world, not of Athens or Greece". Later on Bacon had said, "if a man is gracious and courteous to strangers, it shows that he is a citizen of the world". Similarly, Thomas Paine had said, "my country is the world and my religion is to serve the humanity".

When one talks of an Indian perspective on 'global welfare' and 'global development', it simply means that it is an Indian theory initiated and propogated by the Indians, in the historical or geographical sense only. It is not confined to India alone as far as the context is concerned.

What do we really imply by the term 'development'? By development we do not imply merely economic growth and economic development. A number of top economists like Myrdal, Schumpeter, Amartya Sen, Paul Streeten warned against treating economics as a complete universe. To Schumpeter, we can either begin or end our casual explanations with economic factors, we cannot do both.

Humane Development

Today when we are moving towards

a highly uncertain and ambivalent future, we need to provide a new perspective that goes beyond the state and the market. The pursuit of 'inner growth' and 'humane development' is far more important than the pursuit of external goods and comforts. The biggest criteria of well-being is 'self-satisfaction' and one can attain 'self-satisfaction' by remaining true to one-self and dutiful to others. The Buddhist *Dhammapada* states:

"Whoever in this world overcomes his or her selfish cravings, his or her sorrows fall away like drops of water from a lotus flower"

Actually, the well-being of an individual depends upon his or her state of mind. Generally people think that the pursuit of external personal goods is more important than betterment of inner-self. But it is not true. Had it been true, the richest few would have been the happiest lot. Happiness is neither the hand-made of pelf and power nor that of pride and possession. It is not something cognent that one can lay hands on, taste or smell. It is an inner experience that comes in the perfect state of mental serenity and emotional equilibrium. The discords and conflicts of modern complex societies cannot be resolved merely by better housing, public services and a higher standard of living. For this, we will have to make conscious efforts towards the recovery of human values. The question arises: can we derive certain human values applicable at the global level? The universalist or absolutist theories of value claim that the basic human values are universal in orientation. Other values can be derived from them.

The classical Indian term for 'value' is *purushartha*—objects usually desired by an individual. Since a desire can be positive or negative, a *purushartha* can also be positive or negative—desirable or undesirable. It is the concept of *dharma* (not religion)—one which sustains the universe—which helps us in distinguishing between desirable and undesirable. It acts both as a regulator or adjudicator between 'permissible' and 'impermissible'. It in itself is a *purushartha.*

Besides *dharma,* the other three *purusharthas* recognised in classical Indian thought are *artha, kama* and *moksha. Artha* denotes the totality of all material things or conditions which are necessary for the pursuit of one's goals in life. It has only an instrumental value. It can lead to other pursuits in life, but it cannot and should not be the end of life. This is an important lesson, all of us have to relearn.

Kama denotes to 'pleasure'—resulting out of the satisfaction of a desire. All desires may be of the same status, but they may not have the same value for everyone. A hedonist may consider 'pleasure' to be the only value. It is for the *dharma* to distinguish between 'desired' and 'desirable'.

Moksha implies 'liberation'. In the negative sense it signifies complete freedom from bondage, ignorance, sufferings and the very process of life and death. In the positive sense it implies *'nirvana'*—one's attainment of perfection. It is very difficult to acquire *moksha,* yet it remains a guiding principle and cherished goal.

All these four *purusharthas,* if taken together, can lead us to a much better quality of life than what we are leading today. The concept of 'quality of life' has provided us a global yardstick for evaluating social programmes and policies. It has supplemented the earlier words of 'happiness' and 'welfare'. All efforts towards 'global welfare' and 'global development' are bound to fail unless and until we change our perception and attitudes towards our own lives and those of our fellow human-beings.

The need of the hour is to strike a balance between 'rising materialism' and 'sagging spiritualism', if mankind has to come out of the morass of moral crisis and emotional emptiness. If we wish to live long, happy, satisfactory. contended and meaningful lives, we will have to erode the distinction between 'altruism' and 'self-interest' by converting the very 'altruism' into 'self-interest'. Even George Bernard Shaw once said: "We have no more right to consume happiness without producing it than to consume wealth without producing it".

Instead of pursuing the path of abundance, we must learn to limit our needs and desires. Once again, I would like to refer to the centuries old concept of Jain philosophy—*Paigreha Prinama* (culture of contentment). It insists on setting a limit to one's pursuit of material things and eternity goals in life. The *Bhagvada Gita* also says that only those can live in the state of bliss who have learnt to be free from desires.

It would be a pity that at time when the western civilizations today are hopefully looking to the ancient civilizations for illumination, awakening and restoration of conscience, the Indians of the modern era should allow themselves to sink into the bottom of the abyss. Without castigating western or eastern civilization, it would be better to combine 'science' with 'wisdom'.

But it is never too late to mend. Let us hasten to chisel and chasten contours of our corrupted minds; for it is mind alone that is 'the abode of human health, happiness and harmony. Encouragement in the spirit of self-interest in the tradition of economic liberalisation and globalisation cannot lead to global welfare and global development. It is possible only through harmony and collaboration.

