

Yojana

Vol 43 : No 4

April 1999

Rs 5

Hike in diesel prices,

AGRICULTURE INITIATIVES

Greater role for Gram Panchayats in development of waste-land, managing funds for rural development, food for poor, primary health-care, primary education, and employment.
10 lakh Kisan credit cards to be issued, up from 6 lakh.
Award to finance 12 lakh tonnes of new cold storage, tendering of 8 lakh tonnes; 4.5 lakh to onion cold storage.
Funds for rural infrastructure, lending, etc.

COSTLIER

High speed diesel, tyres & tubes, helmets, malt, yeast, biscuits, condensed milk, watches, competition post cards, inland letters &...

CHEAPER

CTVs; refrigerators, soaps & detergents, LPG, Kerosene, coffee, chocolate, mineral water, computer components, two-wheelers, domestic...

● New competition law to replace Monopolies and Restrictive Trade Practices Act.

DEFENCE

DEFENCE OUTLAY UP BY RS. 4,494 CR

Total budget expenditure estimated at Rs 28,400 cr
Rs 77,000 cr for plan
Rs 2,07,003 cr for non-plan expenditure

per cent on income

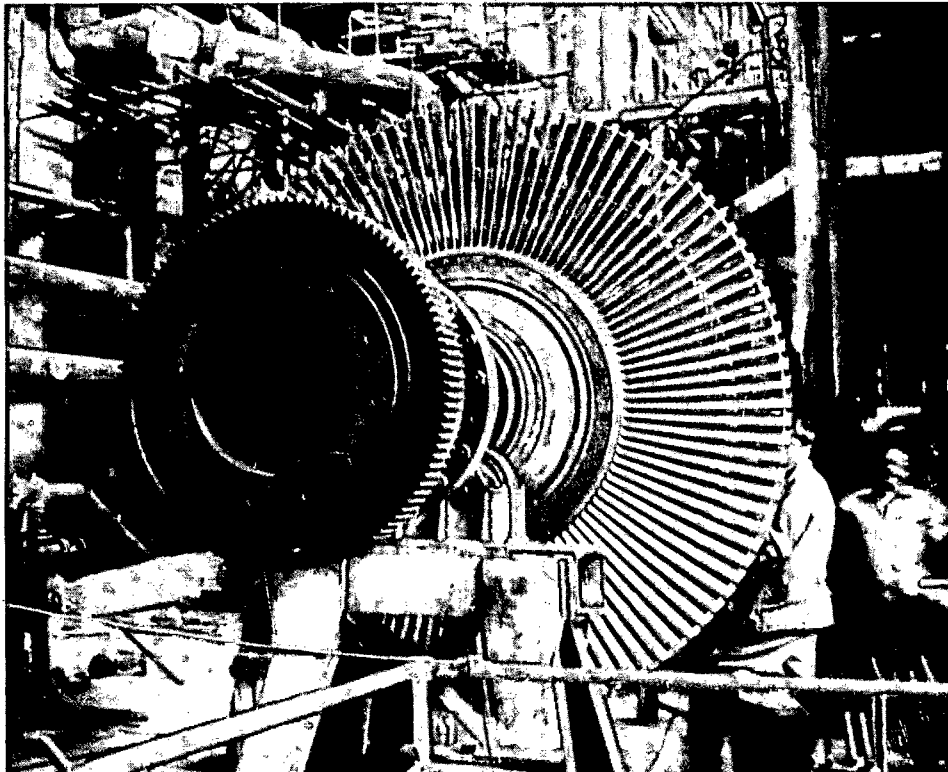
TAX WAIVER

LEAVE PAY OF GOVT STAFF EXEMPTED FROM INCOME TAX

Income tax, in diesel to cost

APURNA PLAN

FREE RATION FOR SENIOR CITIZENS IN VILLAGES



DEFICIT TREND



GOLD BONDS

NEW GOLD SCHEME TO MOBILISE IDLE GOLD

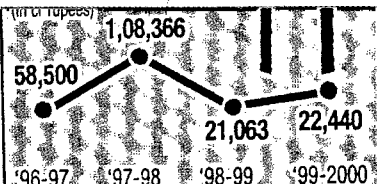
● National foundation to be set up for helping innovation. It will have a fund with initial corpus of Rs 20...

TAXES

10% surcharge on income tax above Rs 60,000.
The one-in-six formula (owning a house, car or phone, a foreign trip, club membership, credit card) for filing tax returns extended to 19 more cities.
Two-wheeler owners and lessees exempt.

HOUSING PACKAGE

Repeal of Urban Land Ceiling.
Foreclosure laws simplified to develop market for mortgages.
Loan interest limit for tax exemption raised to Rs 75,000.
Lower interest for small borrowers.

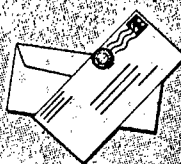


INVESTMENTS

Tax exemption on all income from UTI and other mutual funds.
Dividend tax waiver on US-64 extended for three years.
Long-term capital gains tax for resident Indians capped at 10%.
Banks to accept gold deposits in...

POSTAL

Printed and competition postcards, inland letters, packets and parcels to cost more.
No change in rates of ordinary postcards, money orders, packets of printed books

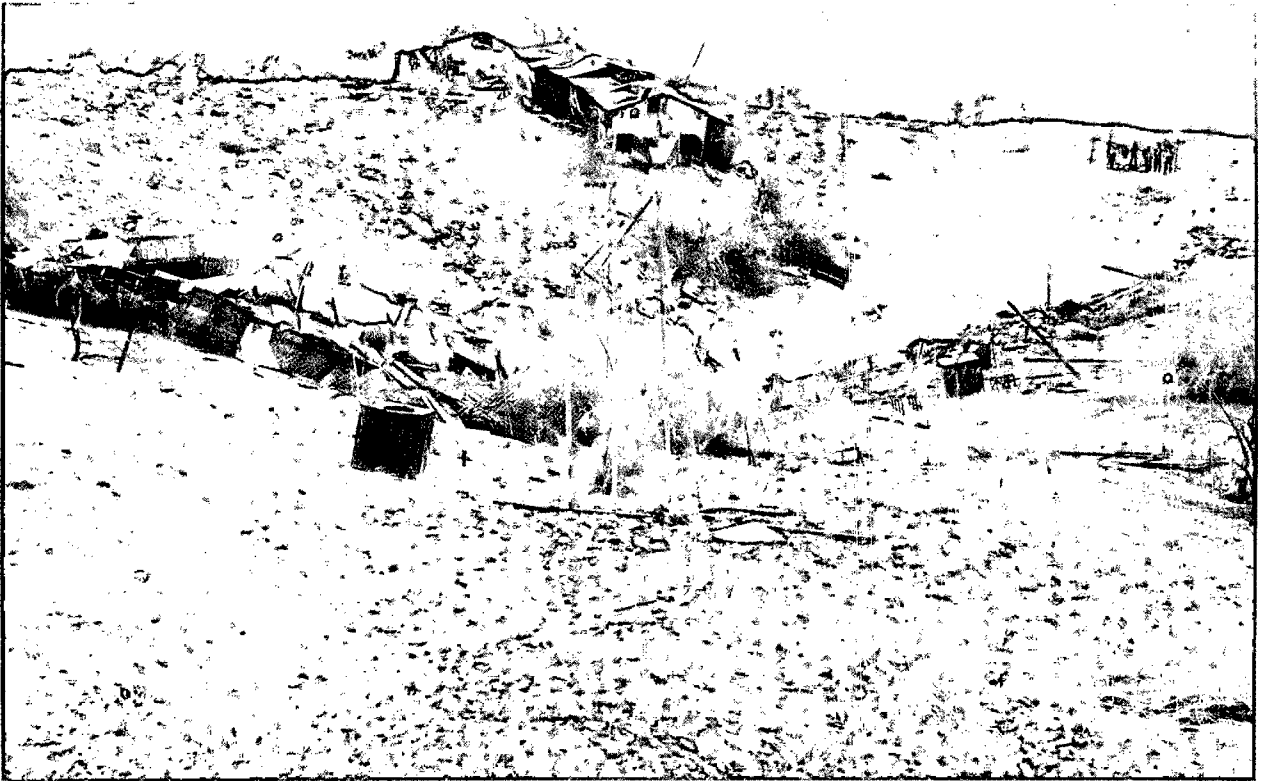


INDUSTRY AND INFRASTRUCTURE

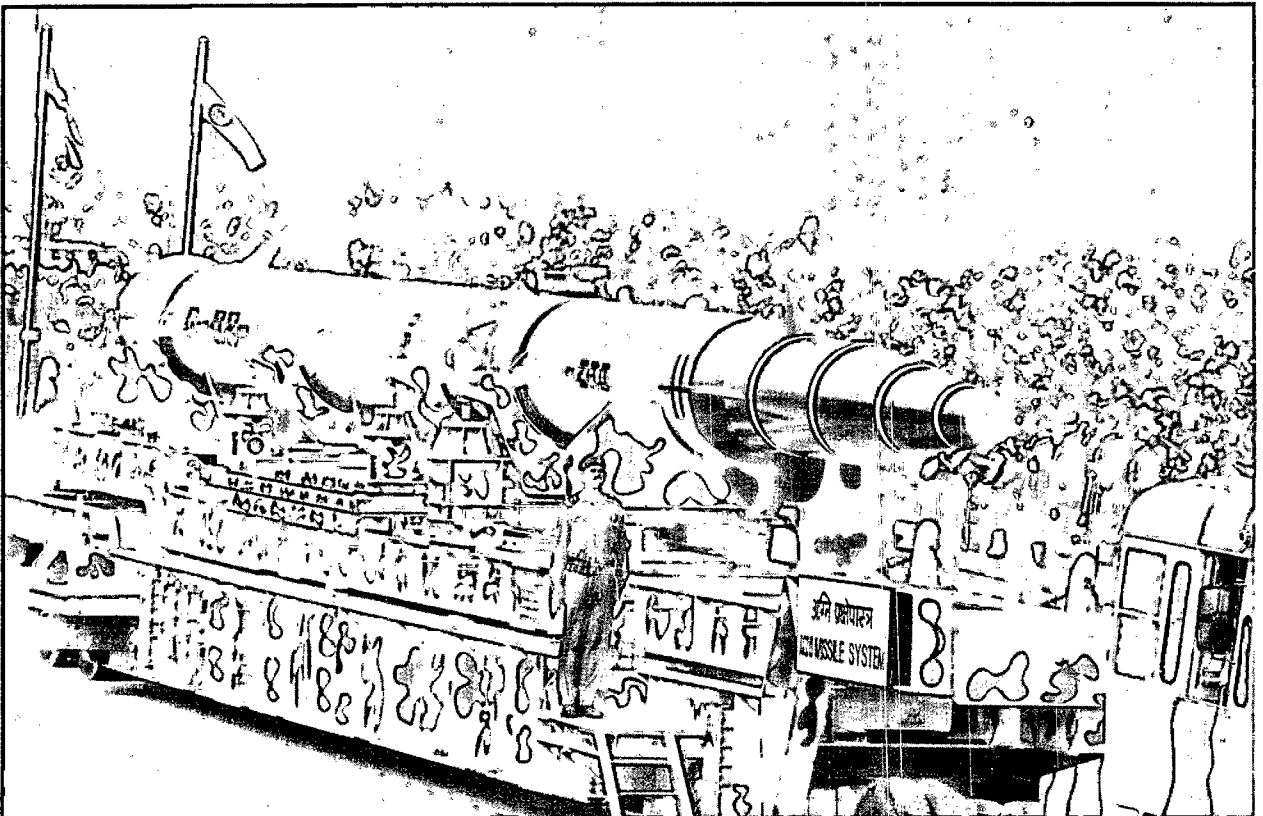
Counter-productive controls in...
5% interest advantage on...

BUDGET

Striding Towards Developed India



Pokhran-II launches India to the select group of nuclear states. A view of one of the sites of underground nuclear explosion test conducted on May 11-12, 1998, Pokhran, Rajasthan.



Pride of the country, Agni missile, mounted on an army vehicle passing through Rajpath, New Delhi on the Republic Day, January 26, 1999.



yojana

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Need for Rejuvenating the Economy

Atal Behari Vajpayee

The realization of the social and economic objectives of the Ninth Plan depends critically on our being able to finance public investment in crucial areas of social and physical infrastructure. We will fail in our duty if we do not improve the Central and State finances.

THE NATIONAL DEVELOPMENT Council is an important forum to continually review our developmental process and take appropriate macro-level decisions to progress in the desired direction. It is also the most effective institutional mechanism to conduct this exercise within the framework of harmonious cooperation and partnership between the Centre and the State Governments.

We must make significant headway in building a sound social and physical infrastructure. We must double our food production in the next ten years to feed our ever-increasing population. We must simultaneously take effective steps to check population growth—an area that we have neglected so far. We need to use information technology in all areas of our national life to generate prosperity and lay the foundation for India's emergence as a knowledge-driven society in the 21st century.

I had asked the Planning Commission to prepare Special Action Plans on social and physical infrastructure and on information technology. These special plans have been incorporated in the Ninth Five-Year Plan.

The Plan document outlines the programme of action that will set the tone of development in the next century. The target of seven percent growth for the next three years is not an easy one to achieve, given the many difficulties and uncertainties of the world economy today. Yet, it is possible through determined effort of the Centre and the States.

We believe that the private sector, both in agriculture and industry, will provide the needed thrust to economic growth. However, Government will have to continue to play a crucial role in strengthening the social and physical infrastructure. This cannot happen unless the fiscal health of the Governments at the Centre and in the States improves considerably and gains strength.

The realization of the social and economic objectives of the Ninth Plan depends critically on our being able to finance public investment in crucial areas of social and physical infrastructure. We will fail in our duty if we do not improve the Central and State finances. The Centre has started taking certain firm measures to fulfill our responsibility. I urge the State Governments, too, to put their finances in order.

Recent trends in this regard are alarming. States' own contribution to Plan financing has been almost non-existent. States are increasingly borrowing even to finance their current consumption.

Reluctance to mobilize additional resources to meet increasing expenditure is the reason for this. There is a need for austerity all around to contain wasteful public expenditure. Revenue should be increased through a greater attention to efficiency and productivity of the enormous human and financial resources we invest in our various schemes. Can we accomplish this without a political consensus to end competitive populism? No.

We are aware that the Centre has taken certain measures in recent years that have had serious, though indirect, repercussions on State finances. As an example, I mention the implementation of the Fifth Pay Commission's recommendations. Adoption of these at the Centre has had a snowballing effect on States. I can assure you that we will be more considerate of States' interests in such matters in future.

Charity begins at home. I would say the same about cutting the Central Government's expenditure. I urge all Central Ministries to enforce expenditure management rigorously. Why should we not have performance audit of our resources, rather than the usual expenditure audit? The resources, thus saved, could be diverted to meet

Why should we not have performance audit of our resources, rather than the usual expenditure audit? The resources, thus saved, could be diverted to meet more essential expenditure in the social sector.

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Today there is both a need and scope to raise resources through levying reasonable electricity tariffs and irrigation charges. Untargeted and unintended subsidies often lead to distortions in resource allocation, besides failing to benefit the really poor. Reforms in the power sector, which we have been stressing at the Centre, must be quickly and effectively implemented by states.

We should also address the problem of implicit subsidies. For instance, take the subsidies for higher education. Is it not paradoxical that even rich students pay colleges fees that, in some States, are less than what they spend on cold drinks? No Government can afford to

provide costly services, free of cost, universally. They must levy reasonable user charges wherever possible, particularly for non-merit goods and services.

There is tax competition among States to attract private investments. Such policies are harmful as States have lost tax revenue without much influencing investment decisions. This must stop. Better infrastructure, faster decision-making, and investor-friendly environment are more important in the decision matrix of the investor community.

A practice that is pushing States towards fiscal crisis is the ready extension of guarantees to the borrowings of State-level public enterprises. These guarantees may devolve on State Governments, as the financial health of many such enterprises is not sound. This practice will hurt States' credibility and adversely influence their credit ratings.

The 73rd and 74th Amendments to our Constitution, five years ago, provide for a third tier of government. Still, several States have not yet imbibed that spirit of these Amendments. There is an urgent need for genuine devolution of political, administrative, and financial powers to the Panchayati Raj institutions. If democracy works at the national and State level, it will surely work at the village level also. Rather, democracy at the national and State levels will not be enriched by extending it to the grassroots.

People often perceive the bureaucracy as an agent of exploitation

rather than a provider of services. Corruption has become a low-risk and high-reward activity. Frequent and arbitrary transfers, combined with limited tenures, are harming the work ethic and lowering the morale of honest officers. While expecting discipline and diligence from the administration, the political executive should self-critically review its own performance. Unless we do this, we cannot regain credibility in the eyes of the people who have elected us to serve them.

A question that is often asked these days is: What is the role of the Planning Commission in a liberalized economy? While detailed micro-economic planning may no longer be needed, the

People often perceive the bureaucracy as an agent of exploitation rather than a provider of services. Corruption has become a low-risk and high-reward activity.

Commission still has a crucial role in long-term direction-setting. In my opinion, the Planning Commission should emerge as a Think Tank for addressing the critical policy issues facing the economy, to formulate pro-people policies, and to improve the implementation of such policies through a better delivery system. I am directing the Planning Commission to pay greater attention to identifying policies that rejuvenate the economy and help the poor. □

"We need greater fiscal discipline and responsibility, both at the Centre and in States, so that public sector investment is not jeopardized. It will also help the private sector to perform its due role in the many difficult tasks it has to perform to achieve our target of seven percent economic growth in the next three years. In addition, it will facilitate greater inflow of foreign direct investment, which we need in many critical areas. Scarcity of public resources means inadequate investment in roads, railways, power generation, etc., which are vital for a strong economy. The biggest loser will be the poor, the weakest, the underprivileged, in whose name many of the existing populist policies are often justified".

ATAL BEHARI VAJPAYEE

Growth With Social Justice And Equity

K.C. Pant

Over the years there is a growing public scepticism about the linkage between expenditure on Plan schemes and the physical outcome in terms of delivery of benefits. Our systems today simply do not ensure that expenditure is efficiently deployed with adequate monitoring to prevent leakage and deliver results effectively on time.

THE FOCUS OF the Ninth Plan is "growth with social justice and equity". Its objectives, strategy and approach are consistent with those approved by the NDC in the Approach Paper. There are, however, some points to be noted which have been necessitated by the events of the two intervening years between the adoption of the Approach Paper in January 1997 and today. Although the NDC had originally approved a target growth rate of 7 per cent, the actual growth in the first two years fell short of the target for a variety of reasons, both internal and external. However, we propose to return to the target of 7 per cent for the remaining three years of the Plan. This will take the average growth in the Plan period to 6.5 per cent. The public sector plan outlay consistent with the revised growth target has been placed at Rs. 8,59,200 crore at 1996-97 prices. This is somewhat lower than what had been expected in the Approach Paper because of the slow down in the first two years. The level of investment in the remaining three years calls for massive and concerted efforts to improve the fiscal situation at both the Centre and the States.