Whereas welfare as 'self-sufficiency'

implies well-being in terms of supreme individualism by allowing an individual to go his or her way; enjoy the fruits of his or her or own labour and move on his or her own way, welfare as 'mutual-dependence' is tied to the notion to social or group rationality.

The question is not to choose between rational individualism and irrational group behaviour but to apply the rational criteria of self-in-isolation'. Only such an approach can lead to 'global welfare' and 'global development'. It is certainly not an end of the debate but only humble beginning. ❐

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Issue of Bills

According to Section 13(c) of A.P. General Sales Tax Act, every dealer will have to issue sales bill/cash memo in the prescribed form showing the value of the goods and the tax collected thereon separately when sale exceeds Rs. 100 in each transaction and whose turnover in a year exceeds Rs. 1,00,000. In case the value of the sales is less than Rs. 100 a bill will be issued when the buyer demands the same. When the dealer fails to issue a sale bill or fails to indicate the tax collection separately in the sale bill, he will be liable to penalty equivalent to 5 times the tax due or Rs. 1,000, whichever is higher.

On account of the VAT system an item with 16% tax rate will become 66% when it reaches the customer. It indicates that under the old sales tax system the tax rate of 6% will become 66%. Let us examine a case of furniture. It was at 6% tax rate under single point sales tax, which has increased to 16% under VAT system. If a furniture item was purchased for Rs. 100 under single point tax system @ 6% will become Rs. 106 to a customer. However, under VAT system the same item will be at Rs. 166 due to addition of VAT @ 16% by wholesaler, retailer along with transportation, profit and other expenses put together at Rs. 20 on each item.

Calculation of VAT:

	Rs.
Value of the furniture item	100.00
Add: 16% VAT	16.00
Purchase price of wholesaler	116.00
Add: Expenses for transportation, profit and other	20.00
	136.00
Add: VAT @ 16%	22.00
	158.00
Less: Tax paid by the Wholesaler	16.00
Price paid by the Retailer	142.00
Add: Expenses, Profit, Transportation of Retailer	20.00
	162.00
Add: VAT @ 16%	26.00
	188.00
Less: Taxes paid by Wholesaler and Retailer (16+6)	22.00
The price to be charged on to a consumer	166.00

Summing up, India is a federal country, having governments at various levels, with unequal distribution of resources. Agriculture is the main occupation of its population, and large part of the population does not pay tax. The existing tax system in India is very complex. To generate more revenue, to collect tax even from the middle class people, and also from small entrepreneurs without much burden, the tax structure has to be modified. The expert committee on Tax Reforms headed by Dr. Raja Chellaiah has recommended the implementation of value added tax system, which is very simple, fair and easy for accountability. In this system the tax is collected at all level from manufacturer to the retailer. A large number of commodities can be covered and tax evasion can be avoided to the maximum extent. This provides transparency to the consumers. Under this system the tax rate will be uniform throughout the country. Given a choice between a sales tax and VAT, the latter must be accepted because retail sales departments are small, unstable and informal. ❐

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Agriculture

Loan Overdues In Agriculture: Suggestions To Break The Impasse

Balishter

IN order to meet more effectively the increasing demand for production credit under the impact of various technological changes, institutional agencies have substantially increased their scale of operations, thereby causing remarkable decline in the relative share of non-institutional sources of credit over them. The share of the institutional credit to the outstanding debt of cultivator households which was only 12.3 per cent in 1951-52 increased to 31.7 per cent in 1971 and further to 63.3 per cent in 1981. Thus share of institutional credit markedly increased after nationalisation of commercial banks in 1969. Policy-makers in India have given special emphasis in giving preference to small and marginal farmers and agricultural labourers in providing institutional credit. As a result of the policy interventions the share of small and marginal farmers in total institutional credit has markedly increased from about 39 per cent in 1978-79 to about 45 per cent in 1982-83 in respect of production credit and from about 31 per cent in 1978-79 to about 53 per cent in 1982-83 in respect of investment credit. In terms of loan advances per hectare small and marginal farmers are getting better deal both in respect of the short-term and term credit. This indicates that the institutional agencies have played a positive role in meeting more fully the credit requirements of the weaker class of farmers and thereby contributing towards meeting the ends of social justice.

Though there has been a considerable progress in the institutional credit being provided to the rural areas, it has to be appreciated that it is not only the quantum of credit disbursed that is important but also its timely repayment to ensure a continuing flow of institutional credit over time. It may be pointed out that the incidence of overdues in the rural credit system has been increasing over the years and has been steadily eroding the financial soundness of the system.