The Plan requires action on several fronts in the public and the private sectors, both at the Centre as well as in the States. The Centre and every state are borrowing not only to finance their development activities but also to cover a significant portion of their non-developmental expenditure. This

is a recipe for fiscal disaster. The mounting interest burden is eating into the revenues available for financing the provision of public goods and services. The problem will become even more unmanageable as more states implement the Fifth Pay Commission award. Unless concrete measures are taken expeditiously, the situation will soon become intolerable. It is sometimes felt that the solution of the problem lies in increasing the level of assistance from the Centre. Central Assistance is an important part of our planning process and the Centre should do its utmost to help. However, due account has to be taken of the Centre's fiscal position, which is also extremely difficult with a fiscal deficit which has become too large. Both the Centre and the States have to make massive efforts to augment their own resources to bring us out of this situation.

Increasing revenues is clearly the first task. As the Plan points out, we have yet to tap a number of revenue sources in adequate measure, and I will not elaborate on this. One important issue that I would like to highlight is the deleterious effect of the inter-State tax competition which is becoming increasingly acute. It is necessary for us to harmonise our tax systems in a manner that benefits us all. The second point that I would like to make is that each state needs to benchmark its tax performance to the best performing state in the country in order to ensure that loopholes are plugged and tax administration is made more efficient. In addition to tax revenues, user charges are extremely important. We cannot continue to undercharge for power and irrigation, tolerating large losses on these accounts. Despite all these measures, our developmental resources are unlikely to increase significantly unless we can control the growth in our non-developmental expenditures. For this political will is imperative, and we will have to collectively resolve to eschew competitive populism.

Given the scarcity of resources, the deployment of public funds will have to become much more efficient if we are to meet our development targets. Over the years there is a growing public scepticism about the linkage between expenditure on Plan schemes and the physical outcome in terms of delivery of benefits. Our systems today simply do not ensure that expenditure is efficiently deployed with adequate monitoring to prevent leakage and deliver results effectively on time. There is little accountability in the system, which makes it difficult in

emphasis on this point, but the suggestions made in the Plan will need to be translated into policy and institutional change. In this regard, the most important insight contained in the Plan is that the responsibility for delivering local services should be devolved on Panchayati Raj Institutions and local authorities rather than being managed from the higher tiers of Government. This suggestion is consistent with the 73rd and 74th Constitutional Amendments, and therefore should be carried out as part of our constitutional responsibilities. A related issue concerns the reform of the civil administration system in the country in order to make it consistent with the changing responsibilities for public provision of social and economic services. Greater transparency and accountability in the implementation of government programmes is also critical.

The biggest challenge facing the country in the coming years is to provide employment for our growing work-force and to eradicate poverty and other forms of deprivation. I would like to draw your attention to the fact that despite a decline in the expected growth rate of population, the labour force growth reaches a peak level of 2.5 per cent per annum during the Ninth Plan period—the highest that it has ever been and is ever likely to attain. This presents both a challenge and an opportunity. If we can provide adequate employment opportunities to our people over the next ten years, we would have made a significant dent on the incidence of poverty in the country. In order to achieve this, the economy will have to grow at over 7 per cent per year in a sustained manner. There is, however, a regional dimension to this problem which we cannot ignore. Certain regions of the economy are likely to experience population and work-force growth considerably in excess of the national averages. It has to be our objective to ensure that work opportunities are

created in these locations and are commensurate with the skill profile of the emerging work force.

The Ninth Plan accords a place of primacy to agriculture, recognising the fact that the objectives of food and nutritional security, poverty eradication and adequate employment generation are all intimately related to agricultural development. Agriculture contributes substantially to growth and lends a degree of stability to the growth process. The emphasis during the Ninth Plan will be on regionally differentiated strategies of agricultural development, diversification both in

One important issue that I would like to highlight is the deleterious effect of the inter-State tax competition which is becoming increasingly acute. It is necessary for us to harmonise our tax systems in a manner that benefits us all.

practice to identify the precise points which are the cause of the problem. As a result, no one is held responsible for poor performance.

Another problem relates to the gap between the projected Annual Plan size and the realised plan. Projection of a plan far beyond what the resources would warrant leads to distortion of priorities and to thin spread of resources. I must hasten to add that a number of states are exceptions to this, for example, Goa, Gujarat, Karnataka, Kerala, Maharashtra and Tamil Nadu. Their prudence in deciding the Plan size and realizing it, I am sure, makes a better impression on the public than announcing large Plans and not realising them.

Finally, greater emphasis has to be placed on the delivery mechanisms. The Ninth Plan has laid considerable

The responsibility for delivering local services should be devolved on Panchayati Raj Institutions and local authorities rather than being managed from the higher tiers of Government. This suggestion is consistent with the 73rd and 74th Constitutional Amendments and therefore should be carried out as part of our constitutional responsibilities.

terms of activities and in terms of regions and accelerating the productivity growth. Towards this end, investment in agricultural research and infrastructure and strengthening of appropriate people-oriented institutions as well as expansion of markets is being emphasised.

The economic reforms which have been pursued by all Governments in the past several years and which will

continue have created a new and more competitive environment. Industrial growth and modernisation in future will be driven by the micro-level decisions of individual corporations and firms. Foreign investment will also play an important catalytic role in this process. The biggest contribution that public investment can make to stimulate rapid industrial growth is the development of high quality and efficient infrastructure.

Rapid industrial growth needs a massive improvement in infrastructure, especially power roads, railways, ports and telecommunications. The Ninth Plan places major emphasis on these areas. These are also areas where public investment has to play a major part, supplemented by private investment as far as possible. I would emphasise that State Governments have a major role in the development of infrastructure especially power and roads. States wishing to attract new investment whether from home or abroad need to focus on offering investors better infrastructure.

States must also work towards creating an investor friendly environment. The Central Government has taken steps to streamline clearances needed by investors. Some State Governments have also taken impressive steps in this direction. It will be necessary for all States to take initiatives in this area.

Human development and improvement in the quality of life of the population are the ultimate objectives of planned development. Social sector planning enjoins on the State to make adequate investments and introduce appropriate programmes and policies for providing access to basic services to all. In the Fifth Five Year Plan the Minimum Needs Programme was introduced with the objective of establishing a network of facilities and services in respect of selected

items of social consumption within a stipulated timeframe. A review of various programmes revealed that while in some sectors considerable progress had been achieved, there were significant inter-state differences in the level of achievement. A conference of Chief Ministers held in 1996 identified seven Basic Minimum Services for priority attention. These included access to primary health care, primary education, safe drinking water, shelter for the poor, provision of nutrition to selected vulnerable groups, provision of connectivity to all unconnected villages and

The emphasis during the Ninth Plan will be on regionally differentiated strategies of agricultural development.

streamlining of the Public Distribution System. To support the efforts of the states in these areas, the Central Government allocated funds as additional Central assistance specially earmarked for Basic Minimum Services. In the Ninth Plan, Special Action Plans have been drawn up in the areas of primary health care, primary education, housing, water supply and sanitation in order to achieve substantial expansion and improvement in the availability and access to social infrastructure facilities in a time-bound manner.

It is now widely accepted that human development creates the necessary preconditions for sustainable economic growth. The Human Development Reports prepared by the UNDP have drawn attention to the relatively low level of achievement in several developing

countries including India. The Planning Commission has decided to support the preparation of state level HDRs, which would be an important tool for identifying areas, which are deficient in social infrastructure with a view to increasing the flow of funds to these areas and improving the delivery systems. It is proposed to hold a workshop on this subject in the near future to identify certain common parameters/social indicators in order to enable comparisons over space and time, and with the objective of evolving a human development index appropriate for Indian conditions.

Balanced regional development has always been an essential component of Indian development strategy since independence. As not all parts of the country are equally endowed with social and physical infrastructure to take advantage of growth opportunities and since historical inequalities have not been eliminated, intervention in future is required to ensure that such regional imbalance does not occur. With greater freedom and choice of location that is now available in the present development strategy and given many prevailing market imperfections, it is more likely that comparatively better States would be able to attract more investment than others. There is a strong probability that under market-based growth, many less-developed regions may remain out of the mainstream of development and fail to get the benefits of its present tempo. Therefore, the Plan has to ensure better opportunity for public and private investment in social and physical infrastructure by appropriate policies in favour of less well-off states. It is well appreciated that the problem of imbalance is an issue which operates not only at an inter-state, but also at intra-state level and, therefore, there is a need to address each in a framework that is more flexible than the political and administrative boundaries of each individual state. □

Ninth Plan To Focus On Agriculture And Infrastructure

Mahesh Prasad

Encouragement of the private sector and reliance upon competition and market forces does not mean that State has no role to play or even that its role in development may be reduced. The State must withdraw from the role of being a controller of private enterprise in areas where market competition and efficient financial sector will ensure appropriate decisions on investment and technology.

THE NINTH FIVE Year Plan (1997-2002), with its focus on five areas, including development of physical and social infrastructure and doubling food production to make India hunger-free in ten years, has received the final seal of approval from the National Development Council. Special Action Plans (SAPs) incorporating the five areas, have been fully integrated into the IX Five Year Plan document.

Releasing the Plan document, running into over 1,300 pages, the Deputy Chairman of the Planning Commission, Mr. K.C. Pant said "the main thrust of the Ninth Plan is to achieve a growth rate of 6.5 per cent with a Central budget support of Rs. 3,74,000 crore and a total public sector outlay of Rs. 8,59,200 crore" (at 1996-97 prices). The 6.5 per cent growth in GDP is based on an agricultural growth rate of 4.5 per cent, an industrial growth rate of 8.5 per cent and an export growth of 11.8 per cent. The Ninth Plan also presumes that the growth rate of population, which has been over 2 per cent in the last three decades is likely to go down during the perspective period of 15 years to 1.56 per cent.

Besides doubling food production and development of social infrastructure covering drinking water, housing, education, health care and sanitation, provision of drinking water to every

settlement in the country in ten years, the five points also include rapid expansion of physical infrastructure—power, oil, petroleum and renewable sources of energy, roads transport, ports, airports, telecom and financial services.

The two remaining areas are unveiling a national water policy to ensure that no water goes waste and all water resources are cleaned up and to make India a global Information Technology power and one of the largest generators and exporters of software in the world within 10 years.

It has taken more than two years and three governments to finalise the Plan. The Government has not only retained 1997-98 as the opening year of the Ninth Plan, but it has also left most other parameters unchanged.

Although the content of the Plan has been refurbished taking into account the five areas mentioned by the Prime Minister, the Plan size has been slashed by Rs. 16,000 crore. The government has been realistic in cutting down growth rate from 7 per cent to 6.5 per cent as the growth during the first year of the Plan, 1997-98, touched only 5 per cent and during the current year it is expected to achieve 6 per cent.

The planners are of the view that for achieving these goals, concerted efforts of the Central Government, cutting across compartmentalised departmental approach and full involvement and participation of state governments would be required. They are of the view that taking into account the physical, financial and human resources available, the original development projects and schemes and deployment of resources, concrete action plans would have to be evolved. More than one Ministry/Department of the Central Government will be involved in the finalisation of the Plan and their implementation and the Ministry of Finance would necessarily have to be consulted.

For a GDP growth of 6.5 per cent, the Ninth Plan envisages gross budgetary support of Rs. 3,74,000 crore. The figure

crore. The figure contains a provision of Rs. 21,946 crore for the Special Action Plan of the Prime Minister. The Plan, which will have a total public sector outlay of Rs. 8,59,000 crore at 1996-97 prices, presumes a domestic savings rate of 26.1 per cent of GDP at market price, as against 23.8 per cent during the Eighth Plan. Besides gross budgetary support of Rs. 3,74,000

“Faster growth has not reduced poverty as much as it should have, nor has it created the number of high quality jobs we need to satisfy the aspirations of our increasingly educated youth. The growth has not been regionally balanced as it should have been”.

crore, the remaining public sector outlay would be financed by internal and extra budgetary resources (IEBR) of Central public sector undertakings (Rs. 2,90,000 crore) and resources of states and union territories (Rs. 1,95,000 crore). The total public sector outlay of Rs. 8,59,000 crore would comprise a Central Plan outlay of Rs. 4,89,000 crore and combined Plan outlay of states and union territories of Rs. 3,70,000 crore.

To achieve the financial targets, the Plan document says that the states would have to take a number of steps to improve their tax GDP ratio. For this, the states would need to be empowered to tax the services sector, to impose consignment tax and also to revise the royalty rates for major minerals as per the recommendations of the Sarkaria Commission.

Development Strategy

While stating that the Indian economy had responded well to reforms initiated in 1991 and growth in the Eighth Plan was 6.8 per cent as against

5.8 in the Seventh, the document notes that “Faster growth has not reduced poverty as much as it should have, nor has it created the number of high quality jobs we need to satisfy the aspirations of our increasingly educated youth. The growth has not been regionally balanced as it should have been”.

Affirming that the Ninth Plan is being implemented “at a time when we are about to enter the new millennium” and “the international environment is full of uncertainties in the aftermath of the East Asian crisis”, the document says “our development strategy must be oriented to enabling our broad based and varied private sector to reach its full potential for raising production, creating jobs and raising income levels in society”.

It adds “A vigorous private sector, operating under the discipline of competition and free markets, will encourage efficient use of scarce resources and ensure rapid growth at least cost. Our policies must, therefore, create an environment, which encourages this outcome”.

The Plan document says that the reforms had yielded good results and must be continued and strengthened. The reforms, it adds, “involve a major re-orientation of the role of the State. Instead of being a pervasive controller of private sector activity, and also a direct producer in many areas through majority owned public sector enterprises, the state must play a different role in future”.

“The development strategy based on creation of an environment which encourages a vigorous private sector operating under the discipline of competition must increase its involvement in the areas of social development and economic infrastructure”, the document says, adding “Encouragement of the private sector and reliance upon competition and market forces does not mean that the State has no role to play or even that its role in development may be

reduced. What is involved is not so much a reduction in the role of the state as a re-orientation. The State must withdraw from the role of being a controller of private enterprise in areas where market competition and an efficient financial sector will ensure appropriate decisions on investment and technology. However, there are many areas where the State must actually increase its involvement. The most important of these is in the area of social development, specially in rural areas,” the document adds.

Agriculture

For doubling food production in ten years, the growth in the value of agriculture output continues to be targeted at 4.5 per cent during the Ninth Plan, while it has been revised upwardly to 5.3 per cent in the Tenth and the Eleventh Plan. The foodgrains consumption is likely to increase from 194.70 million tonnes in 1996-97 to 298.38 million tonnes in 2011-12. The production of foodgrains is projected to increase from 199.32 million tonnes in 1996-97 to 337.3 million tonnes in 2011-12. In the earlier draft it was

Even with the maximum feasible success in attracting private investment, it will be necessary for the public sector to bear the brunt of the burden of expanding capacity in the Ninth Plan period.

projected to increase to 3004 million tonnes in 2011-12. Within non-foodgrains, consumption demand for sugar and jaggery is expected to increase to 54.03 million tonnes in 2011-12. The consumption of milk and fish is likely to increase to 180.76 million tonnes and 11.05 million tonnes respectively in 2011-12. The production of milk and fish are targetted to increase to 227.5 million tonnes and 14.76

million tonnes respectively in 2011-12.

With two years of the Plan already over and growth nowhere near the targets, it is clear that production would have to be stepped up considerably to reach the IX Plan target. Advance planning would be necessary to maintain the growth tempo in the Tenth and the Eleventh Plans.

Social Infrastructure

The Special Action Plan envisages expansion and improvement of the social infrastructure—health care, education, housing (urban and rural), water supply and sanitation (urban and rural). For some sector, eg. housing specific target to be achieved with a defined time frame has been set; for other sectors, such as health, efforts would be made to achieve substantial expansion and improvement of availability and quality of services.

The government, the Plan document says, is committed to providing drinking water to every settlement in rural and urban areas within the next five years. It has also been decided to ensure that sanitation facilities are improved and expanded rapidly. A new National Housing and Habitat Policy has been evolved which aims at providing 'Housing for all'. Towards this end the government would facilitate construction of 25 lakh additional housing units annually in urban and rural areas. To achieve these objectives Special Action Plans have been prepared.

The Ninth Plan treats Education as the most crucial investment in human development with the objective of eradicating illiteracy by 2005. Special Action Plans have identified the expansion and improvement of social infrastructure in education as a critical area. An overriding priority will be given for providing access to schooling for children in the age group 6-11 years. A special thrust will be on girls' education by providing free education up to college level including professional courses. Vocational education at the secondary

and under-graduate levels will be expanded and restructured so as to have strong linkages with industry and improve employability. The intake capacity of the IITs, other reputed engineering institutions and IIMs will be doubled, particularly in high demand areas like software engineering and information technology.

About physical infrastructure, the document says "Infrastructure especially electric power, telecommunications, railways roads and ports has become a major constraint on growth, partly because there was inadequate investment in this area in the Eighth Plan. Rapid growth in the

**The Ninth Plan, it says
"would aim to make India
a global IT super power
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Information Technology
and software Development
has been set up with
Deputy Chairman,
Planning Commission as
its Chairperson".**

Ninth Plan will generate heavy demand for these services, and being non-tradable, the additional demand has to be met by expanding domestic supply. This in turn requires a large increase in investment".

Private Investment

It says while 'Traditionally, infrastructure has been provided largely by the public sector, the investment needs of infrastructure development greatly exceed the resources likely to be available with the public sector.

Mobilisation of private investment to supplement the public sector effort is, therefore, essential". However, the document says "it must not be assumed that private investment in infrastructure provides an easy solution to all problems justifying neglect of public investment in this area. Even with the maximum feasible success in attracting private investments, it will be necessary for the public sector to bear the brunt of the burden of expanding capacity in the Ninth Plan period. This is specially so in areas such as roads, railways and rural electrification, where the scope of private investment is limited, but it is also true for infrastructure in general that public sector will remain the dominant source of expansion".

It is, therefore critical to ensure the resources available with the public sector are adequate to the task. "This calls for far reaching reform of the infrastructure sector. Reform of power sector in the states, including reform of power tariffs, is specially important to make the State Electricity Boards financially viable". The financial position of the Railways also needs to be strengthened. In both cases, apart from achieving higher operational efficiencies, a large part of the answer lies in introducing higher user charges.

The major thrust of the ongoing reform in the energy sector has been to make it commercially viable and also to attract private sector participation. The Ninth Plan lays emphasis on bringing about a commercial outlook among the PSUs, attracting private sector participation in the development of energy sector, encouraging a competitive environment not only between public and private sectors, but between public sector units, need for regulatory agencies for fixation of tariff, conservation of resources, safeguarding the interest of consumers and protecting the environment.

The diverse issues facing the transport sector, the document says, require a comprehensive policy package.

Strengthening the Indian Railways in its reach and capacity so that it effectively links the distant parts of the country, helps to develop economic potential of the backward areas and carries the bulk of the country's long or medium haul traffic, is necessary. Similarly road networks need to be expanded and strengthened. There is also need to modernise our sea ports and airports with a view to augmenting their capacity and making them of international standard.

The document says "Measures will be taken for increasing the involvement of private capital in the expansion and strengthening of infrastructure in railways, roads, shipping and airports. The private participation can take many forms like full or joint ownership management contract, leasing, concessions like BOT, etc."

Information Technology

About information technology (IT), the document says it "is fast emerging as the technological infrastructure for global integration and rapid development of all sectors of the economy. IT broadly includes sub-sectors dealing with the generation, transmission and utilisation of information like telecommunications, computers, consumer electronics, media infrastructure etc. The document says "Recognising the impressive growth the country has achieved in IT since mid-eighties, its immense potential for future growth and its importance as an agent of transformation of every facet of human life, a high priority has been accorded to development of this sector". The Ninth Plan, it says "would aim to make India a global IT super power and a front runner in the information revolution. To help devise an appropriate policy framework towards achieving this objective a National Task force on Information Technology and software Development has been set up with Deputy Chairman, Planning Commission as its Chairperson". The Plan document says "Expansion of telecom network and its transformation

into a modern and efficient system would be the two thrust areas during the Ninth Plan. Universal coverage of telephones on demand, universal and easy accessibility, world standard services to consumers at affordable prices, demand based provision of existing value added services and introduction of new services would be the major objectives for the Ninth Plan. To achieve the objective of providing telephones on demand 237 lakh new telephone connections are envisaged to be provided".

Poverty Alleviation

The Plan document says that while the incidence of poverty in the country as a whole came down to 36 per cent in 1993-94, the latest period for which figures are available from 54.9 per cent in 1973-74, "the absolute number of poor did not decline much over this period of 20 years. There were 321 million poor in 1973-74 and 320 million in 1993-94". Moreover the decline in poverty ratio during the period has been uneven among the states. "The pace of poverty reduction was relatively rapid in Kerala, Andhra Pradesh, Tamil Nadu, Gujarat, Punjab and West Bengal. The decline in poverty ratio, however, was not enough to reduce the number of poor in eight major states".

The percentage of persons without two square meals a day for some months of the year, which is termed as the "hunger ratio"; is observed to have declined from about 19 per cent in 1983 to about 5 per cent in 1993-94 in rural areas and from about 7 per cent to 2 per cent in urban areas.

The incidence of poverty in the terminal year of the Ninth Plan is estimated at 18.61 per cent in rural areas, 16.46 per cent in urban areas and 17.98 per cent for the country as a whole. By the end of the perspective period of the next 15 years, the poverty ratio is projected to be less than 5 per cent.

Financial Intermediation

The Plan document says "Despite

significant steps at financial sector reform, certain areas of concern remain. The main area of concern relates to mismatch between structures of demand and the supply of investment funds arising from a fragmented and inadequately developed financial sector".

The Indian financial sector, the document says "is biased towards short and medium term debt, and the availability of equity and long-term debt to the private sector is limited". It says, "At present the Government monopolises practically all sources of long term funds, such as insurance, pension and provident funds. There is a case for Central government to move its debt portfolio towards the shorter end of the maturity spectrum, which would improve monetary control, increase the liquidity in the debt market and vacate more space in SLR (statutory liquidity ratio) placements in favour of States and PSEs".

External Sector

The growth rate of aggregate exports has been targeted at 11.8 per cent per annum over the Ninth Plan period. Such a rate of growth cannot be achieved without the elimination of anti-export bias that continues to exist, the document says. The rate of growth of imports can be sustained at 10.8 per cent per annum on an average during the Plan period, yielding an implicit elasticity of imports to GDP of 1.7 per cent as compared to 1.8 per cent during the Eighth Plan.

The Plan document says that with the steady reduction of controls in trade matters, the exchange rate has emerged as a major instrument of policy and it is suggested that the exchange rate should be viewed primarily as an instrument to encourage exports. During the Ninth Plan, the exchange rate will need to be deliberately depreciated in terms of the average level of prices in the country and a stringent anti-inflationary policy stance would have to be adopted as a complementary measure. □

Aiming At A New Era Of Growth

K.R. Sudhaman

To step up substantially the growth rate to seven per cent in the remaining three years of the Plan calls for stupendous effort especially with the weakened economic and business climate.

NEARLY TWO YEARS after the Ninth Five Year Plan (1997-2002) came into being the draft plan was cleared by the National Development Council to give its seal of approval to the document whose implementation had already begun. The fact that it has been approved at last underscores the relevance planning still has for economic development particularly for poverty alleviation and other social uplift. Rightly the focus of the Ninth Plan is on "Growth with social Justice and Equity". It envisages a public sector outlay of Rs. 8,59,200 crore and gross budgetary support of Rs 3,74,000 crore to ensure a 6.5 per cent average annual economic (Gross Domestic Product) growth. In the first two years of Plan, the GDP growth being five per cent (1997-98) and 5.8 per cent (1998-99), the projected annual growth rate of 7 per cent for the remaining three years of the Plan is considered as slightly ambitious considering that the economy hit by industrial slowdown and poor export growth due to global recession and East Asian currency meltdown, has not performed well in the last two years. Also it would take at least one more year for the turnaround in the economy particularly due to fact that the East Asian currency crisis has deepened and widened to spread to other parts of the world including Russia and several Latin American countries like Brazil.

As the principal task of the Ninth Five Year Plan will be to usher in a new era of growth with social justice, a nine-

point specific objective has been chalked out:

- Priority to Agriculture and Rural Development with a view to generating adequate productive employment and eradication of poverty.
- Accelerating the growth rate of the economy with stable prices.
- Ensuring food and nutrition security for all, particularly the vulnerable sections of the society.
- Providing the basic minimum services of safe drinking water, primary health care facilities, universal primary education, shelter, and connectivity to all in a time bound manner.
- Containing the growth rate of population.
- Ensuring environmental sustainability of the development process through social mobilisation and participation of people at all levels.
- Empowerment of women and socially disadvantaged groups such as scheduled castes, scheduled tribes and other backward classes and minorities as agents of socio-economic change and development.
- Promoting and developing people's participatory institutions like Panchayati Raj, cooperatives and self-help groups.
- Strengthening efforts to build self-reliance.

No doubt the objectives seem to be laudable. But to step up substantially the growth rate to seven per cent in the remaining three years of the Plan calls for stupendous effort especially with the weakened economic and business climate. Any effort to force the implementation of the targets by means of public borrowings would result in inflationary pressure.

If one goes by the alarm bells sounded at the 1998-1999 Economic Survey, the

fiscal problems of both central and state governments appear to be intractable and unless bold second generation economic reforms are launched in right earnestness at both central and state levels to cut low priority government expenditure and non targetted subsidies, there is no way the plan objectives can be achieved.

As part of the development strategy,

The objectives of the Ninth Plan are substantially same as that of the Eighth Plan. But the gross investment target for the Ninth Plan is about 42 per cent higher than that for the Eighth Plan.

the Plan document itself is categorical that the process of reforms must continue and be strengthened. The reforms involve a major re-orientation of the role of the states. Instead of being a pervasive controller of private sector activity, and also a direct producer in many areas through majority owned public sector enterprises, the State must play a different role in future.

Fiscal Prudence

It says the fiscal and revenue deficit is a central concern of macro-economic management. The development strategy recognises explicitly the need to restore the fiscal health of the government at all levels and to evolve a long-term fiscal policy. It is also important that fiscal prudence percolates down to state levels as fiscal position of many states are none too comfortable. It is precisely for this reason the implementation of new ways and means advance formula agreed to by Reserve Bank of India has been preponed by a month from 1 March this year to bail out states from the financial mess to ensure that the Plan targets are met.

The Plan recognises that an efficient

financial sector is the key to the success of the reforms. Banking, capital market or insurance reforms must be pushed at an appropriate pace. Though all major political parties are unanimous in carrying forward the reform process, they seem to get bogged down because of certain political compulsions to get the necessary legislations passed like the Insurance Regulatory Authority bill resulting in setbacks and delay in the reform process.

The objectives of the Ninth Plan are substantially same as that of the Eighth Plan. But the gross investment target for the Ninth Plan is about 42 per cent higher than that for the Eighth Plan. The GDP at factor cost is targetted to be higher by 37 per cent by the Plan end consequently, the incremental capital output ratio, at 4.3 is expected to be higher during the Ninth Plan period than the previous Plan. This is because of the postulated higher allocations of investment for the infrastructure sector.

The target for public investment over the Plan period is more than 50 per cent higher than that for the Eighth Plan. Public borrowings by the government during the Ninth Plan will be higher by about 71 per cent as compared to the Eighth. The aggregate exports and imports during the Ninth Plan will be higher by 74 per cent and aggregate about 67 per cent respectively. The current account deficit will be around 2.1 per cent of GDP at market prices.

When the Ninth Plan document was prepared by the previous members of the Planning Commission, the full implications of the Fifth Pay Commission recommendations were not taken into account. The economic consequences of the raised defence expenditure because of Pokhran Nuclear tests in May 1998 could not be foreseen. Also the economic effects of the sanctions on the investment rate could not be taken into account. The Pay Commission implementation alone would mean an additional financial burden of Rs. 1,50,000 crore annually.

The approximate additional fiscal burden as a result would be close to Rs. 5,00,000 crore which would work out to be around 1.5 per cent of GDP. So unless the domestic savings ratio goes up to compensate for this, there would be reduction in savings investment ratio resulting in Plan targets not being met and the projected GDP growth not being achieved.

This being the reality, it is regrettable that the Plan document has not come out with any drastic policy to reform the tax structure. But it is heartening to note that the latest Economic Survey has underlined the need to carry forward the tax reform especially indirect tax to widen the tax base and check mounting revenue deficit year after year.

The Ninth Plan recognises that globalisation is a reality which cannot be denied and also should not be avoided. It needs to be managed so that 'we can derive the maximum advantage from world markets.' Export performance will be critical to the attainment of high growth rates and achieving self-reliance. The foreign trade and investment policies should facilitate greater integration with the world economy. But it does not spell out how to push

There is an inherent contradiction in the document as it does not explain how price stability will be achieved when it provides for a built-in inflation rate of seven per cent per year.

exports and encourage industrial recovery when Swadeshi lobby is working hard to throw spanner in the wheel.

One of the objectives of the plan is to attain the targetted growth under stable prices. But one wonders how it could be possible when there is no political will to cut subsidies and other measures to

bring about fiscal consolidation. Also there is an inherent contradiction in the document as it does not explain how price stability will be achieved when it provides for a built-in inflation rate of seven per cent per year. Also it has not factored in the sequential effects of low growth rates in the first two years of the Plan and large borrowings by government to finance the revenue deficit.

The Plan says environment will be created to encourage private sector to boost industrial growth but one wonders how it could be created without freeing the industry from bureaucratic controls which have stranglehold on the industry even eight years after the liberalisation process started.

It also says, it is important to encourage foreign investment as part of the process of modernising Indian industry and developing linkages with the rest of the world. But with the "swadeshi" lobby vehemently opposing multinationals it is hard to believe that there could be substantial flow of foreign direct investment in the country in the coming years.

The incidence of poverty in the terminal year of the Ninth Plan is estimated at 18.61 per cent in rural areas, 16.46 per cent in urban areas and 17.98 per cent for the country as a whole. By the end of the perspective period, the poverty ratio is projected to be less than five per cent. In order to achieve the objectives of removal of incidence of poverty and unemployment and of ensuring food and nutritional security, the value of agricultural output is targetted to increase at annual rate of 4.5 per cent in the Ninth Plan. With growth target revised downwards to 6.5 per cent per annum on an average from the originally average annual seven per cent growth, this task is certainly going to be difficult.

To achieve a 4.5 per cent rate of growth in the Ninth Plan in Agriculture, the strategy should be to achieve the growth rates of the eighties in the

commodities in which the growth rate deteriorated like foodgrains and sugarcane and to further improve the growth rates of the commodities which became more dynamic in the early nineties like fruits and vegetables. Achievement of this growth rate will require a much higher level of investment

To achieve a 4.5 per cent rate of growth in the Ninth Plan in Agriculture, the strategy should be to achieve the growth rates of the eighties in the commodities in which the growth rate deteriorated like foodgrains and sugarcane and to further improve the growth rates of the commodities which became more dynamic in the early nineties like fruits and vegetables.

of Rs. 2,68,300 crore at 1996-97 prices which is nearly 75 per cent higher than in the Eighth Plan.

The size of national investment in this scenario rises substantially from Rs. 13,99,000 crore during the Eighth Plan or 24.9 per cent of GDP to Rs. 21,71,000 crore at 1996-97 prices or 28.2 per cent of GDP during the Ninth Plan. Private consumption expenditure grows at the rate of 6.2 per cent per annum, which implies a per capita consumption growth of 4.5 per cent per annum.

Although the household savings rate was 19.2 per cent in 1996-97, it has been assumed at 19.8 per cent for the Ninth Plan. The savings rate of the private corporate sector has been estimated to be 4.7 per cent during the Ninth Plan as compared to 3.8 per cent during the Eighth Plan and 4.1 per cent in 1996-97. Most importantly, public sector savings have to rise to 1.6 per cent of GDP from 1.4 per cent.

The sectoral investment profile of the Ninth Plan is based on a combination of estimates of likely private investment, targetted public investment and a subjective assessment of the residual investment gaps being filled by either private or public sector. There are areas of significant mismatch in the allocations.

The public sector outlay for the Ninth plan is placed at Rs. 8,59,200 crore. This represents a step up of 33 per cent in real terms over the approved Eighth Plan outlay of Rs. 4,34,100 crore. The outlay consists of Rs. 4,92,221 crore for the centre and Rs. 3,66,979 crore for states. The financing pattern for the Ninth Plan does not visualise recourse to deficit financing, defined as the monetised deficit of the Centre which accounts for 6 per cent of Centre's resources for the Eighth Plan. But this seems too far from reality going by the fact that fiscal deficit targets in the last two years have not been met. □

Highlights

- * Economic growth of 6.5 per cent per annum.
- * Annual agricultural growth pegged at 3.9 per cent.
- * Export growth rate of 11.8 per cent targeted.
- * Annual import growth rate to be kept at 10.8 per cent.
- * Current account deficit to grow at 2.1 per cent.
- * Industrial growth targeted at 8.5 per cent.
- * Public sector plan outlay fixed at Rs. 8,59,200 crore.
- * Incidence of poverty to be brought down to 17.98 per cent from 29.18 per cent in 1996-97.
- * Higher domestic savings rate of 26.1 per cent of GDP.
- * Investment rate at 28.2 per cent of GDP.

A Difficult Balancing Act

G. Srinivasan

The Budget has undertaken a major thrust to rationalise duty structure in a significant bid to lower costs and prices and render the high-cost economy somewhat manageable.

THE 1999-2000 Union Budget, presented to Parliament on February 27, 1999 was framed in the backdrop of adverse economic situation obtaining in the country in the form of inordinate fiscal and revenue deficits, unabated industrial recession with external trade situation deteriorating and balance of payments scenario showing symptoms of fragility. Given the constraints under which the Finance Minister had to frame a Budget accommodating the concern of disparate coalition partners and also presenting a budget that should not disappoint the people at large, Mr. Yashwant Sinha did display the dexterity normally associated with a bureaucrat-turned politician, much to the chagrin of his critics and detractors. Although he came out with a massive resource mobilisation effort to garner Rs. 9334 crore at one stroke with the largest chunk of it amounting to Rs. 4954 crore from a cess of Re 1 on a litre of diesel, both indigenous and imported and an excise levy of Re 1 on a litre of diesel, his decision to impose a surcharge of 10 per cent on corporation tax as also personal income tax beyond Rs 60,000 with some tinkering in indirect taxes particularly on the customs front have been widely condemned as a "retrograde" move, particularly in the light of the country's measured reform down the past few years of the decade when the Raja Chelliah Committee on Tax Reform came out with comprehensive reform proposals on the tax front early in the 1990s.

Before any critical analysis is attempted about the Union Budget, it is not fair to leave out the major proposals

and initiatives mapped out in the Finance Minister's two part budget speech that took nearly two long hours for completion in Parliament. The preliminary summary contained in Part-A speech of Mr. Sinha outlined the strategy the Budget proposed. This include major thrust to rural economy, more powers to Gram panchayats and massive thrust on empowering the poor through National Human Development Initiative (NHDI)—perhaps due to the benign influence of the award of Nobel Prize to Prof. Amartya Sen and his impact on the Finance Minister. Other components of the strategy include increased flow of credit to housing sector, moving towards second generation of reform covering financial services sector even while deepening the ongoing reform process, new focus on reinforcing knowledge-based industry and revival of exports, stimulating domestic growth and protecting the economy from external shocks. The NHDI is so oriented as to ensure that the entire population of the country to have food, health care, education, employment and shelter within a decade and also integration of existing rural development and health and family welfare programmes. It is also proposed to put in place Education Guarantee Scheme at national level with 1.8 lakh new schools coming up in next three years.

In place of a plethora of employment schemes, it is proposed to converge them under a single Swarn Jayanti Gram Swarozgar Yojana, while a new scheme christened Samagra Awas Yojana is to be launched to ensure integrated provisions of shelter, sanitation and drinking water, embracing all existing programmes including Indira Awas Yojana. For the rural economy, a multi-pronged strategy is unveiled in the Budget. First, a national movement of watershed development is to be launched to unify countless watershed development programmes and larger financial assistance to states for irrigation projects is being extended. Rural

Infrastructure Development Fund is proposed to be raised to Rs. 3,500 crore, while the kisan credit card scheme is to be enlarged to cover 20 lakh farmers. Alongside, it is proposed to allot Rs. 168 crore for recapitalisation of regional rural banks and efforts would be made by NABARD and Small Industries Development Bank (SIDBI) to redouble funds to micro enterprises

While proposing to set up Foreign Investment Implementation Authority (FIIA) to cut red tape in approval of foreign collaboration proposals, the Budget also extends the facility of automatic approval for 100 per cent investment by Non-Resident Indian/overseas corporate bodies.

by covering at least 50,000 self-help groups. The Budget also proposes special financial assistance to states for land reforms, besides extending new credit linked capital subsidy scheme for construction of cold storages and godowns to ensure that the agricultural produce harvested do not get wasted for want of accessible post-harvest facility to farmers. Following the fiasco in supply management last year, the Budget has focussed its particular care on onion by creating 4.5 lakh tonnes storage capacity for this bulbous root.

For industry and infrastructure, the Budget proposed to review the existing drug policy to reduce rigours of price control, while extending the Technology Upgradation Fund Scheme proposed for the textile sector to spinning sectors also. The Government has also indicated its intention to accord 74 per cent equity under the automatic route in pharmaceutical companies, besides expanding list of automatic approvals

for foreign direct investment. While proposing to set up Foreign Investment Implementation Authority (FIIA) to cut red tape in approval of foreign collaboration proposals the Budget also extends the facility of automatic approval for 100 per cent investment by Non-Resident Indian/overseas corporate bodies. Alongside, it is proposed to simplify extant RBI approval mechanism for NRI investments in mutual funds, while the Securities and Exchange Board of India (SEBI) would work out modalities for opening trading terminals abroad for NRIs. For the small scale sector, the limit of the composite loan scheme of SIDBI and commercial banks is proposed to be increased to Rs. 5 lakh from the present Rs. 2 lakh with the annual turnover limits of SSI units for computation of working capital limits being hiked to Rs. 5 crore from Rs 4 crore. It is also proposed to launch new credit insurance scheme to aid SSI units for availing of investment credit, while non-banking finance companies and other financial intermediaries would be treated as priority sector for bank lending to ensure greater credit flow to tiny sector.