The overdues of agricultural loan advances of all the credit agencies at the level of ultimate borrowers increased from about Rs. 4220 crore in 1985-86 to Rs. 80.25 crore in 1989-90 showing an increase of over 90 per cent during this period. The proportion of overdues to total demand in respect of agricultural loans of all lending institutions taken together increased from 42.6 per cent of the total demand in 1985-86 to 55 per cent in 1988-89 (Table 1). The proportion of overdues to demand remained almost stable between 43 per cent to 44 per cent during the-period from 1985-86 to 1988-89, though the demand during the period increased from Rs. 9894 crore to Rs. 14268 crore. But the proportion of overdues suddenly jumped from 44 per cent in 1988-89 to 55 per cent in 1989-90, though the demand increased only from Rs. 14268 crore to Rs. 14588 crore. The sudden jump in overdues in 1989-90 is due to waiver of agricultural loans by the government in 1990 which created adverse climate for recovery of loans in the country. It has encouraged the tendency to wilful default in repayment of loans. It may be noted that situation of agricultural loan overdues is grave in case of all institutional agencies. The recovery of the short-term loans is comparatively higher than the long-term loans during the seven-year period from 1981 to 1987. However, in either case it can not be considered as satisfactory as the recovery performance for short-term loans during this period has been from 58 per cent to about 64 per cent and for long-term loans from 47 per cent of 53 per cent. It is disheartening to note that old overdues (over three years) of all institutional agencies accounted for about 49 per cent of the total overdues at the end of 1986. In case of public sector banks the proportion of 'old' overdues (exceeding 3 years) has increased from 18.3 per cent as on June, 1976 to over 30 per cent as on June 1986 while the share of 'current' overdues (below 3 years) decreased from 81.7 per cent to 69.3 per cent during the same period which indicates a somewhat worsening position of recovery over time.

The inadequate recovery of loans only checks the ability of the banking system to recycle the funds as non-

repayment of banks' dues by a section of borrowers would mean denying the benefit of bank advances to other needy borrowers. A major impact of overdues on the lending agencies, particularly cooperatives and Regional Rural Banks having low level of their own deposits, is that overdues impair their capacity to obtain refinance from National Bank for Agriculture and Rural Development (NABARD) as recovery performance, among other things, constitutes a major item of eligibility criterion.

The overdues effect the overall liquidity and in due course the solvency of the credit institutions, particularly cooperatives and regional rural banks having serious resource constraints and impair their capacity to undertake fresh lending. In course of time, a portion of the overdues also becomes irrecoverable thereby eroding the net worth of the lending agencies. If the overdues increase out of proportion, the loanable resources at the disposal of credit institutions would dry up, thereby hampering the economic development of the country.

Causes Of Overdues

A wide range of factors influence the level of and the trends in overdues of the rural credit institutions. The important causes leading to poor recovery can be:

1. Administrative and technical lapses and inefficiency of the credit institutions themselves.
2. The poor repaying capacity of the borrower.
3. Wilful default in repayment by the borrowers.

1. Administrative And Technical Lapses And Inefficiency Of The Credit Institutions Themselves: The important administrative and technical causes responsible for overdues are as follows:

A. Defective Loan Policies and Procedures

In the case of crop loans, delays in the sanction and disbursement of loans, unrealistic scales of finance and sanction of loans in excess of the need/ repaying capacity or, at the other extreme, inadequate loan amounts compelling the borrowers to resort to borrowings from money-lenders and other informal sources of credit and fixation of due dates unrelated to the harvesting and marketing seasons are among the important lacunae which have resulted in defaults.

In regard to term loans field studies conducted have revealed several lacunae in the implementation of loan policies and procedures leading to overdues. The important among them are:

(i) Selection of unsuitable/non-viable schemes.

(ii) Adoption of target-oriented approach under outside pressure instead of area/project approach.

(iii) Fixation of unrealistic repayment schedules, amounts of instalments and due dates of repayment without reference to the cash flow pattern of the borrowers.

(iv) Fixation of low unit costs and sanction of loans for amounts less than the unit cost leading to mis-utilisation of the loans.

(v) Inadequate initial grace period especially in the case of investments where the gestation period is fairly long. Raising of demand by the financing banks during these years forces the farmers either to repay from other sources and where they have no such sources, to default in repaying their dues on the due dates.

(vi) Financing of assets not in keeping with the actual farming occupation of the beneficiaries.

(B) Lack of Provision of Working Capital

One of the causes of overdues is the absence of proper synchronization of investment credit with working capital. While in the cooperative sector, this is generally attributed to investment credit and working capital being provided by two separate institutional structures viz., agricultural credit societies and the land development banks. In the case of commercial banks including regional rural banks, the investment credit and working capital loans are disbursed by the same agency with one contact point for the farmers. But it has been observed that commercial banks do not take interest in fulfilling crop loan requirements although crop loans carry higher interest margins.

(C) Lack of Proper Supervision

Inadequate supervision results in improper appraisal of loan proposals, underfinancing or over-financing and failure of credit agency to approach borrowers after harvesting/marketing seasons when they have funds and are in a position to repay. Ineffective supervision of available loan by financing institutions gives rise to many malpractices such as misutilization of loan, disposal of assets purchased by bank loans and reloaning of concessional finance at higher interest to the needy.