For the moribund capital market where the return of small investors has been long expected but not materialising, the Finance Minister did administer a remarkable dose of booster dose by stating that the US 64 of the Unit Trust of India (UTI), the widely used saving instrument for millions of tax payers, would be restructured. He also announced tax proposals to strengthen mutual funds and wean back small retail investors. His announcement of national award for excellence in corporate governance and abolition of stamp duty on transfer of debt instruments within the depository mode were all greeted with a big rally in the country's leading bourses in the next few days of the Union Budget. The scrips rallied in a patently bullish trend in response to the carrots dangled. For the country's banking sector, the Budget outlined the setting up of five more debt recovery

tribunals and four more debt recovery appellate tribunals with a promise to introduce a Bill in Parliament soon for strengthening provisions of Recovery of Debts due to Banks and Financial Institutions Act. Moreover, it is also proposed to encourage public sector bank to set up Settlement Advisory Committees to settle chronic overdue loan cases. For the export sector which has been long languishing partly due to generalised global recession and emergence of protectionist sentiments particularly in the United States and the European Union (EU), the twin biggest export market for India, the Budget assured the exporters of revamping the existing scheme of export credit, both pre-shipment and post-shipment, besides setting up a high powered committee for reduction in transaction costs of exporters.

A major initiative in the Budget pertains to a new Gold Deposit Scheme

A major initiative in the Budget pertains to a new Gold Deposit Scheme to mobilise the country's vast hoard of idle gold under which selected banks would be permitted to accept gold deposits and issue interest bearing certificates or bonds which, on maturity, could be reclaimed in gold.

to mobilise the country's vast hoard of idle gold under which selected banks would be permitted to accept gold deposits and issue interest bearing certificates or bonds which, on maturity, could be reclaimed in gold. This would also free depositors from the problems of storage, movement and security for the gold in their possession, while providing them with a regular source of income. For the country, by recycling

idle gold, the Government should be able to reduce dependence on imported gold which in recent months had shown exponential growth, threatening to undermine the carefully-crafted current account sustainability. The Government also proposes to raise a whopping Rs. 10,000 crore through the disinvestment programme of public sector enterprises (PSE). This amount would be used to fund the requirements of social and infrastructure sectors. Considering the fact that in the current fiscal against the target of Rs 5,000 crore the Government was able to mop up a massive Rs 9,000 crore through allowing cross-holding of major oil companies in the name of disinvestment, some critics question the whole logic stating that the resources are being raised by veritably plundering surpluses from the public sector, by compelling them to use their surpluses to buy back the Government's equity in their own capital or that of other PSEs, without investing them in modernisation or expansion or rationalisation of its surplus manpower by retraining them for redeploying in other activities. Some economists genuinely worry that such a route to disinvest would attenuate the efficient PSEs particularly in a period of heightened competition due to liberalisation.

Be that as it may, the second part of Mr. Sinha's proposals in the Budget pertain to the modus operandi of his resource mobilisation drive of a huge dimension. Apart from impost on diesel which might help in correcting the distortion between petrol and diesel price, the Budget has undertaken a major thrust to rationalise duty structure in a significant bid to lower costs and prices and render the high-cost economy somewhat manageable in the cost calculations of industry and trade. Thus, the existing 11 major ad valorem rates has been reduced to three, viz., a central rate of 16 per cent, a merit rate of 8 per cent and a demerit rate of 24 per cent. This would be done by merging the extant rates of 5%, 10% and 12% into 8%, creating a new rate of 16% by

clubbing the existing 13 and 15 and 18% rates and fixing a new rate of 24% instead of the present 25%. The reduction in the Central rate of 18% to 16% would result in lower costs and prices. On the customs side, the existing 7 major ad valorem rates have been pruned to five basic rates i.e., 5%, 15%, 25%, 35% and 40 per cent by integrating certain and unchanging others with the

Apart from impost on diesel which might help in correcting the distortion between petrol and diesel price, the Budget has undertaken a major thrust to rationalise duty structure in a significant bid to lower costs and prices and render the high-cost economy somewhat manageable in the cost calculations of industry and trade.

peak rate of protective customs duty being pegged from the earlier 45% to 40%. This is being done by exempting items attracting 40% rate of basic duty from the proposed 10% surcharge. This and other minor adjustments made under the indirect tax would yield a revenue of Rs. 1,17,625 crore including a component of net additional resource mobilisation of Rs. 6234 crore. The special customs duty of 5 per cent imposed in 1996-97 and 1997-98 Budget was abolished a month ahead from February 28, 1999. Power generation, coal mining, refinery, telecom and fertiliser projects would attract nominal basic customs duty of 5% as hitherto they have been enjoying zero-duty status.

On the direct tax front, the Budget promises a comprehensive set of amendments to the Income Tax Act to

regulate business reorganisations so as to make them fully tax neutral by effecting changes in demergers, amalgamations and restructuring. Tax on long-term capital gains for resident Indians on transfer of shares and securities was reduced to 10% from 20%, on par with NRIs, while tax exemption ceiling for interest on loans for self-occupied dwellings raised from Rs. 30,000 to Rs. 75,000. The "one-by-six" scheme for widening tax base is being extended to 19 more cities with a population of more than five lakh, while buy-back of shares would attract only capital gains tax and not dividend tax.

The total Central Plan outlay for next year is fixed at Rs. 1,03,521 crore with Central Plan assistance to States and U.Ts being raised to Rs 33,000 crore. Against the current year's Plan outlay of Rs 1,05,187 crore (budgeted) the revised outlay was Rs 88,482 crore only, the shortfall of Rs. 17,000 crore explains how the fiscal management was achieved by compressing plan expenditure for development. Considering this revision in the current fiscal against budgeted outlay, the Rs 1,03,521 crore proposed for next fiscal is still lower than that what was proposed at Rs 1,05,187 crore for the 1998-99 fiscal.

In short, the Union Budget for 1999-2000 is a medley of statistical tinkering as the Centre has dropped off Rs. 25,000 crore as it chose to leave out of the capital receipts that component of small savings collections that earlier used to accrue to the Centre to be lent on to the states in a bid to show a reduced fiscal deficit for the next fiscal and some genuine initiative in tax structures particularly the rationalisation of excise duty and a medium-term fiscal strategy to keep the government finances in order. How far these initiatives would be seriously implemented, given the compulsions of coalition governance and other contingencies associated with the macromanagement of the economy remain to be tested as the months roll by. □

Stress On Rural Economy A Stimulus To Growth

B.S. Padmanabhan

Experience has shown more than the allocation the manner of utilisation of the allotted funds is important. The stress in the budget on improving the delivery of services by relying more and more on local agencies for implementation of welfare programmes has been hailed as a step in the right direction.

NO BUDGET HAS EVER satisfied, nor can be expected to satisfy, all sections of the society. The simple reason is that the aspirations and requirements of different sections vary significantly. A budget which places minimum possible burden on the vast majority of the population and seeks to subserve the overall interests of the nationaleconomy will be welcomed most and judging from the reaction of a cross-section of the society the Union Government budget for 1999-2000 presented by Mr. Yashwant Sinha passes this test and lives up to description of "a hard but not a harsh budget".

Hard, it has to be because of the state of economy in which the nation finds itself. Admittedly, it is none too happy. It is no consolation that world over there is an unprecedented turmoil which has hit the economies of many countries. In India there has been a deceleration in growth in almost all sectors of economy and a cause for deep concern has been the growing fiscal deficit, attributed to the sluggish industrial growth, fall in revenues and a runaway increase in public expenditure. During 1998-99 the tax revenues fell short of the target by 6 per cent while the revenue expenditure exceeded the budget estimate by 4 percent, leading to the revenue deficit rising by 26 per cent over the budget estimate. The capital expenditure too exceeded the target and the net result is that the fiscal deficit exceeded the target by 14 percent.

Ancient wisdom has it that one should live within one's means. But successive governments have been unable to follow this dictum. It is not that they do not see any merit in this. Quite often they have voiced concern over the continued financial profligacy and called for corrective steps. But political expediency has all along got the upper of economic sense in governance. The result has been populist measures sans the will either to raise resources or prune expenditure to finance these measures. The Finance Minister was candid enough to admit that the fiscal and revenue deficits of both Centre and States were still too high and undermining the government's ability to stimulate investment and growth, curb inflationary potential, generate resources for priority expenditure needs and raise exports. He also conceded that only a limited impact has been made on the problems of poverty and unemployment, notwithstanding the concern voiced by successive governments.

These have set the tone for the budget strategy which seeks to (a) begin a medium-term process of revenue and fiscal reduction that will release more resources for productive investment and growth, besides containing inflation; (b) undertake a major reform of indirect taxes to promote productivity and employment; (c) deepen and widen economic reforms in all major sectors and accelerate internal liberalisation to release the productive energies and creativity of our farmers, manufacturers, traders and service providers; (d) safeguard the economy from external shocks, revive exports and stimulate the domestic engines of growth revival; (e) strengthen the knowledge-based industries and thus prepare the country to meet the challenges of the new millennium; (f) revitalise and redirect public programmes for human development, encompassing food security, health care, education, employment and shelter, with the focus on empowering the poor and the weaker sections.

It is only proper that the Finance Minister should start of process of reduction in revenue and fiscal deficit by downsizing Government. It is well known that over the past five decades since independence the government machinery has swollen enormously. There has been a manifold increase in the number of ministries and departments, leading to a corresponding

One hopes that the proposed Expenditure Reforms Commission, announced in the Budget speech, would go into this aspect thoroughly and recommend pruning the number to the minimum level actually required for the Central Government to discharge the responsibilities cast on it under the Constitution.

increase in the number of civil servants and other employees at all levels. The periodic increase in the salaries of government employees has virtually become a millstone round the neck, paralysing any prudential financial management of not only the Central but also the State Governments. It is no easy task for any Government to antagonise the vast and vocal section of government employees. But Mr. Yashwant Sinha has been bold enough to begin the process of downsizing Government by announcing the abolition of four Secretary level posts through a process of merger and rationalisation of Central government departments. Living up to the dictum of "charity begins at home" he announced immediate surrender of one Secretary level post in his Ministry. It however remains to be seen whether this process of downsizing will be taken to its logical end.

As Mr. Sinha himself has pointed out, this process will succeed only if the Centre sheds some of its functions. In fact, the Centre has taken upon itself a number of responsibilities which are mainly in the domain of the states. A full-fledged department or ministry for these is unwarranted. One hopes that the proposed Expenditure Reforms Commission, announced in the budget speech, would go into this aspect thoroughly and recommend pruning the number to the minimum level actually required for the Central Government to discharge the responsibilities cast on it under the Constitution.

For long an impression has gained ground that reduction in government expenditure will affect industrial growth. This is true to a limited extent in that some of the industries rely heavily on public works programmes of the Government and any cut in these would hit them hard. What is envisaged in the budget is not a cut in government expenditure per se but only a reduction in unproductive non-Plan expenditure to contain the revenue deficit. The budget strategy underlines the fact that fiscal consolidation and stimulus to growth are not mutually exclusive. Mr. Sinha has made it clear that fiscal consolidation is an indispensable part of the growth strategy, especially because of the kind of economic mess in which the country now finds itself. No one can therefore take exception to the proposed downsizing of the Government which has come not a day too soon. The measures to correct the fiscal imbalances seek to make the subsidies, which account for a substantial portion on non-Plan expenditure, more targeted than across-the-board. One can notice a shift away from direct subsidies towards provision of infrastructure facilities in rural areas. This has been hailed as a step in the right direction.

Contrary to the impression in certain quarters, the budget proposals contain certain initiatives which will act as a stimulus to growth. One of these is the move to tone up agriculture and rural

development through a number of measures. One of these envisages unification of the multiplicity of watershed development programmes into one National Movement of Watershed Development that fosters easy implementation at the local level and creates community infrastructure for micro watershed projects through active involvement of gram panchayats, local self help groups, and non governmental organisations. For this a Watershed Development Fund will be established to cover 100 districts within the next three years.

The second step is the accelerated irrigation benefit programme to expedite the completion of on-going irrigation projects. In addition, measures to further improve the flow of agricultural and rural credit have been proposed. On top of all these a National Programme for Rural Industrialisation, a National Human Development Initiative and an Education Guarantee Scheme, besides modification and amalgamation of various rural employment schemes have been announced. These will increase employment opportunities and take care of the food, health and education needs of the rural population. Mr. Sinha has

The budget proposals to make housing loans easily available at affordable interest rates are bound to lead to a spurt in housing activity at all levels and this in turn will help the allied industries like steel, cement etc.

contended that a boom in rural economy will lead to an overall positive industrial growth.

Another initiative in the Budget which is expected to act as a stimulus to industrial growth relates to housing. The budget proposals to make housing loans easily available at affordable interest

rates are bound to lead to a spurt in housing activity at all levels and this in turn will help the allied industries like steel, cement etc. The rationalisation of excise and customs duty structure, the support measures for small scale industries sector and the emphasis on the services sector like information technology are also expected to have a spin-off effect in boosting industrial growth. In fact, the excise and custom tariff rationalisation has been rightly welcomed by all as a measure long overdue. The imposition of a 10% surcharge on basic custom duties may appear to make imports costly. But actually it is meant to offset possible fall in revenues due to any fall in the international prices in the wake of the continuing slide in the global economic situation.

Exports undoubtedly play an important part in ensuring a comfortable balance of payment position and in recent years there has been a slide down in the performance on export front. The budget contains proposals to revitalise exports and encourage more non-debt inflows in the form of foreign investment. Export licensing and foreign direct investment approval procedures are proposed to be made hassle free and less time consuming. The list of automatic approvals of FDI proposals is being expanded, with a special provision to facilitate investment by NRIs. The new Gold Deposit Scheme is a novel feature of the budget which seeks to mobilise the gold now lying idle with the people and at the same time make investment in gold earn interest.

The Finance Minister has come in for praise for not tinkering with income-tax rates though the imposition of a surcharge of 10 per cent has not been received well. But a government facing financial crunch has to raise resources. As Mr. Sinha rightly points out, the increase is only marginal and those sections which are better off should not grudge bearing the burden of fiscal consolidation. More than his justification of the tax hike his promise that it would be withdrawn next year

should bring in some solace. That he can be depended upon to keep his promise is evident from the withdrawal of the special customs duty levied in the previous budget.

On the face of it the budget may appear to lack any lustre. A deeper examination will however show that it marks a welcome departure from the previous budgets in that it is not just confined to taxes and duties but goes well beyond these to make the economy strong and self reliant by setting in motion the process of decentralised democracy with human development as the core objective of planning. The underlying philosophy is to empower the people at the grassroots on the one hand and make the planning process more realistic. Experience has shown that in most cases the State Plans are unrealistic with the result that the Plan expenditure has always fallen short of

the targets. In this process the need for continuing the economic reforms process has not been forgotten. The competitive forces in the economy are being strengthened and by simplification of procedures and introducing transparency the aggressive reforms process is being continued.

The allocation for social sector may appear inadequate having regard to the needs and it is hoped that depending upon the pace at which the allotted funds are utilised the government will come forward to pump in more funds in this vital area of human development. Experience has shown more than the allocation the manner of utilisation of the allotted funds is important. The stress in the budget on improving the delivery of services by relying more and more on local agencies for implementation of welfare programme has been hailed as a step in the right direction. □

Budget at a Glance

	1997-98 Actuals	1998-99 Budget Estimates	1998-99 Revised Estimates	1999-2000 Budget Estimates
1. Revenue Receipts	133901	161994	157665	182840
2. Tax Revenue (net to Centre)				
3. Non-Tax Revenue	38229	45137	48128	50475
4. Capital Receipts	98167	105933	124247	101042
5. Recoveries of Loans	8318	9908	11504	11087
6. Other Receipts	912	5000	9006	10000
7. Borrowings and other liabilities	88937	91025	103737	79955
8. Total Receipts (1+4)	232068	267927	281912	283882
9. Non-Plan Expenditure	172991	195925	213541	206882\$
10. On Revenue Account of which,	145176	166301	176691	190331
11. Interest Payments	65637	75000	77248	88000
12. On Capital Account	27815	29624	36850	16551\$
13. Plan Expenditure	59077	72002	68371	77000
14. On Revenue Account	35174	43761	41448	46656
15. On Capital Account	23903	28241	26923	30344
16. Total Expenditure (9+13)	232068	267927	281912	283882\$
17. Revenue Expenditure (10+14)	180350	210062	218139	236987
18. Capital Expenditure (12+15)	51718	57865	63773	46895\$
19. Revenue Deficit (1-17)	46449	48068	60474	54147
20. Fiscal Deficit ((1+5+6)-16)	88937	91025	103737	79955*
21. Primary Deficit (20-11)	23300	16025	26489	-8045

* The fiscal deficit excludes the transfer of share of net small savings collections, which will be paid from the Public Account. On the same basis as earlier years, the fiscal deficit is Rs. 1,04,955 crore. Consequently, the primary deficit on the same basis is Rs. 16,955 crore.

\$ With effect from 1.4.1999, a new system of transferring 75% of the net small savings collections to States and UTs from the Public Account is being introduced. But for this change, the non-plan capital expenditure would have been Rs. 25,000 crore higher.

Preparing For A Second Generation Of Economic Reforms

Radical reforms in the areas of infrastructure services, agriculture and factor markets are necessary to initiate a virtuous cycle of export growth, employment generation and economic growth.

ECONOMIC DEVELOPMENTS IN India in 1998-99 have to be viewed against the backdrop of an exceptionally turbulent and unfavourable international economic environment. The year saw significant declines in the GDP of a number of East Asian countries (over 15 per cent in Indonesia and 5-7 per cent in S. Korea and Thailand), continuing recession in Japan, severe financial crisis in Russia, unusual volatility in capital and forex markets of industrial countries, continuing drought in capital flows to developing countries and a sharp devaluation in Brazil in January 1999 as a result of capital flight triggered by continuation of unsustainable fiscal weakness. The extension of the East Asian crisis to countries in other continents ensured slowdown of world growth to less than 2 per cent in 1998 with little prospect of recovery in 1999. World trade growth also decelerated sharply, commodity prices fell and deflation affected much of the world economy. India was not wholly immune to these unfavourable developments.

The new, 1993-94 based GDP series recently released by the Central Statistical Organisation (CSO) shows that GDP growth decelerated significantly in 1997-98 to 5.0 per cent from 7.8 per cent in 1996-97 (Table 1.2A). The deterioration in growth was perhaps even worse, if one takes into account the fact that fully one percentage point of growth is attributed to the 20 per cent increase in real value added in the 'public administration and

defence' sub-sector arising chiefly from pay increases to government servants. The economy recovered to an estimated growth of 5.8 per cent in 1998-99. The recovery, from the cyclical downturn that started towards the end of 1996-97, would have been firmer but for the East Asian crisis and its effect on world import demand and on international capital markets. Domestic uncertainty arising from non-economic factors also played a role in slowing recovery. Inflation rose sharply during 1998-99, because of an exceptional spurt in prices of a handful of agricultural commodities. The pressure from this source has, however, begun to abate during the last quarter of 1998-99. The inflation rate which peaked at 8.8 per cent in late September dropped steeply from December to below 5 per cent in January. Average inflation for the whole of 1998-99 will, however, be higher than the 4.8 per cent registered in 1997-98.

The deceleration in the growth of India's exports (in US dollars) continued for the third year in succession and growth was negative for the first nine months of the year. Imports, on a BOP basis, have decelerated even more sharply, largely because of a decline in the prices of oil and other commodities. The current account deficit consequently fell from 1.6 per cent of GDP in 1997-98 to a projected 1.4 per cent of GDP in 1998-99. Total net capital inflows in 1998-99 are expected to be lower than in 1997-98 as a result of a deceleration in the private inflows. The decline in foreign direct investment (FDI) and commercial borrowing and outflow of portfolio investment by Foreign institutional investors (FIIs) had been only partly off set by the inflow under Resurgent India Bonds (RIBs). Despite these trends, foreign currency reserves (exclusive of gold and SDRs) continued to increase in 1998-99, though at a slower rate than in 1997-98. These reserves went up from US \$ 26.0 billion

TABLE-1.1
Key Indicators

	1995-96	1996-97	1997-98	1998-99	1995-96	1996-97	1997-98	1998-99
	Absolute Values				Per cent change over previous period			
Gross national product (Rs. thousand crore)								
At current prices	1089.8	1272.2 P	1413.2 Q	NA	17.1	16.7 P	11.1 Q	NA
At 1993-94 prices	913.8	988.3 P	1038.7 Q	1099.7 A	7.8	8.1 P	5.1 Q	5.9 A
Gross domestic product (Rs. thousand crore)								
At current prices	1103.2	1285.3 P	1426.7 Q	NA	16.9	16.5 P	11.0 Q	NA
At 1993-94 prices	926.4	999.0 P	1049.2 Q	1110.0 A	7.6	7.8 P	5.0 Q	5.8 A
Agricultural production (1)	160.7	175.4	164.9	171.3 P	-2.7	9.1	-6.0	3.9 P
Foodgrains production (million tonnes)	180.4	199.4	192.4	195.3 P	-5.8	10.5	-3.5	1.5 P
Industrial production (2)	122.3	129.1	137.6	139.2 #	12.8	5.6	6.6	3.5 #
Electricity generated (Billion, KWH)	379.9	394.5	420.6	329.4 #	8.4	3.8	6.6	6.6 #
Wholesale price index (3)	299.5	320.1	337.1	353.9*	4.4	6.9	5.3	4.6*
Consumer price index for industrial workers(4)	319.0	351.0	380.0	429.0@	8.9	10.0	8.3	15.3@
Money supply (M3) (Rs. thousand crore)	604.0	701.8	825.4	934.7(5)	13.7	16.2	17.6	13.2(6)
Imports at current prices (Rs. crore)	122678	138920	151553	132447 #	36.4	13.2	9.0	23.2 #
(US \$ million)	36678	39133	40779	31583 #	28.0	6.7	4.2	7.1 #
Exports at current prices (Rs. crore)	106353	118817	126286	101850 #	28.6	11.7	6.3	11.7 #
(US \$ million)	31797	33470	33980	24287 #	20.7	5.3	1.5	-2.9 #
Foreign currency assets (7) (Rs. crore)	58446	80368	102507	116515 (8)	-11.5	37.5	27.5	13.7 (8)
(US \$ million)	17044	22367	25975	27429 (8)	-18.1	31.2	16.1	5.6 (8)
Exchange rate (Rs./US \$) (10)	33.45	35.50	37.16	41.99 (9)	-6.1	-5.8	-4.5	-11.5 (9)

Note : Gross National Product and Gross Domestic Product figures are at factor cost (new series with base 1993-94).

Q-Quick estimates; A-Advance estimates; P-Provisional; NA: Not available

1. Index of agricultural production (of 46 crops, including plantations) with base triennium ending 1981-82=100.
2. Index of Industrial Production 1993-94=100.
3. Index with base 1981-82=100, at the end of fiscal year.
4. Index with base 1982=100, at the end of fiscal year.
5. Outstanding as on January 15, 1999 for 1998-99 and end of financial year for previous years.
6. April 1, 1998 to January 15, 1999.
7. Outstanding at the end of fiscal year.
8. At the end of January, 1999.
9. April-January, 1998-99.
10. Per cent change indicates the rate of appreciation/depreciation (-) of the Rupee vis-a-vis the US dollar.

* As on 30.1.1999 (Provisional).

@ Dec. 1998.

April-December, 1998.

at the end of March 1998 to \$ 27.4 billion by the end of January, 1999.

The marked slowdown in GDP growth in 1997-98 was largely the result of the volatility in agricultural growth, which collapsed to -1.0 per cent in 1997-98 after soaring to 9.4 per cent in 1996-97. This masked the equally sharp slowdown in growth of GDP from manufacturing to 7.7 per cent in 1996-97 (from 15 per cent the year before). This was followed by a more modest decline to 6.8 per cent in 1997-98. Industrial growth, however, remained almost unchanged in 1997-98 as this was compensated by an increase in other sub-sectors.

The recovery in 1998-99 was led by the rebound in 'agriculture and allied sectors', which is projected by the CSO to grow by 5.3 per cent (Table 1.2a). All other major sectors of the economy, with one exception, are estimated to have decelerated. The growth of GDP from manufacturing has slipped to 5.7 per cent, that from 'electricity, gas and water supply' to 6.3 per cent, and mining to 0.1 per cent. 'Trade, hotels, transport and communications' was the

only other category where growth accelerated from 5.7 per cent in 1997-98 to 6.8 per cent in 1998-99.

Although data on aggregate demand is not available for 1998-99, demand factors seem to have played a significant role in the slow recovery of manufacturing growth. The East Asian crisis and its reverberations on the world economy was an important reason for the slow recovery in industrial growth and the continuing deceleration in certain sectors. The financial crisis in East Asia and the slowdown in world trade sharply reduced the growth in world demand for many commodities. This contributed importantly to the declining trend in export growth.

Total gross domestic savings declined to 23.1 per cent of GDP in 1997-98 from 24.4 per cent of GDP in 1996-97 (Table 1.3). Public saving contributed 0.5 per cent and private saving 0.8 per cent of GDP to this decline. Public saving has declined progressively to 1 per cent of GDP from a recent peak of 1.9 per cent in 1995-96. Both household and corporate saving contributed to the decline in

private saving rate. The most noteworthy aspect was the one per cent of GDP decline in household physical saving rate. Household financial saving bucked the declining trend in saving rates, by rising to 10.3 per cent of GDP in 1997-98 from 9.8 per cent in 1996-97. This is consistent with the hypothesis that the salary arrears received by central government employees consequent on the Pay Commission decision were largely saved.

Production

After a decline in net agricultural output by 1.0 per cent in 1997-98, agricultural value added is expected to rebound by an estimated 5.3 per cent in 1998-99. Indications are that growth rate in production of agriculture would be about 3.9 per cent in 1998-99.

Foodgrains production estimated at 192.4 million tonnes in 1997-98 was quite a let down from the preceding year's record output of 199.4 million tonnes. Major setbacks were in wheat with production lower by 3.5 million tonnes and coarse cereals with production lower by over 3 million tonnes. The overall prospects of foodgrains output for 1998-99 are quite good mainly due to Rabi crops sown in November-December, 1998. Rabi foodgrains output is likely to be 96.5 million tonnes, which would be higher than Rabi 1997-98 by 5.2 million tonnes. Thus 1998-99 foodgrains output is expected to be about 195.3 million tonnes.

As measured by the Index of Industrial Production (IIP) industrial growth revived slightly to 6.6 per cent in 1997-98 from 5.6 per cent in 1996-97. This revival however faltered in 1998-98. The growth rate for April-December, 1998 was only 3.5 per cent, down from a 6.7 per cent for April-December, 1997 (Table 1.1). The mining sector (includes crude oil) has witnessed the greatest deceleration in

TABLE 1.2 (a)
Sectoral Real Growth Rates

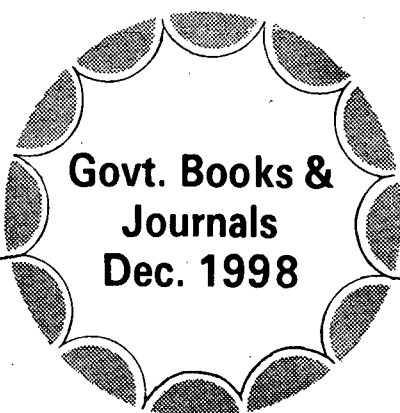
INDUSTRY	Percentage change over the previous year				
	1994-95	1995-96	1996-97 (P)	1997-98 (Q)	1998-99 (A)
I. Agriculture and Allied Sectors	5.4	0.2	9.4	-1.0	5.3
II. Industry	9.3	12.2	6.0	5.9	4.7
1. Mining and quarrying	9.2	7.4	1.2	2.7	0.1
2. Manufacturing	10.6	15.0	7.7	6.8	5.7
3. Electricity, gas & water supply	9.3	6.7	5.7	6.6	6.3
4. Construction	5.3	8.2	2.9	4.1	2.3
III. Services	8.5	9.8	8.0	8.2	6.7
5. Trade, hotels, transport and communications	12.8	11.5	8.6	5.7	6.8
6. Financial services	5.6	8.3	7.9	8.4	7.7
7. Community, social and personal services	3.4	7.8	6.7	13.3	5.8
IV. Total GDP at Factor Cost	7.8	7.6	7.8	5.0	5.8

A : Advance estimates

P : Provisional

Q : Quick estimates

(Contd. On Page 31)



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- Buyback of shares and inter-corporate loans allowed to boost investment and revive capital market.
- Foreign Equity up to 100 per cent permitted for electricity generation, transmission and distribution, construction and maintenance of roads, highways, vehicular bridges, toll roads, vehicular tunnels, ports and harbours upto a limit of Rs. 1500 crore.
- A Project Monitoring Unit set up

for smooth implementation of large FDI projects of Rs. 100 crore and above.

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- Extension of tax holiday for EOUs and EPZs from 5 years to 10 years.
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- An Indian Institute of Information Technology to come up at Allahabad this year.
- Leprosy vaccine to be released soon for commercial production.
- Technology for detection of HIV-I and HIV-II transferred to industry.
- INSAT-2E is being readied from Kourou for launch in April.

Power

- The Act for the Establishment of Central/State Electricity Regulatory Commissions, rationalisation of tariff and transparent policies regarding subsidies passed.
- Hydro Power Development Policy announced to exploit vast hydro electric potential in the country, especially in the North and North-Eastern regions.

Surface Transport

- Government approved private sector participation in ports through joint venture and foreign collaborations.
- Operation of passenger bus service between New Delhi and Lahore and vice-versa. Agreement signed with Bangladesh for bus service between Calcutta and Dhaka.



The Hansa-III, a 2-seater trainer aircraft, successfully test flown.

Coal

- Government decided to introduce Bill in Parliament to allow coal mining without captive restriction.
- Coal and lignite products delicensed to promote greater investment in the sector.
- Current year budget allocation increased by 925.81 crore.
- Steps taken to recover outstanding dues and cash and carry scheme introduced.

Environment and Forests

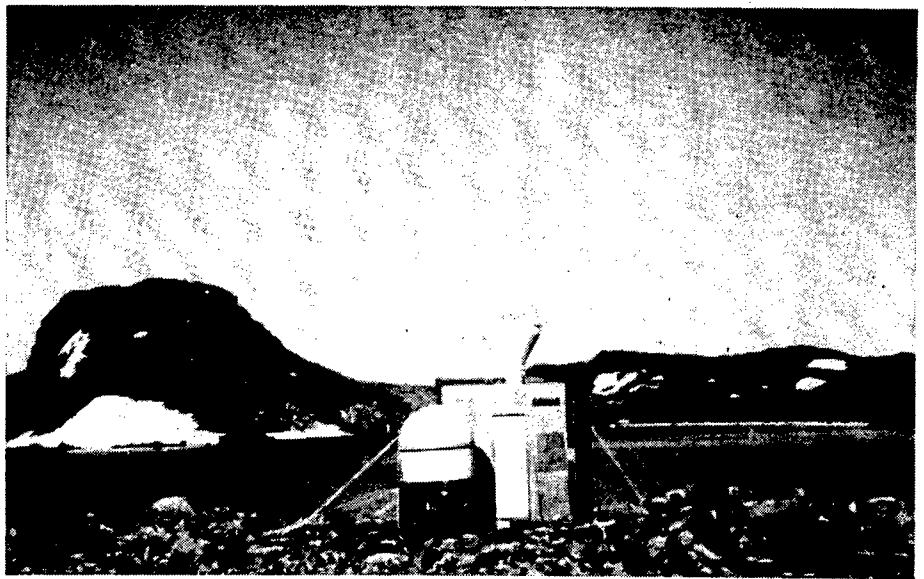
- White paper on pollution issued to control pollution and improve quality of environment.
- Committee formed to suggest steps for improving effectiveness of Ganga Action Plan.
- Two more Tiger Reserves, 'Bhadra' in Karnataka and 'Penj' in Maharashtra added to Project Tiger.

Civil Aviation

- Construction of five world class international airports with 100% foreign equity.
- Decision for disinvestment of Indian Airlines and Air India.

Food And Consumer Affairs

- A new scheme—Annapurna—announced for monthly supply of 10 kg of foodgrains to senior citizens, eligible for old age pension.
- Central issue prices of foodgrains revised in January, 1999 to bring food subsidy down from Rs. 8700 crore (Revised estimate) in 1998-99 to Rs. 8200 crore in 1999-2000.
- Edible Oils Packaging (Regulation) Order, 1998 promulgated to sell edible oil in packaged form only.
- The monthly assistance to children



The Satcom terminal E-Mail communication at Antarctica.

victimised by ethnic, caste and terrorist violence raised to Rs. 550 in A&B class cities against Rs. 425 and to Rs. 500 in other cases against Rs. 375.

Steel and Mines

- Steel Exports Forum set up to help steel exporters to overcome bottlenecks.
- Steel Authority of India effected a saving of Rs. 525 crore.
- Twelve proposals of Foreign Direct Investment valued at Rs. 474 crore cleared in the mining sector during April 1998-1999.

Tourism

- Export House Status granted to tourism.
- A new Tourism Policy drafted in view of the changing trends in tourism traffic.
- Year 1999-2000 declared "Visit India Year".
- Full-fledged Ministry status accorded to Tourism.

Law, Justice & Company Affairs

- The Constitution (Eighty-fourth

Amendment) Bill, 1998 introduced in the Lok Sabha to provide for reservation of seats for women in the Lok Sabha and Legislative Assemblies.

Water Resources

- Scheme for giving effect to the interim order of the Cauvery Water Disputes Tribunal and related orders were notified on August 11, 1998 after discussions between the Prime Minister and the Chief Ministers of Karnataka, Tamil Nadu, Kerala and Pondicherry.

Defence

- Indian Navy opens all its branches for women officers.
- Pokhran-II launches India to the select group of nuclear states.
- Prithvi missile of the Defence Research & Development organisation inducted.

Planning & Programme Implementation

- The Ninth Five Year Plan was approved by the National Development Council at its meeting on February 19, 1999. The Plan envisages a growth rate of 6.5



Emphasis on primary education programme.



The first microprocessor controlled GTO thyristor based three phase drive 6000 HP electric indigenous locomotive built and dedicated to the nation on November 14, 1998.

per cent. During the remaining three years of the Plan over 7 per cent of GDP growth rate has been envisaged.

- Sikkim has been made part of the North-Eastern Council with Deputy Chairman, Planning Commission as its chairperson.
- A non transferable central pool to improve the funding pattern of developmental activities in the North-Eastern states and Sikkim for taking up specific programmes/projects/schemes to be created.

Home Affairs

- Proposal for restructuring the North-Eastern Council, by amending the North-Eastern Council Act, 1971 approved by the Cabinet.
- The Committee formed to make recommendations on the vital subject of State funding of elections and allied issues submitted its recommendations to Union Home Minister on 14th January, 1999.

Railways

- Plan size for 1999-2000 budget is Rs. 9700 crore, Rs. 945 crore more than that of the earlier year.
- Reservation networking of Calcutta, Delhi, Mumbai and Secunderabad complete.
- First indigenous state of the art, 6000 H.P. electric locomotive 'Navyug' built by Chittaranjan Locomotive Works.

Finance

- Second Generation Reforms launched: opening up of financial sector and special thrust on infrastructure development.
- The year 1999-2000 to be declared as the year of 'Gramsabha'.
- National Human Development initiative proposed to be launched to give food, health care, shelter

and employment to everyone in the next ten years. Panchayat bodies to play pivotal role.

- New direction to disinvestment of PSUs.
- Information Technology sector gets special tax cuts and duty exemptions.

Urban Affairs and Employment

- A National Housing and Habitat Policy-1998 announced for building additional 20 lakh houses.
- Fiscal concessions granted to housing and urban infrastructure development to boost 287 industries connected with housing and construction.
- The Urban Land (Ceiling and Regulation) Act, 1976 to bring down real estate prices.

Information and Broadcasting

- Uplinking facility from Indian soil allowed.
- Industry status granted to films.
- Tax benefits to entertainment sector in Budget 1999-2000.
- DAVP advertisement rates increased.
- Prasar Bharati Ordinance promulgated and scale of Prasar Bharati employees enhanced.

Textiles

- An expert group set up to give recommendations for formulation of new Textile Policy.
- Technology Upgradation Fund Scheme (TUFS) for modern textile and jute units cleared.
- Cotton Technology Mission to be launched soon to improve production and productivity.

Health and Family Welfare

- Budget Outlay for Health and Family Welfare up by Rs. 455 crore.
- The year 1998 a morale boosting year for Family Welfare Programme with a record sterilisation of 25 lakh.
- No-Scalpel Vasectomy launched to promote family welfare methods among males.
- Elimination of Leprosy by the year 2000.

Rural Areas & Employment

- Rs. 558.8 crore released by Centre for Accelerated Rural Water Supply (ARWS) and 32,293 habitations covered.
- Rs. 769.6 crore allocated by Centre for National Social Assistance Programme.
- Rs. 2078 crore released for Jawahar-Rozgar Yojana. A total of 10.1 crore mandays of employment generated.
- Rs. 533.90 crore released for Indira Awas Yojana and a total of 283819 houses constructed.
- Under Employment Assurance Scheme, Rs. 1009 crore released to states and a total of 14.5 crore mandays employment generated in the year.
- Under Integrated Rural Development Programme, Rs. 729 crore released and 1.45 lakh benefitted.
- Rs. 45 crore released for Development of Women and Children in the Rural Areas (DWCRA) and 7502 self-help women groups assisted.

Communications

- New Internet Service Providers (ISP) policy announced.

- Upgraded replacement scales of pay granted to postmen and mail guards.
- Extra-Departmental agents granted benefits relating to arrears, pay & allowances, leave and gratuity.
- Special Postal initiatives for development in the North-East to be completed by march.

Agriculture

- A second record foodgrains production of more than 2000 lakh tonnes estimated for the year 1998-99. Very high production of oilseeds is expected with soyabean at 68 lakh tonnes and groundnut at 82 lakh tonnes.
- Rs. 861.30 crore National Agricultural Technology Project launched.
- Rs. 229 crore proposed in the Central Plan 1999-2000, for National Watershed Development Programme for rainfed Agriculture.
- A model Kisan Credit Card Scheme launched to make adequate and timely availability of credit to farmers, to be extended to 20 lakh farmers.
- Food Processing Sector brought under the definition of 'Priority Sector' for receiving credit from banks and financial institutions.