(D) Absence of Linkages of Credit With Marketing

Although the All India Rural Credit Survey Committee envisaged what has been known as the Integrated Scheme of Rural Credit, in actual practice it was not given desired attention or emphasis. Studies conducted by NABARD indicate that linking of credit with marketing as a measure of recovery has largely failed to develop except in a few states. Secondly, borrowers avoid sale through marketing societies and/or sell the

produce under fictitious names to avoid recovery of loans. Thirdly, the functional societies themselves are reluctant to recover dues of credit agencies lest such a step should affect their procurement programmes.

(E) Lack of Access to Institutional Credit for Consumption Purposes

It is important to note that 43 per cent of the institutional borrowers still resort to borrowings from private sources. About 36 per cent of such households borrowed for consumption purposes and 13 per cent for social and religious ceremonies. Due to inadequate availability of credit from institutional agencies for consumption purposes, borrowers divert loan from productive to unproductive purposes.

2. Poor Repaying Capacity of the Borrower

The borrowers do not repay the loan overdues due to inadequate repaying capacity. The various causes of non-repayment of loans due to poor repaying capacity of the borrowers are:

(i) Crop failure due to occurrence of natural calamities.

(ii) More domestic expenditure.

(iii) Failure to increase production for lack of adoption of new technology and new cropping system by the farmers.

(iv) Delay in disbursal of loan.

(v) Inadequate availability of loan by the financing agencies.

(vi) Uneconomic holding with little or no marketable surplus with the farmer for sale.

(vii) Higher cost of living due to inflation or unforeseen legal, social expenses.

3. Wilful Default In Repayment By the Borrower

Defaulters inspite of having enough income (i.e. repaying capacity less instalment due) but not repaying the loan deliberately are treated as wilful defaulters. Most of the studies conducted by Reserve Bank of India, National Bank for Agriculture and Rural Development (NABARD), social institutions and by the government reveal that a major portion of funds blocked up in the form of overdues is due to wilful default. Important causes of wilful default are:

1. Diversion of income for purchase of land or other property or other similar purposes.
2. Instigation by a few people/ political leaders not to repay the loans as they will be written-off by the government in due course of time.
3. Fear of not getting fresh loans after repayment of overdues.
4. No botheration about legal action.
5. Slackness on the part of lending institutions to insist on timely recovery.
6. Diversion of money borrowed from financing institution for lending to others to make profit out of the interest margin.

Measures

Measures for combating the menace of overdues in the agricultural credit system may also be broadly classified under three categories viz., measures to eliminate administrative and technical lapses and inefficiency of the credit institutions themselves; measures to improve the repaying capacity of the borrower; and measures to check the wilful default in repayment by the borrower.

A. Measures To Eliminate The Administrative And Technical Lapses And Inefficiency Of The Credit Institutions

Under this category of reorientation of policies and procedures of lending institution with a view to eliminating their administrative and technical lapses and consequently their inefficiency and following measures may be adopted:-

1. Though it has always been suggested that recoveries should be insisted upon during the harvesting seasons, care should be taken to ensure that small farmers are not unduly pressurised to dispose of their little marketable surplus when the prices are not remunerative. No doubt banks cannot allow hoarding of produce, yet they should reorient their policies so as to be helpful to the poor farmers through arranging short duration loans for storage facilities and marketing of produce. The method of fixation of dates thus needs a fresh approach.

2. Provision of providing second and subsequent loan should be considered sympathetically even in case of recovery after due date so that production effort is not hampered.

3. The Agricultural Credit Review Committee (Khusro Committee) recommended that in areas where there is fertilizer consciousness and farmers are already accustomed to the use of fertilizers, there should be no insistence on disbursement in 'Kind' and that the leading institutions may be given discretion to determine the mode of disbursement of credit for inputs.

4. In December, 1983, NABARD had advised the credit institutions to undertake case by case analysis of overdues under term loans with a view to providing relief to borrowers whose defaults were on account of defective loaning on the part of financing banks resulting in shorter loan maturity period, shorter grace period than admissible, failure to provide supplementary finance in the case of incomplete investments, failure to provide rescheduling facilities in the case of natural calamities. Thus if defaults are attributable to such factors on the part of credit institutions, appropriate corrective measures should be taken to rehabilitate borrowers, on

a case by case basis to obviate the possibility of denial of institutional credit to them when they are not at fault.

5. Bankers should also function as an extension agency and guide the farmers and poor people in their technical and economic matters to avoid misutilization of loans.

6. Loans should be reviewed every year to ensure the viability. If necessary, further financial assistance, modifications in terms and conditions etc. should be considered.

7. Banks personnel should have sufficient rural orientation to have proper interaction with the rural people and serve them better.

8. Bank officials should also maintain personal rapport with the borrowers and advise them to make efforts to save even if it be in small amounts.

9. Technical staff should be updated with new technology by providing training, supplying technical journals, bulletins, books, pamphlets and visiting agricultural universities, institutions and agricultural and rural fairs from time to time.

10. Rescheduling of loan instalments and/or converting the short-term overdues into medium-term loans in deserving cases/natural calamities etc. should be considered.

11. Financing agencies should also provide for consumption loans to the poor families so that they do not go for private borrowings and for this they should have their norms.

12. Recovery cell should be set up in those states where overdues are relatively high or where chronic defaulters are more.

13. In case of term loan borrowers, necessary arrangements should be made to provide working capital finance necessary to make that investment productive.

B. Measures to Improve Repaying Capacity of The Borrowers

A set of liberal measures should be adopted particularly in agriculturally backward areas where repayment capacity is quite weak. These measures should include extending the repayment period over a reasonable time, conversion of accumulated crop loan overdues into medium-term loan, waiver of penal interest and making adequate loan available in time. Besides, measures for improvement in crop fields, remunerative price for the crop products, reasonable subsidies on input prices and crop insurance are also necessary to enhance the repayment capacity of the farmers. To reduce the overdues of these farmers, particularly, small farmers, steps should be taken to increase their income by providing assistance to start subsidiary enterprise like dairy, cottage industries, etc.

Measures To Deal With Wilful Default

The wilful defaulters should be dealt with promptly and effectively by enacting and enforcing suitable legislation. The existing system of recovery through legal action is not only expensive and time consuming but also results in partial recovery. In this context it is rightly suggested by a parliamentarian that, 'It is worth examining in this context the feasibility of setting up special legal bodies at the district and the state levels to facilitate expeditious settlement of recovery of banks' dues. Immediate action should be taken against selected influential wilful defaulters which will influence other wilful defaulters to pay loan overdues. Measures should also be taken to eliminate the manipulative local influences in respect of wilful default in repayment. Such defaulters may be debarred from loan advances for future.

The problem of old overdues needs to be solved immediately once and for all. The old overdues have posed plenty of problems and if not solved effectively it would continue to pose problems in the issuance of future loans. In order to effect recovery of the old overdues, it is necessary to devise ways and means. A few years back some state governments had written off the agricultural loans which evoked considerable controversy particularly in the context of wilful defaulters. While this step may bring relief to the non-wilful defaulters, it would undoubtedly cause bitterness and heart burning amongst those who have repaid their loans. Besides, the wilful defaulters would be encouraged not to repay their loans under the impression that these loans would be written off by the government. Shri R.N. Malhotra, the then Governor, Reserve Bank of India, while reviewing the progress of rural development under Indian conditions, remarked that "Banks must be in a position to recycle their funds. In doing so they should deal with borrowers sympathetically and with understanding and evolve modalities for reviewing genuine hardships. "At the same time, he pinpointed that "generalised debt waiver would encourage wilful defaulters to the detriment of the large body of good borrowers". He further pinpointed that, "It must be appreciated that only strong and financially viable credit institutions can effectively serve the cause of rural development". In spite of this, the government gave relief under the Agricultural and Rural Debt Relief Scheme in 1990 creating a feeling that the government would undertake the exercise frequently hence there was no need to repay.

Though efforts are being made by the credit institutions but there seems no progress in the recovery

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attributed by several knowledgeable poll analysts and political commentators to a massive swing of the minority votes in favour of the Janata Party, which was headed by Morarji Desai.

Convictions

For sure, like other important leaders, Morarjibhai had his share of criticism at the hands of journalists, political opponents, cartoonists and caricaturists. He was often portrayed as a man of many 'fads' and prejudices. Morarjibhai was not unaware of these 'portrayals'. In fact, in an article (written in the mid-sixties), he frankly addressed the issue and showed that the so-called fads were personal 'convictions'—based on reason, successive experiences and environment. He was for vegetarinism. And (in the cited article) he gives several arguments in favour of the same—like its lower costs, easier digestibility and so on—which may not be repeated here. But it was no fad which he wanted to force on others. He says quite openly: "I would not quarrel with those accustomed to a meat diet. Everyone is free to eat what he likes." Moreover he readily conceded that "the larger part of the world's population partakes of meat... Vegetarians are in a minority". Likewise, he has stated that—for all his preference for Naturopathy—Nature cure was no fad or obsession with him. And he "confessed" that he had himself "undergone three different surgical operations for complaints for which Naturopathy had no cure to offer." Moreover, as Chief Minister (in Bombay) and later as Prime Minister, Morarjibhai did not promote Naturopathy at the expense of the other systems of medicine.

Last, but not least, Morarji Desai was an ardent champion of world peace. To that end, he consistently canvassed support for organisations like the United Nations and the Commonwealth, even as he strove hard (during his Prime Ministership) for normalising relations with neighbours like Bangladesh, Pakistan and Sri Lanka and towards initiating the SAARC process, along with the late Bangladesh President, Zia-ur-Rahman. He was all for the peace-oriented policy of Nonalignment and gave it the pride of place among the guiding principles of the Janata government's foreign policy. At the first UN General Assembly Session on Disarmament (SSOD-I), he impressed the assembled delegates and Heads of Government about India's policy of harnessing the atom (or nuclear power) only for peaceful purposes. India fittingly (though perhaps rather late in the day) honoured this "grand old man of India's public life" with a Bharat Ratna. But, more notably, neighbouring Pakistan—always hostile to India and her political policies and leaders for ulterior ends—also offered its highest civilian honour *(Nishan-e-Pakistan)* to him even after he had gone into voluntary retirement and obscurity. It is time that India institutes a high-level international advanced (for distinguished) public service to honour his memory and his rare contribution to the norms of public life and life-long adherence to universal values and idealism. ❐

The author is former Director of Gandhian Studies Programme, JNU.