- Special incentives for the cold chain sector provided by way of tax holidays.

Human Resource Development

- The increase in budget allocation for Women & Child Development has been about 16% and for Youth Affairs & Sports 15%.
- Total resource allocation for education to be raised to 6% of GDP in a phased manner.
- Rs. 160 crore allocated for free education for girls up to college level.
- A National Commission for Children to be set up to ensure that no child remains illiterate, hungry or lacks medical care.
- A national mission being set up for the preservation of valuable manuscripts scattered all over the country.

Labour

- Second National Labour Commission to be set up.
- Gratuity ceiling raised to Rs. 3.5 lakh.
- Ceiling amount of gratuity raised from Rs. 1 lakh to Rs. 3.5 lakh by amending the Payment of Gratuity act, 1972.

- Minimum Wages increased.
- Ceiling on cost of medical care to rehabilitate children working in hazardous industries increased from Rs. 500 to Rs. 600.
- Sickness benefit under ESI raised from Rs. 2.50 to Rs. 14 per day.

Social Justice & Empowerment

- National plan for older persons announced.
- Five new schemes for backward classes launched.
- States given an ad hoc advance to encourage inter-caste marriage for the first time during 1998.

Chemicals & Petrochemicals

- Foreign direct investment under the automatic route has been permitted upto 74% from 51%.
- Five bulk drugs reserved for public sector delicensed.

Petroleum and Natural Gas

- ONGC Videsh to acquire stakes in oil production in Azerbaijan and Russia.
- A cess of Re. 1 per litre each on petrol and HSD.
- Refining Sector has been delicensed.

Technology Parks For Women

A large number of women in India are involved in agriculture and other land-based activities. But they have a limited scope of exposure to modern developments and technologies. The question, therefore, arises as to what new approaches would be relevant to stimulate economic growth and development on the basis of raising the productivity of women residing in the rural areas.

As a step towards this endeavour, the Department of Science & Technology has identified two regions—Coastal Region and Mountain Region—to establish Technology Parks exclusively for women which will also be run by them.

The Women's Technology Park in the west zone will cover the coastal districts of Maharashtra, Karnataka, Goa, Tamil Nadu, Kerala and Gujarat. This park will transcend the political boundaries of these states to a network to NGOs working in all the coastal districts. The organisation selected to collaborate in facilitating this park is Bharatiya Vikas Trust at Manipal—an organisation which has been working in the area for the past two decades.

Another Women's Technology Park in the Mountain Region is being set up by an NGO named Himalayan Environment Studies and Conservation Organisation (HESCO) at Chamoli in Uttar Pradesh. It will cater to women of Himachal Pradesh, hilly regions of Uttar Pradesh and the North Eastern States. The objectives of the Women Technology Park are to create awareness of the new technologies, instruments and appliances which are friendly to women in their day-to-day work. Besides giving them exposure for effective utilisation of natural resources like land, water and vegetation they also specify effective use for their day-to-day requirement. They provide technological solutions to problems faced by women by network NGOs and research institutions in the area and providing opportunities to women for better utilisation of by products and wastes for value addition. They further provide scope for skill upgradation towards higher productivity and economic gains and also establish linkages with the Panchayati Raj Institutions for effective implementation and monitoring of the initiatives taken by the Department of Science & Technology.

(Economic Review...)

(Contd. From Page 24)

growth, from 5.5 per cent for the first nine months of 1997-98 to -1.1 per cent in 1998-99 (same months). Manufacturing sector growth also fell from 6.9 per cent for the same months of 1997 to 3.7 per cent in 1998. Electricity growth on the other hand, improved from 6 per cent in 1997 to 6.6 per cent in 1998 over the same months.

The greatest deceleration in 1998 was in basic goods, from 6.8 per cent growth in April-December, 1997 to 1.4 per cent in 1998. The small recovery in consumer goods production from a growth of 5.2 per cent for 1996-97 to 5.7 per cent in 1997-98 was reversed in 1998-99. Consumer goods production increased by only 2.8 per cent during April-December, 1998 compared to 4.6 per cent growth during the corresponding period of 1997. Though the recovery in 1997-98 had been led by consumer durables growth from 4.7 per cent in 1996-97 to 7.8 per cent in 1997-98, the reversal in 1998-99 (April-December) was due to a decline in both sub-sectors. Consumer durables growth fell from 6.8 per cent in the first nine months of 1997-98 to 2.3 per cent in the same months of 1998-99 and non-durables growth fell from 4 per cent to 3 per cent.

The continuing slowdown in the manufacture of consumer goods suggests that an autonomous slowdown in the growth of private consumption has contributed to slower growth of aggregate demand. The decline in agriculture production affects the demand for industrial goods with a lag. The decline in asset prices, as reflected in stock prices and real estate, have probably brought the 'wealth effect' (on consumption) to Indian shores for the first time. Such negative effects on consumption are common in developed countries but have not previously been attributed to Indian consumers. The

TABLE 1.3					
Savings and Investment					
	1993-94	1994-95	1995-96	1996-97 (P)	1997-98 (Q)
(As per cent of GDP at current market prices)					
Gross Domestic Savings	21.8	24.2	24.1	24.4	23.1
Public	0.5	1.5	1.9	1.5	1.0
Private	21.3	22.7	22.2	22.9	22.1
Household sector	17.9	19.3	17.4	18.8	18.3
Financial savings	10.8	11.6	8.2	9.8	10.3
Physical savings	7.1	7.7	9.3	9.0	8.0
Gross Domestic Investment*	22.4	25.4	25.8	25.7	24.8
Public	8.1	8.5	7.4	6.7	7.0
Private	12.7	14.4	18.2	16.5	16.4
Gross Domestic Investment*	22.4	25.4	25.8	25.7	24.8
GFCF	20.9	21.4	23.8	23.2	22.9
Change in stocks	-0.2	1.5	1.8	-0.1	0.5
Saving-Investment Gap@	-0.6	-1.2	-1.7	-1.3	-1.7
Public	-7.6	-7.0	-5.5	-5.2	-6.0
Private	8.6	8.3	4.0	6.4	5.7

Note : (I) Gross domestic Investment denotes Gross Domestic Capital Formation (GDCF)

(II) Figures may not add up due to rounding off

* : adjusted for errors and omissions;

@ : refers to the difference between the rates of savings and investment

GFCF : Gross Fixed Capital Formation;

P : Provisional estimates; Q : Quick estimates

Source : Central Statistical Organisation

earlier boom in non-bank financial companies (NBFCs) coincided with and was perhaps related to the increase in consumer credit for automobiles and other consumer durables. The subsequent difficulties of NBFCs may have contributed to the slowing of this credit and consequently a decline in credit-financed consumption.

Greater global uncertainty, domestic uncertainty arising from non-economic factors and a heightened appreciation of risk and uncertainty may have also dampened demand. For instance the obverse of the high salaries offered to financial professionals in the boom years is the job uncertainty and job losses which follow in a downturn. This uncertainty combined with poor

performance of stock markets since the boom of 1994 and lack of trust in issuing companies and market intermediaries has also led to a shift of retail investors from riskier investments into safe havens like bank deposits and post office saving.

The only industrial sub-sector, which bucked the trend of declining growth rates was capital goods. Though growth in capital goods had declined to 5.2 per cent in 1997-98 (from 9.3 per cent in 1996-97), it seems to have staged a recovery. The growth rate of 9.8 per cent for April-December, 1998 was significantly higher than the fairly respectable growth of 6.7 per cent in the corresponding period of 1997.

Economic Reforms

Industry

- Delicensing of coal and lignite, petroleum (other than crude) and its distillation products and bulk drugs.
- Delicensing of sugar.
- Dereservation of coal and lignite and mineral oils.
- Companies were permitted to buy-back their own shares subject to restriction of buy-back to twenty five per cent of paid-up capital and free reserves.
- A National Task Force on Information Technology and Software Development submitted a 108 point Action Plan in July 1998. The recommendations have been accepted by the Government and directions for their implementation have been given to all concerned departments.
- Patent bill approved by Rajya Sabha and subsequently promulgated through an Ordinance.
- A number of items, including some farm implements and tools, have been removed from products reserved for exclusive manufacture by SSI sector.

Infrastructure

- The Indian Electricity Act, 1910 and Electricity (Supply) Act, 1948 have been amended to provide for private investment in power transmission.
- Following enactment of the Electricity Regulatory Commission Legislation, the Central Electricity Regulatory Commission was set up, with enabling provision for states to establish their own independent regulatory commissions.
- The Urban Land (ceiling and regulation) Act, 1976, repealed through an ordinance.
- The policy for issuing licences for providing Internet services has been announced. There will be no licence fee for the first 5 years and after 5 years a nominal licence fee of Rupee

1 will be charged.

- A National Integrated Highway Project merging the golden quadrilateral connecting Delhi, Mumbai, Chennai and Calcutta with the East-West (Silchar to Saurashtra) and North-South (Kashmir to Kanya Kumari) corridors has been launched.
- A new Telecom policy is under preparation.

Trade Policy

- The April 1998 Exim policy delicensed 340 items of import by moving them from the restricted list to OGL.
- India unilaterally removed all quantitative restrictions on imports of around 2300 items from SAARC countries with effect from August 1, 1998.
- A Free Trade Agreement was concluded on 28 December, 1998 between India and Sri Lanka which will result in zero import tariffs for most commodities on both sides by 2007.
- Payment of interest on dues to exporters for delays in duty drawback/refund of duty beyond two months.
- The scope of Export Promotion Capital Goods scheme at zero duty has been extended further to certain specified bio-technologies and small scale engineering industry.
- Extension of tax holiday for EOU/EPZ to 10 years.
- Permission to set up Private Software Technology Parks (STPs) for export.

Foreign Direct Investment

- Projects for electricity generation, transmission and distribution and construction and maintenance of roads, highways, vehicular tunnels and vehicular bridges, ports and harbours have been permitted foreign equity participation up to 100 per cent under automatic route. The automatic route is subject to a ceiling

of Rs. 1500 crore on foreign equity.

- FDI permissible under Non-banking Financial Services now includes "Credit Card Business" and "Money Changing Business".
- Multilateral financial institutions have been allowed to contribute equity to the extent of shortfall in NRI holdings within the overall permissible limit of 40 per cent in private sector banks.
- FDI up to 49 per cent equity has been allowed subject to licence, in the companies providing Global Mobile Personal Communication by Satellite (GMPCS) services.
- Unlisted companies are permitted to float Euro issues under certain conditions.
- End-use restrictions on GDR/ADR issue proceeds have been removed except those on investment in stock markets and real estate.
- Indian companies permitted to issue GDRs/ADRs in the case of Bonus or Rights issue of shares, or on genuine business reorganisations duly approved by the High Court.

NRIs

- The aggregate ceiling for investment in a company by all NRIs/PIOs/OCBs through stock exchanges has been made separate and exclusive of the investment ceiling available for FIIs.
- Investment limit by a single NRI/PIO/OCB has been enhanced from 1 per cent to 5 per cent of the paid up capital.
- Aggregate investment ceiling for NRIs/PIOs/OCBs has been raised from 5 per cent to 10 per cent of the paid up capital of a company. In the case of listed Indian companies the ceiling can be raised to 24 per cent under a General Body Resolution.
- NRIs/PIOs/OCBs are permitted to invest in unlisted companies subject to the prevailing norms, procedures, and ceiling applicable in case of listed companies.

- The Government is finalising a scheme for persons of Indian origin (PIO) for issue of PIOs card which would facilitate a visa free regime to them along with same special economic, educational, financial and cultural benefits.

Foreign Institutional Investors

- FIIs permitted to buy or sell treasury bills and government securities in both primary and secondary markets within overall approved debt ceilings.
- Authorised Dealers have been permitted to provide forward cover to FIIs in respect of their incremental equity investment in India.
- Transactions among FIIs with respect to Indian stocks will no longer require post facto confirmation from the RBI.
- 100 per cent FII debt funds have been permitted to invest in unlisted debt securities of Indian companies.

External Commercial Borrowing

- Proceeds of ECB can now be deployed for project related rupee expenditure in all sectors subject to certain conditions.
- The Government has delegated ECB approvals to RBI up to US\$ 10 million under all the ECB schemes.
- ECB eligibility under the scheme for exporters has been raised to three times the average export performance during the last three years subject to a maximum of US\$ 100 million.
- Average maturity requirement for ECB under the long term maturity window which is outside the ECB cap has been reduced.
- Domestic rupee denominated structured obligations have been permitted to be credit-enhanced by international banks/international financial institutions/joint venture partners.
- Prepayment of ECB by Indian corporates has been allowed if this is met out of inflow of foreign equity.

Financial Sector

- Prudential regulations for banks tightened to require provisioning for Central and State Government securities, Government guaranteed loans, and general provision for standard assets.
- Risk weight of 2.5 per cent for market risk of government securities, 20 per cent for state government guaranteed advances in default and 100 per cent for foreign exchange open position.
- Minimum Capital to Risk-weighted Asset Ratio (CRAR) for banks to rise to nine per cent by April 2000.
- Assets in the substandard category to be classified as doubtful after 10 months instead of 24 months, by March 31, 2001.
- Regulatory framework for NBFCs rationalised companies which solicit public deposits to comply with revised norms.
- Number of companies whose shares must be traded in de-materialised form increased. Rolling settlement introduced for de-materialised shares.
- Conditions for public issue by infrastructure companies eased.
- Primary issues to be compulsorily through depository mode.
- 100 per cent book building permitted for issues above 25 crore.
- Bill for strong independent Insurance Regulatory Authority, and opening of Insurance and Pension funds to private companies introduced in Parliament; proposed to allow 26 per cent foreign equity and additional 14 per cent NRI and FII holding.
- Bill introduced in Parliament for amending the Securities Contracts (Regulation) Act, 1956 so as to widen the definition of "Securities" to cover derivative contracts.
- New bill for Foreign Exchange Management, to replace FERA, introduced in Parliament.

Taxation

- All the gifts made on or after 1.10.98 exempted from payment of gift tax by Finance (No. 2) Act, 1998.
- Tax holiday increased from 5 to 10 years to industrial undertakings set up in the free trade zones and units in the software technology parks.
- Tax holiday benefits extended to inland waterways, inland ports, radio-paging, trunking and EDI Network and domestic satellite service.
- Administrative measures to improve reporting and widening the tax base include: (i) introduction of a simple one page taxpayer-friendly return form called, 'SARAL', applicable to all non-corporate tax payers; (ii) making it obligatory for assesses to quote their PAN or GIR number in respect of certain high value transactions; (iii) the presumptive taxation scheme, introduced in 1997-98 budget in 12 cities, extended to 23 more cities in India taking the total coverage to 35 cities and two additional economic criteria added; and (iv) introduction of a new scheme called "KAR VIVAD SAMADHAN SCHEME" to recover the money locked in litigation both in direct and indirect taxes.
- Reduction in import duty on 75 specified machinery from 25 per cent to 15 per cent to encourage investment in the information technology sector.
- Reduction in basic import duty to a level of 5 per cent ad valorem on many items related to information technology.
- A number of items which were earlier exempted from excise duty, would now attract nominal duty of 8 percent.
- Excise duty on a number of products, which were attracting a low rate of duty raised by 5 percentage points.
- The coverage of service tax was widened to cover 12 more services.

Balance of Payments

The East Asian crisis, which continued to deepen and spread in 1998, led to tremendous volatility and uncertainty in global financial markets, and to a re-evaluation of emerging markets as investment destinations. The increased risk aversion of international capital has had an impact on all emerging economies, including to some extent, India. In spite of a turbulent international environment, India's balance of payments has remained moderately comfortable, with some reserve accumulation. The current account deficit widened to 1.6 per cent of GDP or US\$ 6.5 billion in 1997-98. In 1998-99, it is estimated to fall, as a per cent of GDP, below the level in 1997-98. Net capital inflows are expected to be lower in 1998-99 than in 1997-98 as a result of a deceleration in the inflows of foreign direct investment and commercial borrowing and outflow of portfolio investment by FIIs.

The trade deficit, on a BOP basis, increased from 3.7 per cent of GDP in 1996-97 to 3.9 per cent in 1997-98, despite the sharp deceleration in import growth. This is attributable to deceleration in export growth, which continued for the third year in succession in 1998-99. Export growth, in BOP terms, slowed from 5.6 per cent in US dollar terms in 1996-97 to 2.1 per cent in 1997-98. Performance continues to be a major source of concern in the current financial year with exports having declined by 2.9 per cent during April-December 1998, compared to a 3.3 per cent growth in the corresponding period of 1997 (DGCI&S data). This data do not include software exports which are shown under invisibles.

The weakness in export performance reflects various international and domestic factors, which include:

- A decline in the growth of world trade. Import growth into the advanced economies, which are

India's major trading partners has decelerated sharply from 18.2 per cent in 1995 to 3.7 per cent in 1996 and to 2.5 per cent in 1997.

- A reduction in the export prices of major items of manufactured goods.
- An appreciation of the Rupee in real effective exchange rate terms in 1997 against the currencies of major trading partners. The movement of exchange rates during 1998, however, has largely corrected for this appreciation.
- The massive depreciation of the currencies of the East Asian economies. This has impacted the price competitiveness of our exports in sectors such as man-made yarn, finished leather, and fabrics and processed minerals. Other items like textiles, automotive parts, chemicals iron ore, machinery and electronic goods have also been affected.
- Domestic factors such as growing infrastructure constraints, high transaction costs, and restrictions on agricultural exports.

Total imports, on BOP basis, increased by only 4.4 per cent to US\$ 51.1 billion in 1997-98 compared to 12.1 per cent growth in 1996-97, while non-oil imports, excluding gold and silver, grew by only 5 per cent in 1997-98. This marked deceleration was due to several factors, including weak domestic demand, lower industrial activity and lower unit values of imports. There has been a further deceleration of imports in the current financial year. Imports during April-December, 1998 increased by 7.1 per cent compared to 7.4 per cent in the corresponding period of 1997-98 (DGCI&S data). This is largely due to a decrease in the dollar value of POL imports by about 26.3 per cent because of continued softening of prices. The increase of 15.7 per cent in non-POL imports over the same period is mainly a result of a shift in imports of gold and silver from baggage channel to the

DGCI&S channel. This follows placement of these imports under a liberal import regime in October 1997. Lower international prices of gold in 1998 have also contributed to the increase in overall demand for gold.

The slowdown in global growth and international trade has also led to the introduction of protectionist measures in some countries. These have primarily taken the form of non-tariff barriers (NTBs) like more stringent quality, testing and labelling standards and increased investigations of dumping and subsidies. This has contributed to uncertainty in foreign trade and some market disruption.

Trade policy reforms have sought to eliminate various impediments to trade and to promote export growth. The EXIM Policy 1997-2002 continues this process. In the light of the continued slowdown in exports, various measures were announced in August/September 1998 which include:

- Exemption of exports under all export promotion schemes from special additional duty (SAD) of 4 per cent;
- Reduction in interest rates on pre-shipment and post-shipment export credit in rupees from 11 per cent to 9 per cent;
- Extension of the zero duty Export Promotion Capital Goods scheme to bio-technology and small scale engineering;
- Promotional/procedural changes like,
 - extension of tax holiday for EOU/EPZ to 10 years,
 - sub-contracting facility for Domestic Tariff Area (DTA),
 - permission to selected manufacturer-exporters to furnish legal undertaking instead of bank-guarantee against import of duty free raw materials,

— simplification of bond furnishing procedure for exporters.