Importance Of Social Marketing

S. Dhar

THE Eighth Five Year Plan considers human development as the core of all planning efforts. Human development at an individual level is influenced by social development at the aggregated community level just as social development of a community is influenced by its human development. In large societies, as in India, where it is often difficult to reach directly each and every individual through the plans the society has to evolve an all-encompassing scheme or two to pass on the maximum benefits. The schemes that the government has come forward with for human and social development are in the fields of education, health and family welfare, employment and training, social welfare, sports, art and culture. To make these schemes far reaching and successful in their efforts, management of these programmes have to be monitored professionally, be they totally voluntary and charitable schemes.

By professionally monitoring of programme it is meant that the four marketing components of product and product mix, promotion and advertisement, distribution and distributional channels and pricing and subsidy framework have to be explicitly studied and dealt with. Whereas in the marketing of any private sector commodity goods these four concepts are already studied, in most social sector programmes they are taken care of only as by product of administration if not totally neglected. The importance of these concepts with respect to the social sector programmes are far reaching as they can be used to refine the marketing strategy.

In the education sector the option of products available in school education is through government, government aided and private schools. Education is available through formal or non-formal means. Technical education and skill training courses on area-specific or community-specific basis are now-a-days being encouraged for its special employment linkages. Where the social and cultural stigma exists, schools for girls or for certain special communities are being opened. The open schools system recently introduced also increases the variety. The Total Literacy Campaign have been extended to more than 282 districts and community financing and managements are being encouraged.

In the health sector there is also a private and government sector operating simultaneously. The government's health package available through a network of Central & and state infrastructure has both preventive and curative aspects and the facilities available range from hospitals to dispensaries and district health centres to primary health sub-centres through registered medical practitioners, para medical staff, nurses, midwives, health workers etc. is large and varied. The National Family Welfare Programme is also projected through the health infrastructure and among the products available for birth control are both permanent and temporary methods. The whole package of alternatives consist of male and female sterilization, long-acting steroids like norplant, cut, controceptive sponge, diaphragm/cap, condoms, oral contraceptive and periodic assistance charts.

For better management of the product, needs of the people, regular preference information must be collected. The programme can then be monitored to meet the demands accordingly.

Distribution and distributional channels for the programmes also should encourage the target fulfilment for the programmes. In the education sector, the spread of primary schools to the remotest corners within a km. distance of the village is very important. The school timings should also be regulated to meet the economic and seasonal needs of the pupil. To take care of the health conditions of the people, the medical centres and the primary health sub-centres should be within reach of every village. The Anganwadi workers of the Integrated Child Development Scheme try to reach personally all the villages of the districts to which it has been extended. This helps to gather the total commitment and participation of the community. In the housing and water supply sector importance is being given to increase the coverage of assistance and provision. Safe water supply is being provided even to the most difficult villages, where the water levels were very low or the source of water was very far. Decisions about making the benefits available are also being taken at very decentralised levels not only by the district but also at the blocks and at the panchayats, and local ingenuity is being considered for the local benefits. A sense of participation, empowerment and belongingness has to grow among the community and these are positive measures for making a social programme a success.

Advertisement and propaganda campaign for promotion of the social sector programme are a must. Even the defence wings has to advertise the charms and thrills of defence

personnel's life to attract new recruits. Advertisement essentially removes the information imperfections, clarifying the pros and cons of the programmes and schemes. Often people are unaware of the benefits that accrue and the restrictions are involved from the programmes, more because of the low literacy level in the country and as forms and brochures are in English.

Social care services are basically 'experience goods' because information on quality of these services becomes available only after use from the word of mouth. Misconception about family planning methods created havoc during the Emergency years. Similarly clarification on certain health care services and hygeine education may be helpful in preventing epidemics and disabilities. The Navodaya Vidyalaya Scheme of the government, has to be promoted through adequate advertisement to make it a success in rural India. The use of Rural (Gramin) Banks and cooperative financial institutes lies mainly in its coverage of the community. The welfare programmes intended for the poor and down-trodden should reach the knowledge of this section of the population so that they can reap the harvest of living in a welfare state. Exhaustive and comprehensible information should also be available to all the beneficiaries so that they can exercise their own choice. The use of a steroid, norplant by the Delhi doctors as a family welfare method had recently attracted media attention, especially because the doctors did not specify the after effects of its use, though the beneficiaries as a basic right should know it.

The methods for establishing these promotional links with the beneficiaries are many. The electronic media, the print media, roadside hoardings, poster and pamphlets, street plays, puppet shows, 'awareness weeks' and community meetings, speeches of community leaders-religious, political and social, panchayats and gram sabhas, all are excellent means of advertisement. The National Family Welfare Programme has taken great efforts in exploiting the media attraction and hence the community and individual attraction. The commitment of the government and the pressure from within and outside the community also helps to make the programme successful.