In order to promote trade among SAARC countries, India has unilaterally removed all quantitative restrictions on imports of around 2300 items from SAARC countries with effect from August 1, 1998. A free trade agreement was signed between India and Sri Lanka which will reduce tariff to zero by 2007 on most commodities. This will provide an impetus to the eventual creation of a South Asia Free Trade Area (SAFTA).

The net inflow on invisible account has continued to be a major support to the balance of payments. Invisible receipts have shown robust growth, reaching US \$ 23.0 billion in 1997-98. This increase has been spurred by increased private transfer receipts, which have grown by 25 per cent per annum from US\$ 3.9 billion in 1992-93 to US\$ 11.9 billion in 1997-98. Tourism receipts have risen at a rate of 6.8 per cent per annum during the five years ending 1997-98. The receipts under the miscellaneous category in the invisible account, which include software exports rose from US \$ 1.4 billion in 1992-93 to US\$ 4.0 billion in 1997-98. Software exports continue to show exceptional growth rates, and increased by nearly 60 per cent in 1997-98. The net surplus earned under invisibles, excluding the Indian Development Bonds (IDB) return flow in 1996-97, is estimated to have increased from US\$ 9.3 billion in 1996-97 to US\$ 9.8 billion in 1997-98, financing about 60 per cent of the trade deficit in the BOP in 1997-98.

The capital account in the balance of payments, which had shown an impressive surplus of US\$ 10.4 billion in 1997-98, is likely to be lower in 1998-99. Total net capital inflows in 1998-99 are expected to be substantially lower than the levels in 1997-98, if the exceptional inflows under Resurgent India Bonds (RIBs) are excluded. Foreign direct investment (FDI), which

had increased by 18.6 per cent in 1997-98, has fallen by 38 per cent in April-December 1998. Portfolio investment has continued to decline from US\$ 3.3 billion in 1996-97 to US\$ 1.8 billion in 1997-98, to an outflow of \$ 0.7 billion in April-December, 1998. The significant decline in portfolio investment was partly a result of contagion from the East Asian crisis that affected all emerging markets.

The high surplus in the capital account in 1997-98 outweighed the current account deficit and resulted in an increase in foreign exchange reserves of US\$ 3.9 billion.

External Commercial Borrowing (ECB) approvals up to 23.12.98 in 1998-99 have been placed at US\$ 3.8 billion compared to US\$ 8.7 billion in 1997-98. Disbursements have fallen even more sharply from \$ 4 billion in April-September 1997-98 to US\$ 1.6 billion in the first half of 1998-99. This is due to the relative unattractiveness of ECB from the perspective of borrowers. The increase in the cost of ECB funds is due to a general increase in the risk premium for emerging market borrowers, downgrading by international credit rating agencies and the rise in forward premia.

The foreign currency assets of the RBI rose from US \$ 22.4 billion at the end of March 1997 to US\$ 26.0 billion at the end of March 1998. The high surplus in the capital account in 1997-98 outweighed the current account deficit and resulted in an increase in foreign exchange reserves of US\$ 3.9 billion. Total foreign exchange reserves (including gold and SDRs) at the end of January 1999 amounted to US \$ 30.4 billion, which provides cover for about 7 months of imports in 1998-99.

After an 18-month period of stability,

the exchange rate of the Rupee against the US dollar came under downward pressure in August 1997, arising mainly from the East Asian crisis. At the end of January 1999, the exchange rate of the Rupee vis-a-vis the US dollar was Rs. 42.50. The movements in the exchange rate have helped to largely correct the relative appreciation of the Rupee in real terms, which will help to offset the competitive disadvantages arising from the extensive depreciation of the East Asian currencies, and is expected to revive our exports and contain import growth.

India's stock of external debt at end-September 1998 stood at US\$ 95.2 billion as against US\$ 93.9 billion at end-March 1998. The debt service payments, as a ratio of current receipts, continued to improve over the years declining from 30.2 per cent in 1991-92 to 19.5 per cent in 1997-98. The share of concessional debt has declined from 44.7 per cent in 1996 to 39.3 per cent at end-March 1998 and further to 37.7 per cent at the end of September 1998.

Social Sectors

The government has relied mainly on three approaches for reduction of poverty and unemployment viz., higher economic growth, anti-poverty and employment programmes and priority to government expenditure on social sectors. The poverty ratio declined from 56.4 per cent in 1973-74 to 37.3 in 1993-94 in rural areas and from 49.0 per cent in 1973-74 to 32.4 per cent in 1993-94 in urban areas. For the country as a whole, the poverty ratio declined from 54.9 per cent in 1973-74 to 36 per cent in 1993-94.

The Planning Commission has estimated that, additional employment opportunities of the order of 29.74 million were generated during January 1, 1994 to March 31, 1997. This implies an average growth rate of employment of 2.47 per cent per annum compared with 2.31 per cent during July 1, 1983 to December 31, 1993 and 2.32 per cent during January 1, 1978 to June 30, 1983.

The government has decided to set up the Second National Commission on Labour with a view to provide protection to millions of workers. The main focus of the Commission would be to suggest rationalisation of the existing labour laws in the organised sector and an umbrella legislation for ensuring a minimum level of protection to the workers in the unorganised sector.

Increased availability of health care and family welfare services has resulted in reduction of all-India death rate, birth rate and infant mortality rate. The crude death rate declined from 14.9 per thousand in 1971 to 9.8 in 1991 and further to 8.9 in 1997. Similarly, the infant mortality rate per thousand declined from 129 in 1971 to 80 in 1991 and further to 71 in 1997. The birth rate per thousand also declined from 36.9 in 1971 to 29.5 in 1991 and further to 27.2 in 1997.

Average real wages for unskilled agricultural labour, which reflect the economic conditions of agricultural labourers, have increased by 0.72 per cent in 1995-96 (Agricultural year July to June), 4.67 per cent in 1996-97 and 4.88 per cent in 1997-98. These trends are consistent with the view that more rapid economic growth has brought about an improvement in living standards of people in general.

Issues and Priorities

The most intractable and long-standing issue confronting us is that of the fiscal prudence. The various aspects of the fiscal problem, namely the fiscal deficit, the revenue deficit, unproductive expenditures and unsustainable subsidies are now fairly well known. With the exception of the initial success achieved in 1991-92 under the pressure of the balance of payments crisis, subsequent improvements have alternated with set backs and reversal. As a result, the position today is not significantly better than in 1991-92. There is therefore, a clear need for building a political consensus on this issue in terms of both constitutional and

administrative measures that need to be taken.

The fiscal deficit is the key parameter of macroeconomic policy, which has profound implications for inflation, interest rates, investment, growth, the financial system, balance of payments and last, but by no means least, overall credibility of Government's macroeconomic policy. For the Central Government the fiscal deficit simply reflects the net borrowing requirement of the Government. A high fiscal deficit

Experience from the rest of the world underlines the importance of fiscal deficit reduction in regard to reducing interest rates and inflation.

leads to excess borrowing from either the RBI or the market for loanable funds. Excessive borrowing from the RBI leads to high monetary growth, which fuels inflation and puts pressure on the exchange rate. When considering Government borrowing from the market, the fiscal deficits of Centre and State Governments need to be aggregated (in 1997-98 (RE) this was 7.4 per cent of GDP). Such a high level of Government borrowing pre-empted funds which could otherwise have been used productively in industry, agriculture and services. High deficits also keep interest rates high and investment and growth low. Excess Government borrowing also places undue pressure on the domestic financial system and capital markets. There is also the long-term issue of sustainability of fiscal deficit.

Quite clearly, fiscal consolidation is absolutely necessary for containing inflation, reducing interest rates, promoting investment and growth, and fostering reasonable stability in the financial system and the foreign exchange market. Experience from the rest of the world underlines the importance of fiscal deficit reduction in

regard to reducing interest rates and inflation. It is therefore essential to put the fiscal deficit on an irreversible and unambiguously declining trend.

Concern about the revenue deficit stems from the legitimate concern that a significant part of revenue expenditures are of low priority. These low priority expenditures and non-targeted subsidies need to be identified and eliminated. This is also essential for freeing funds for completing the unfinished tasks of universal primary education, effective public health systems and modern water and sewage systems for the entire population. The impact of the Fifth Pay Commission and its aftermath on revenue deficits of Centre, States and local bodies lends urgency to the need to downsize government. The time has perhaps come to reconsider the issue of constitutional limits on the deficit as well as to take up the challenge of reengineering government.

During the last two to three decades, the fastest growing economies of the world have also had fast growth of (manufactured) exports and employment. Most of these countries have built a much more positive environment for exports (and investment), than we have been able to do. This has two aspects: a liberal and flexible policy regime for export production and marketing and simplified rules and procedures for exporters. The increased opportunity in the area of software and other service exports and knowledge-based industries has thrown up additional areas for policy reform and procedural simplification.

In terms of routine interaction between exporters and the organs of the state, such as customs, exchange control, tax authorities and licensing authorities (DGFT), a sea change in approach is required to bring it on par with successful exporters of East Asia. Even a neighbouring country such as Sri Lanka reportedly has a much friendlier operational environment for exporters than India.

The policies applicable to export production need to be transformed to remove the controls and constraints facing exporters. This requires a comprehensive re-examination of labour laws and SSI reservation as applicable to exporters, with a view to bring them on par with successful, exporting countries, like China. Warehousing and cargo handling of imports and exports at airports and ports remains a monopoly of the State, with the consequent deleterious effect on service. The supply of infrastructure services like electricity, telephones and rail transport to exporters, remain as poor quality as for the general economy. If these policy and procedural steps (along with fiscal correction) are not taken, the balance of payments could again come under pressure. Better export promotion policies also require a clear recognition that high import tariffs discourage exports, while lower tariffs enhance the relative profitability of exports. Greater liberalization of trade in agriculture is also desirable for promoting exports.

Radical reforms in the areas of infrastructure services, agriculture and

factor markets are necessary to initiate a virtuous cycle of export growth, employment generation and economic growth. With only a year left before the start of the 21st century it is perhaps an appropriate time to start preparing for a second generation of economic reforms. Such a reform agenda must include reform of factor markets, public sector, government and other public

institutions, legal systems, State level policies and procedures and reform of critical sectors such as infrastructure, agriculture, education, R&D and agricultural/rural extension. □

(All ratios to GDP are noticeably lower using the new GDP series because the new series estimates GDP levels about 9 per cent higher on average than the old series for years for which both series are available).

From IV

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Towards Self Reliance In Space Programme

K. Kasturirangan

ONE OF THE major strides we have taken in the last three decades is in the field of space. It is significant that today the country has established a viable, self-reliant space programme that is precisely tuned towards national development tasks.

Making a modest beginning in 1963 with the launch of a small sounding rocket from Thumba, near Thiruvananthapuram, we have come a long way in establishing space systems like the Indian National Satellite (INSAT) and Indian Remote Sensing (IRS) satellite systems that form a crucial element of our national infrastructure for telecommunication, television broadcasting, meteorology, resources survey and management. We have succeeded in building our own satellites—INSAT and IRS satellites and even designed and commissioned our own Polar Satellite Launch Vehicle (PSLV), for launching the IRS class of satellites Launch Vehicle (PSLV), for launching the IRS class of satellites. We are now in the process of developing a Geosynchronous Satellite Launch Vehicle (GSLV) for launching the INSAT class satellites as well.

Strides

The space programme has been well orchestrated since its inception. We went through the experimental and demonstration phase in the 70's when we conducted large-scale experiments like Satellite Instructional Television Experiment (SITE) and Satellite Telecommunication Experiment Project (STEP). Simultaneously, we built experimental satellites like the

Aryabhata, Bhaskara and APPLE that paved the way for the establishment of INSAT and IRS systems which we commissioned during the 80's

Today, our IRS system comprises a constellation of four satellites including IRS-IC and IRS-1D which are considered as the world's best civilian remote sensing satellites. The data from these satellites have been put to several applications—agriculture, crop acreage and yield estimation, ground water targeting, forest survey, wasteland mapping for possible reclamation, snow-melt run-off estimates, irrigation, command area management, mineral prospecting, identification of potential fishing zones, urban planning, environment monitoring—to mention a few. The unique capabilities of remote sensing satellites have enabled us to initiate an Integrated Mission for Sustainable Development under which we generate locale-specific plans for land and water resources development. The high spatial resolution data from our IRS-IC and IRS-ID satellites have found new applications in the areas of urban sprawl mapping, infrastructure planning and other large-scale thematic mapping.

Our capability in building and operating world class remote sensing satellites has also benefited us commercially. Data from our IRS satellites are now acquired and used by several countries including those in North America, Europe, Thailand, Japan, Korea and Dubai under commercial agreements. More countries are expected to receive the data soon.

We are determined to keep up our leadership in space-based remote sensing through the launch of advanced satellites like IRS-P4 for ocean remote sensing, IR-P5 for catographic application and IRS-P6 for resources survey. IRS-P4 is already planned for launch in 1999 on board our PSLV.

Our Satellite System

Our INSAT system in one of the

The planned launches of follow on satellites in the IRS & INSAT series have ensured that the space systems will play a major role in the coming years.

Dr. K. Kasturirangan is the Secretary, Department of Space.

largest domestic communication satellite systems in the world with five satellites. Three of them—INSAT-2A, INSAT-2B and INSAT-2C—were built indigenously. INSAT, since its commissioning in 1983, has brought in a vast improvement in telecommunications, television broadcasting, radio networking, meteorology and disaster management services. We have continued to emphasize the importance of using space technology for grassroots level applications; the Jhabua Development Communication Project (JDCP) that was started in November 1996 and the extensive use of Training and Developmental communication Channel (TDCC) of INSAT are some of the examples. We have plans to enhance the INSAT system through the launch of INSAT-2E in 1999 which will be followed by five satellites under the INSAT-3 series to meet the growing requirement for transponder capacity and improved meteorological and other services.

With a view to making our space-programme fully self-reliant in placing our satellites in the required orbits, we undertook the development of satellite launch vehicles. Based on the experience of building sounding rockets, several of which were launched from Thumba, we started the design of SLV-3 which was capable of launching a modest 40 kg satellite into low earth orbit. SLV-3 had its first successful flight in 1980. We followed it up with the Augmented Satellite Launch

Vehicle, (ASLV), that was capable of launching 150 kg class satellites. We had two successful flights of this vehicle in 1992 and 1994. But it was the development of Polar Satellite Launch Vehicle (PSLV), which had its maiden operational flight in September, 1997 when it successfully orbited the 1,200 kg IRS-1D, that indeed heralded the technological self-reliance of India in a critical area.

Expertise

We now offer PSLV to launch satellites of other countries as well. We have made a beginning. Along with the

We have made a substantial progress in the development of Geosynchronous Satellite Launch Vehicle (GSLV) that will enable us to launch INSAT class of satellites.

Indian Remote Sensing Satellite, IRS-P4, the next flight of PSLV will be used to launch two small satellites—the Korean KITSAT and the German TUBSAT as piggyback payloads. Another satellite PROBA of Belgium is also booked on one of the forthcoming flights. We have entered into an agreement with the European launch services provider, Arianespace so that small satellites of scientific agencies and others could be launched

by either PSLV or Ariane. We have made a substantial progress in the development of Geosynchronous Satellite Launch Vehicle (GSLV), that will enable us to launch INSAT class of satellites. The first test flight of GSLV is planned in 1999.

We have pursued international cooperation since the inception of our space programme. That has been of mutual benefits. We have participated in the international science campaigns; our IRS-P3 satellite carries a German remote sensing payload, the data from which finds several applications in ocean remote sensing. We have established the United Nations-sponsored Centre for Space Science and Technology Education which has been providing training to students in Asia-Pacific Region. As the Chairman, we hosted the 12th Plenary of the Committee on Earth Observation Satellites recently and we are hosting the second ESCAP Ministerial Conference on Space Applications next year.

Thus, we have emerged as a front-making space-faring nation today with a well-integrated space programme that is precisely tuned towards national development. The planned launches of follow-on satellites in the IRS and INSAT series have ensured that the space systems will play a major role in the coming years. With PSLV already in service and GSLV developmental test flights planned in the coming years, the Indian space programme is poised to be fully self-reliant. □

LAUNCH OF INSAT-2E IN APRIL

The INSAT-2E, India's multi-purpose satellite, is scheduled to be launched by an Ariane rocket from Kourou in the early hours of April 3. The 2,500 kg satellite was packed in a special container which had sophisticated provisions like vibration isolation, nitrogen purging, rapid decompression provision and monitoring instruments for temperature, pressure, vibration levels etc. to take care of the satellite during its transport and handling.

The INSAT-2E when put into orbit, will probably be the only one of its kind circling the globe. It is an advanced satellite used for television transmission, communication purposes and meteorological functions—all rolled into one. For the first time a satellite in the INSAT system carries a very high resolution radiometer which can test the extent of water vapour in the atmosphere which will vastly improve the Indian weather forecast system. The INSAT-2E will provide a quantum leap in India's telecommunication scenario.

Financing Of Cooperative Services

S. Siva Kumar

The effects of liberalisation and private investment may lead to large scale investment within the country but may not encompass relatively backward areas and activities which are predominantly undertaken by the disadvantaged sections of the society.

IN THE INDIAN CONTEXT farmers cannot be considered as a single unified class on account of the large variation in the land ownership pattern, agro-climatic conditions, soil productivity and their capacity for farm investments. Since majority of them belong to the small and marginal categories for whom farming is the sole source of livelihood, the Government policy cannot ignore their interests.

Indeed it is easy to advocate a total withdrawal of State support or what is euphemistically called the favourable policy dispensation to agricultural cooperatives. In the first place major breakthrough in agricultural production through green revolution would not have been feasible without massive State back-up in the form of research and development material and extension support. Yet only a third of our cultivable area has been brought under green revolution. The eastern states in general and North-East in particular are still untouched by these advances in production.

It has been long recognised that credit alone would not be sufficient for a cooperative to achieve its production or business goals. Credit needs are to be duly supplemented by other essential inputs in the form of trained and competent manpower, member awareness and education, ways and means of sustaining member interests, provision of technical and managerial support and ability for project conception, preparation, implementation, management and evaluation etc.

India has a fairly well developed and widespread institutional and cooperative network for providing the required support services to the farmers. There is a government set up comprising Central and State Government Departments dealing with overall policy legislative and monetary back-up. Parastatal bodies like National Bank for Agriculture and Rural Development (NABARD), National Cooperative Development Corporation (NCDC) and National Dairy Development Board (NDDB) provide financial, promotional and developmental services.

While NABARD makes available agricultural production credit through the cooperative banking system, NCDC is concerned with processing, marketing storage etc. of agricultural produce, food stuffs and certain agro-allied commodities through the cooperatives. NDDB on the other hand is specifically concerned with development of dairy through cooperative strategies.

Federal Cooperatives like National Cooperative Union of India (NCUI), National and State level Cooperative Marketing Commodity and Consumer Federations are expected to coordinate and strategically intervene in providing and securing various support services for the member cooperatives. The training centre set up by the NCDC offers need-based and skill-oriented training to the personnel of cooperative projects assisted by NCDC.