As regards pricing or subsidizing the programmes important decisions should be taken, specially on a transactional basis, leaving scope for amends. Every product or service has a price, even if the price is free. It is important to decide whether the programme delivers its services with a penetration, parity or a premium price. Most social sector programmes in the government sector has only a penetration price, at most a parity price. Most government schools and colleges on one side and hospitals and dispensaries on the other earn token prices only. Many loan and aid welfare schemes do not get monitored well, so as to get the refunds. They are not evaluated properly also. Thus they run into trouble within a few years of their initiation due to lack of adequate funds and government patronage. Most programmes should therefore have internal resources generating capacities through well-structured pricing mechanism. When the private schools and colleges, hospitals and clinics, age-care creches and maternity centres and other infrastructural welfare projects like roads, transport systems, electricity generation, water distribution, courier services etc. can run with huge profits why can not their governmental counterparts at least earn the parity prices to make a sustenance of their own? May be like the housing and employment generation schemes only the poorest among the poor gets the benefits and the community at large are left out. It is important that even for public distribution system, the hospital and medical benefits schemes, the educational programmes and others, an economic criterion is brought in, so that positive discrimination can be made between those for whom the penetration price and the parity price is applicable. And for those who are ready to pay a premium price let the satisfaction of quality service be there. At many places of worship in India, these three types of prices are seen to operate simultaneously and the trust earn their living.

Another aspect of social marketing that needs consideration is the fact that the beneficiaries for the programmes should be considered by the programme implementers as valued customers in a mixed economy set up and not as 'captive clients' of the government. In most cases where the government operates as a monopoly and the programme is a loan or aid distribution scheme the clients are thought of only as beneficiaries and not as customers. The service meted out has very poor quality with the idea that 'beggars cannot be choosers'. This causes a lot of frustration among the poor and they slowly become apathetic to the schemes that require their full cooperation. Some primary schools in the rural areas lack even the minimum facilities and have only a frustrated, misguided teacher. The parents and their children slowly become disinterested. Similarly many government hospitals lack the essential instruments. The long waiting time and trial and error methods of the doctor make the clients look like guinea pigs on the experimental table. In the educational system, students have to wait for long months to get their results and often the results are incomplete or unsatisfactory. In hospitals and dispensaries there are long queues to

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Book Review

Towards Equity: New Economic Policy (Ed) Geeta Gowri, Oxford and IBH publishing company private Ltd., New Delhi, Pages 1 xv + 253, Price Rs. 450

The book consists of the papers presented by policy makers, academicians and voluntary organisations in the seminar on "Equity and New Economic Policy" organized by the Institute of Public Enterprise, Hyderabad. The papers analyse the impact of New Economic Policy (NEP) in terms of Equity, Employment, Health Care, Education, Technology and Environment and Fiscal Dimensions in the Indian Economy.

Regarding Equity and NEP, Dr. C. Rangarajan emphasies that NEP which aims at efficiency and growth cannot be against poor. Geeta Gouri's paper highlights that NEP bypasses the unorganized sector; Sanjay Baru's paper argues that NEP is not sensitive to social problems of the country.

The papers on NEP and Employment highlight the pitfalls of using elasticity estimate for employment projections and underscore the need for upgrading skills and redeployment of labour in high technology industries; further regional variations in the degree and intesity of unemployment have got to be recognized. The paper on NEP and Health Care brings out inadequate budgetary allocation for primary and secondary education; better targeting and better design to ensure minimum quality standards and the need for continued regulatory role of State in the Education sector.

While discussing the impact of NEP on Technology and Environment, the papers focus on sustainable development and express concern over the possibility of adaptive research replacing innovative research. The discussion on Fiscal Dimensions of NEP revolve around raising of resources in non-inflationary manner and proper targeting of subsidies for anti-poverty programmes.

The book, thus, covers a wide range of issues concerning social and equity dimensions of New Economic Policy. The suggestions and recommendations emanating from the papers emphasize the need to keep in mind the human and social demensions while implementing the New Economic Policy. The book is a welcome addition to the ongoing debate on Economic Reforms and Poverty alleviation.

M.N. Sivasubramanian

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TABLE-1

DEMAND, RECOVERY AND OVERDUES OF AGRICULTURAL LOANS

(Rs. in Millions)

YEAR	DEMAND	RECOVERY	OVERDUES	% of Recovery to demand	% of overdues to demand
1985-86	98941	56744	42197	57.4	42.6
1986-87	110348	63424	46889	57.4	42.5
1987-88	126735	72278	54457	57.0	43.0
1988-89	142682	79826	62756	56.0	44.0
1989-90	145880	65635	80245	45.0	55.0

SOURCE: (i) Report on Currency& Finance, R.B.I./NABARD Publications.
(ii) Financing Agriculture, Vol. XXIV, No. 3 July-Sept., 1992, p. 28.

performance of rural credit. More and more amounts which are considered non-recoverable are being written-off by the banks. Writing off of overdues is a double edged and self destructive weapon used by the banks. On the one hand banks have to write-off their precious fund lent for agriculture and on the other, which is more harmful, create an image of a helpless institution in the society which ultimately encourages other borrowers to follow the footsteps of defaulters whose dues are written off. This develops a feeling that indiscipline is rewarded and results in undesirable trend in society. Thus the remedy is worse than the disease.

In order to improve the poor recovery climate created by the recent loan waiver, the policy makers may consider giving concessions in refinance rates to those grassroots level institutions which consistently show good recovery performance for 2 to 3 years and these grassroots level institutions may, in turn, pass on these concessions in the form of lower lending rates to those borrowers whose repayment performance is consistently good. This would help in boosting the morale of the borrowers who have been making regular payments and also give incentives to the grassroots level institutions for increasing their efforts in improving the recovery problem. ❐

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the elected head of the state government and represented by the heads of all Panchayats and local bodies of the state can act as the apex body on all matters of policy relating to the devolution of plan assistance from the state government to the Panchayats and local bodies. The formula based state plan assistance to Panchayats and local bodies as approved by the SDC could be distributed as loans and grants by the state government to the Panchayats and local bodies as done presently for the annual plan of the states.

Presently, the Formula Based Central Plan Assistance to state is allocated as 70% loans and 30% grants. Similarly the state can also extend loans and grants to the Panchayats and local bodies in the similar ratio in order to maintain consistency in the pattern of distribution of plan assistance from the national level to the state level and eventually to the local level. As in the national level, if the State Finance Commissions give its Award in every five years on the devolution of finances between the state government and the Panchayats and local bodies, there would be significant certainty on the quantum of resource flow to the Panchayats and local bodies which would also help the assessment of the resources available for plan financing.

Finally, the state government may also consider extending assistance for the externally aided projects located in the Panchayats as done presently by the Centre for the annual plan for states.

The above mentioned framework of financial resource planning may introduce a consistant and harmonious resource devolution mechanism from the state government to the local level. Further, the financial resource base of Panchayats and local bodies would also improve significantly thereby enabling them to implement development projects and programmes in accordance with their commitments to the electorate. Another positive outcome would be the economy in expenditure of the state government, since they would be relieved of the fiscal burden of the expenditure on Panchayats and local bodies which in turn would improve the state government finances. In fact, the political power vested with the Panchayats and local bodies becomes an instrument of development only when it is backed by adequate financial resources. In brief, a sound financial resource base and smooth mechanism of financial resource flow from the state government to the Panchayats and local bodies can alone make decentralised planning and grassroots level development a reality. ❐

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meet the doctors and often the doctors refer to some other doctor or defer the dates. The patients find themselves trapped, cursing their own fates and the system. In fact the bureaucratic set up create bottlenecks and red tapes, so much so that the ultimate unit for whom the programme has been drawn up finds himself frustrated and disinterested.

In these not for profit sectors, the government has to go a long way, for development of the country, removing all disparities that may arise. The equity aspect of all social programmes should therefore receive greater attention. The need for government to interfere through a welfare state arises only because conventional markets foster and maintain inequalities and therefore social injustice. It is important that the bureaucracies are able to "cream off" the less dependent and well-to-do clients leaving the more handicapped ones for the programme. Segmentation of this kind may be accompanied by stratification by income or opportunity criterion. ❐

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Development Diary

INDIAN SPACE PROGRAMME

SATELLITE/LAUNCH VEHICLE	*LAUNCH DATE*	*LAUNCHED FROM*
ARYABHATA	19.04.1975	USSR
BHASKARA-I (SEO-I)	07.06.1979	USSR
BHASKARA-II (SEO-II)	20.11.1981	USSR
ROHINI RS-I (E-01) SLV-3 (E01)	10.08.1979	SHAR
ROHINI RS-I (E-02) SLV-3 (E-02)	18.07.1980	SHAR
ROHINI RS-I (D-2) SLV-3 (D-01)	31.05.1981	SHAR
APPLE	19.06.1981	KOUROU (FR. GUYANA)
INSAT-1A	10.04.1982	USA
ROHINI (RS-D-02) SLV-3 (D-02)	17.04.1983	SHAR
INSAT-1B	30.08.1983	USA (CAPE KENNEDY)
ASLV-D1 (SROSS)	24.03.1987	SHAR
ASLV-D2 (SROSS)	13.07.1988	SHAR
IRS-1A	17.03.1988	USSR
INSAT-1C	22.07.1988	KOUROU
INSAT-1D	12.06.1990	USA
TRS-1B	29.08.1991	USSR
ASLV-D3	20.05.1992	SHAR
INSAT-2A	10.07.1992	KOUROU
PSLV	30.09.1993	SHAR
INSAT-2B	23.07.1993	KOUROU
ASLV-D4	04.05.1994	SHAR
PSLV-D2/IRS-P2	15.10.94	SHAR
INSAT-2C	7.12.95	KOUROU

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