Following economic liberalisation, the cooperatives like other economic organisations have to undergo what is called structural adjustment programme (SAP). The SAP is aimed at reducing economic distortions and financial imbalances. This is basically achieved by de-regulation in the form of abolition of price control, decentralisation and de-officialisation, besides cuts in government spending on subsidies and social services. In addition SAP also visualises

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privatisation of inefficient public enterprises and parastatals.

In the light of the above compulsions, the cooperative movement will have to reappraise its role. Individual cooperatives as voluntary, self-reliant and self-help organisations based on active member participation possess the strength and vitality to undergo this phase. The spirit of enterprise and competition will have to be cultivated by the cooperatives. The SAP pre-supposes that the cooperative structure must:

- a) preserve and promote the distinct characters and identity of cooperatives;
- b) preserve and promote member participation in the management of cooperatives;
- c) ensure that the federal cooperatives help in strengthening the constituent cooperatives to make the structural integration viable and efficient;
- d) promote the right of self-regulation and democratic control;
- e) encourage capital formation through members' contribution and generation of surpluses and reserves; and
- f) pursue a well thought out exit policy in areas which are non-viable from the business and operational point of view.

Several institutions including government departments, parastatals, cooperatives and voluntary bodies are involved in conceiving and delivering credit and other support services. While they operate within their respective spheres from the national down to the primary level, greater amount of interaction and coordination is required among all players so as to ensure prudent use of scarce resources for deriving optimum results. Systems need to be worked out to enable

periodical exchange of views and experience among them at various levels.

The present system of multi-agency approach for providing support services to cooperatives have come to be evolved based on experience and operation over the years. It is time reappraise and re-organise the system so as to bring about integration in the functioning of the various governmental agencies involved in the task. This has become necessary especially in the aftermath of the requirement of structural adjustments. The initiative for this should come from the cooperatives in consultation

The present system of multi-agency approach for providing support services to cooperatives have come to be evolved based on experience and operation over the years. It is time to reappraise and reorganise the system so as to bring about integration in the functioning of the various governmental agencies involved in the task.

with national bodies concerned with provision of various support services and the Central and State Governments.

In spite of the changes introduced in the economic scenario during the last five years, the relevance of cooperatives does not take a back seat, though, there may be a shift in the priorities to be assigned to the various sectors of the economy. Activities in the field of rural credit, marketing of

agricultural produce, storage and to a large extent agro processing would still continue to be undertaken by the cooperative sector.

Though the legislative changes in cooperative laws may create an atmosphere of greater autonomy for cooperatives, the relationship between the state and the cooperatives may not cease altogether. The effects of liberalisation and private investment may lead to large scale investment within the country but may not encompass relatively backward areas and activities which are predominantly undertaken by the disadvantaged sections of the society. The State's responsibility to ensure the development for such backward regions and activities affecting the weaker sections will continue.

The changes in the economic scene have to be visualised by the cooperatives not as a mere threat to their existence but as an era in which new opportunities will emerge for them. The cooperatives among themselves will have to evolve a closer partnership and alliance in order to steal a competitive edge over the private firms in the field of agro-processing and marketing. Furthermore, the existence of nearly 4 lakh cooperatives in the country would require sizeable investments in future for upgrading the technology and management of these societies which in turn will necessitate suitable exit policy accompanied by modernisation and expansion of uneconomic units. The emergence of a vibrant private sector can be visualised as an opportunity by the cooperative movement since the private firms will need products and services which can best be provided by the vast network of cooperatives without the need for spending on additional infrastructure by private firms. As such, cooperatives should seize the opportunity to evolve a lasting and mutually advantageous partnership with the private sector. □

Fifty Years Of Central Electrochemical Research Institute

V.C. Rukmani

The country has made a saving of Rs. 300 crore in foreign exchange from the energy efficient technologies and corrosion preventive measures developed by the institute.

THE CENTRAL ELECTROCHEMICAL Research Institute (CECRI) at Karaikudi has entered into a contract with Liquid Propulsion System Centre (LPSC) of the Department of Space for electroforming the outer shell of the 'C 20' cryogenic engine thrust chamber. This two and half year contract, which was the sixth for the Institute would fetch a revenue of Rs. 1 crore. The Institute has developed C 12 Nickel Electro formed cryogenic engine thrust chamber and copper electro formed cryogenic upper stage main engine and steering engine thrust chamber and supplied them to LPSC.

Recently CECRI entered into a contract with Ministry of Non-Conventional Energy Sources for development of high energy batteries for electric vehicle valued at Rs. 1.13 crore. The Institute also bagged another order for transfer of technology on cement polymer coating for \$ 40,000.

Through the combined efforts of Pandit Jawaharlal Nehru, Dr. S.S. Bhatnagar and Dr. Alagappa Chettiar, the Central Electrochemical Research Institute came into existence in 1948 in Karaikudi, Tamil Nadu. It is now recognised as a premier institution for R&D in the field of Electrochemical Science & Technology not only in India but whole of South East Asia. Functioning as one of the chain of 41 laboratories of the Council of the Scientific and Industrial Research, New Delhi, CECRI has a strength of 700

personnel comprising scientists, engineers and, technologists. It has so far developed 180 processes and hundreds of projects. Over 110 processes have been released to 370 licencees for commercial exploitation.

According to CECRI the country has made a saving of about Rs. 300 crore in foreign exchange from the energy efficient technologies and corrosion preventive measures developed by this Institute over the years. The Institute has bagged 38 major and minor awards.

CECRI is the premier R&D Institute in the country where expertise is readily available for preparation and painting of steel structures for any type of Industry and RCC structures of bridges. Also done are monitoring the condition of the bridges, structures and oil pipeline, cooling water system, modernisation of battery plant, setting up and electro forming plant etc. It has got facilities for testing, repair and maintainence of sophisticated instruments at Cochin unit. In addition, CECRI has also constructed an off-shore platform and marine electrochemical centre for studies on corrosion including bio-fouling at Tuticorin.

The Institute, in collaboration with National Corrosion Council of India, has launched a programme of updating the "corrosion map" for the country. The project is proposed to be completed in 5 years. As part of this, corrosion testing station will be established in 10 places all over the country. At present such stations have been set up in 70 places. Such a map would help one to know the degree of corrosion in various places to enable the engineering designers take necessary measures while going ahead with civil construction projects. The map would provide a picture of causes of corrosion throughout the country. CECRI is having its atmospheric corrosion testing station at Mandapam camp in Ramanathapuram district to study the performance of protective coating and behaviour of

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Towards Gender Equality

WE CAN LOOK with some pride at the remarkable achievements made so far. We entered a century where women had the right to vote in a mere handful of countries; we leave one where the vast majority of countries have universal suffrage. We entered a century where women were practically excluded from decision-making; we leave one where the participation of women at senior levels of leadership, national and international, is no longer questioned.

In many countries, provisions guaranteeing the enjoyment of human rights without discrimination on the basis of sex have been included in Constitutions or integrated into legislative reforms. Discriminatory legal provisions have been repealed and legal literacy and other measures introduced to alert women to their rights and ensure their access to those rights. The world community has identified violence against women in its various forms as a clear violation of women's rights. Strong actions have been put in place, at the international, regional and national levels, to confront what should always have been considered unconscionable.

Yet much remains to be done. As we stand on the threshold of the new millenium, we are confronted by challenges both new

and old. At the forefront is the impact on women of globalization, liberalization, economic restructuring and privatization. Poverty among women—especially heads of households and older women—appears to be deepening. Women are over-represented among the unemployed and underemployed. If employed, they are more likely than men to be found in poorly paid, part-time employment or temporary and insecure jobs.

Women continue to pay with their lives for inadequate provision of health care. Preventable diseases and unequal access to health care still affect women and girls, especially those in the rural sector. To our shame, maternal and infant mortality remain high, in several countries, both as a result of inadequate ante-natal and maternity care, and of limitations in family planning programmes. HIV infection among women continues to increase, and countries still lack programmes targeted to HIV/AIDS prevention and treatment among women and girls.

Next year, five years will have passed since the Beijing declaration and Platform for Action—the world's first truly comprehensive plan in the areas of critical concern to women's advancement. Let us recommit ourselves to its full implementation. The ideal of

gender equality, to which we have so long aspired, is still far from a reality. High on our agenda must be the completion of the structure of international legal protection. I urge those Governments that have not yet done so to ratify the United Nations Convention on the Elimination of All Forms of Discrimination against Women. In December this year we will commemorate the 20th anniversary of the adoption of the Convention, which sets out steps required to eliminate discrimination against women in all spheres of life, including in the family. The completion of the legal framework for equality must be complemented by the creation of an enabling environment to secure *de facto* equality for women.

On this last International Women's Day before the new millennium, let us rededicate ourselves to eliminating the discrimination and disadvantage to which women are still subjected—whether in the world of work, in access to health care services, in the provision of social services and social safety nets, in peace-building and reconstruction or, perhaps most importantly, in the home. Let us enter the new millennium with the prospect of gender equality in sight everywhere. □

(Based on UN Secretary General Kofi Annan's message on International Women's Day—8 March).

Internet In India :

An Overview

Satyanarayana Patnaik and A. Saravanan

ADVANCEMENT IN SCIENTIFIC research has given rise to most of the sophisticated new technologies in information and communication fields that are now drastically changing the concept of a large size diversified world to a global village. As we move closer to the millennium, the information revolution is proliferating towards digitized communication channels in cyberspace. Knowledge informed, entertained and educated as a result of free flow of information and sharing of with the help of advanced technologies through television and personal computer at our home, we are witnessing a qualitative transformation in our social, economic and political sectors. The networking of people through innovative communication and information technology is creating limitless access to all available forms in social learning and intelligence. The breakthrough is the result of advancement in information technology and progressive merging of telecommunications with world of computers both at technology and policy levels.

One of the biggest achievements of twenty first century is the introduction of an advanced communication network, i.e., Internet, the technology connecting millions of computers in a network. This is a process of linking end to end digital source and receiver. The internet can be broadly defined as worldwide network of computers communicating via an agreed upon protocol (rules for exchange of information). It provides access to the most diversified sources of

information hosted by individuals and various organisations worldwide on a vast network of servers. Presently, the internet gives on to World Web or just Web which interconnects thousands of servers created by various organisations, commercial establishment, industrial units, academic establishments, common or particular groups of even private individuals. The web pages loaded on the servers provide various types of information, such as plaintext, picture, animation, multimedia either free of cost or for a modest fee. Besides, the web pages offer services like e-mail, conferencing, electronic publications, and other commercial facilities. It is a new mode to trade text or information from one point on the globe to another quickly, cheaply and easily. It is not only a one-way communication process but also receives information in opposite direction and performs as an interactive medium par excellence. Though it is not interactive by itself, the amount of control the users have is due to the computers themselves, and it enables the users to send and receive information to the network.

Information in the net flows from the source to the destination through intermediate nodes. These nodes have sufficient intelligence to route the information to the appropriate destination. The information packets between source and destination are routed through different paths as they move towards the final destination. For the information to reach the destination a common set of rules and procedures

called protocols is followed by all internet-based systems. These are well known as transmission control protocol and internet protocol mechanisms. The characteristics of internet are: (i) point-to-point communication, rather than one-to-many broadcast communication, (ii) ability to locate/search huge amounts of data, (iii) hyperlinking from one server to another by clicking on a highlighted word, the user is directly switched to another data source, perhaps on the other side of the globe, (iv) instant and interactive community creation on a global basis. As considerable research on the new information medium is being continuously added on, the medium is becoming user-friendly, reliable and faster in providing maximum benefits to its clients.

Initially the internet was primarily used for research purposes due to its faster exchange of information, cost effectiveness and availability in digitalised mode. Now the researchers around the world are using this medium to work together, exchange ideas and results, and many even carry out joint experiments or simulations without being in the same place. The net brings them enough opportunities by reducing the communication and distance gap through cheaper and faster interaction.

A New Era

Until the nineties the internet was relatively limited and mostly confined to the academic and military communities. In US, internet has been used extensively as new communication medium and the people are heavily dependent on it for electronic mail and getting valuable information on politics, elections, business and state affairs for the past two decades or more. Towards the end of the last and beginning of the present decade several world incidents such as Gulf war, disintegration, of USSR, conflict in former Yugoslavia, disturbances in China and Iran and similar events virtually changed the flow of information.

In the world of communication the

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internet undoubtedly is a significant new development. In the past ten years, the internet network has grown on a compound annual growth rate of more than 100 per cent, says Dr. Henry Chasia, Dy Secy General of International Telecommunication Union. By July 1997, there were more than 19 million internet host computers in the world, compared with 2.2 million hosts in 1993. Today, the internet service users are estimated a range 40 to 60 million people worldwide. A recent estimate indicate this powerful source will add another 4 per cent a year for next two years, increasing the total worldwide users to more than 10 million by 2000 AD. Though the rapid penetration of internet is visible not all countries or regions of the world are benefiting equally from its development. It is found that out of the total internet connections in the world, about two-thirds are registered in North America. Developed countries with 16 per cent of the world population have more than 97 per cent of internet hosts in the world. Around 50 developing countries in the world still do not have direct internet facility and the African continent is the most backward in terms of internet penetration.

Recently, in India, the internet service has drawn the attention mainly in metropolitan cities and large urban areas. However, the Government's efforts and newly formulated Information Technology Policy which envisages that the internet related services would be available in all district headquarters by 2000 AD, is a significant step in revolutionising the information sector in the country.

Infrastructure in India

The last three years have seen a sea change in the areas of information and communication particularly after penetration of internet, and has undergone transformation of a different kind wherein the availability of information has played a key role. Presently, several thousands have access to all kinds of information resources to

enrich their knowledge. The country stands one among the highest internet subscribers among the developing countries. There are two main reasons that support and enhance internet penetration into India. One English is the universal communicative language of the internet. A sizable number of Indian population are well versed with the English language and who has access to internet prefer communication in English rather than any other language. The other reason is rapid spread of computer network, growing telecommunication infrastructure and flourishing computer software industries. Besides, the liberal approach towards the internet subscribers and government's enhanced support for the development for IT and communication infrastructure in the country is also another reason for growth of internet in India.

Since late 1980s, the Internet service was available in India on non-commercial basis; only for educational purposes by Educational Research Network (ERNET). The service was the first joint venture of Indian Government and United Nations Development Programme in establishing internet infrastructure in the country and opened the Indian internet service for global accessing. Presently, the network has eight nodes at different locations and is accessed to more than 10 countries and its subscribers are estimated about 0.5 million in approximately 600 organisations. The commencing of Sat-Wan Hub initiated the access of ERNET service through VSAT network. The main sites of ERNET are interconnected through terrestrial links whereas access to the overseas gateways is through 64 kbps (kilobytes per second) links. It has also link with two local networks in the US. The ERNET subscribers are mainly academic and research institutions, non-governmental organisations and to a limited extent private and international organisations. The ERNET is planning to launch several multimedia related

programmes such as video conferencing, document retrieval, mail facility, and is targeting to broaden its subscriber base.

GIAS

The Gateway Internet Access Service (GIAS) is a full-featured internet available from 20 nodes operated by VSNL and DoT. Access to GIAS is available via dial up lines up to 33.6 kbps or via leased lines 9.6 kbps to 2 Mbps or higher and provides full internet access through normal telecom services. Commercial internet services was started in 1995 by Videsh Sanchar Nigam Ltd. (VSNL), India's international telecom carrier, using GIAS, in Mumbai and Delhi. When the service was launched, the VSNL had only 703 customers, 64 access lines, four internet nodes and internet connectivity up to 64 kbps. Since its inception the service provided by the VSNL has spread to many Indian cities and towns and it was estimated that up to mid-1997 the VSNL's internet subscribers were around 15,000. Viewing the sluggish growth of its subscribers, VSNL has adopted several strategies including reducing of subscription fee.

Presently, VSNL has 12 internet nodes operating at different locations of the country. Statistics shows up to June 1998, VSNL and Department of Telecommunication (DoT) had over 1,50,000 subscriber base, 8,000 access lines, 40 nodes, and adequate capacity for 2 million customers and international connectivity up to 70 Mbps. The VSNL is connecting its main internet nodes located at Mumbai to US through satellite and to Europe through submarine cables. It has internet nodes at several Indian metro cities which are connected with main internet node through inter-city links of DoT. Its subscribers vary from individual to corporate organisations.

The National Informatics Centre Network (NCNET) service was started with assistance of Planning Commission in 1988 and it exclusively provides service to government organisations in

the country. It uses the satellite-based data communication of NIC for its functioning. It has around 700 micro earth stations (MES) located at various parts of the country while the master earth station is located at Delhi, which is interconnected with the MES. The network is the first established web server in India and is presently connected to over 200 overseas network in 160 countries and has been providing internet access through a direct high-speed link to Spinternet in the US. NICNET provides electronic mail facilities to research and educational networks (RENNIC). It also provides service in the area of management information for rural development schemes, medical literature and analysis and retrieval systems and national library of medicine. Its subscribers base was estimated about 10,000 (1997).

The Department of Electronic's Software Technology Park (STP) has recently launched a internet service, SOFTNET in collaboration with Sat Comm Services India. The six STP centres located at Bhubaneswar, Trivendrum, Hyderabad, Gandhinagar, Noida, and Bangalore, each with an international gateway and Facilities to provide high speed data communication links and direct internet access. The SOFTNET offers a dedicated leased line service ranging from 9.6 kbps to 2 Mbps for interactive applications. The network is also planning to provide services, such as video-on-demand, bandwidth-on-demand, authoring web pages, and setting up web servers.

IT Action Plan

Since mid-1980's Indian information technology (IT) sector has extensively revolutionised and placed India on the forefront of the global information technology scenario. The country duly recognised IT as an agent capable of changing every facet of human life and which will bring in a knowledge-based society in the twenty-first century. Recognising its importance, the Approach Paper to Ninth Five Year Plan emphasised several measures for

development of information technology and communication infrastructure in the country. As the basic necessity for developing an appropriate national information infrastructure, many inter-related facilities are required, such as satellite communication facilities with digital telephone exchange, expanding telephone network and computers. The Plan laid emphasis to provide telephone facility in all villages by 2000. The recently formulated Information Technology Action Plan (IT Task Force), a major initiative by the present government with emphasis on setting up a world class info-infrastructure with an extensive spread of fibre-optic network, satcom networks and wireless networks for seamlessly interconnecting the local informatics and national informatics infrastructures and global informatics infrastructure to ensure a fast nationwide onset of the internet, extranets and intranets. The Action Plan Report envisaged that the Department of Telecommunication (DOT) will open internet nodes and authorised ISPs at all district headquarters and local charging areas by 26 January 2000. No license fee is necessary for setting up of ISP operations by companies for the first five years and after this a nominal fee of Rs. 1 will be charged.

Promotional measures would be undertaken to encourage technologies that bring IT and internet to the masses through vast network of cable TV houses and authorised cable TV operators. They would be permitted to provide internet access without taking additional license. Mega websites would be created on internet for promoting, marketing and encouraging Indian software products and packages under multiple initiatives. Similarly, creation and hosting of websites on servers located in India would also be encouraged. The Plan paid due attention for IT for all by 2008 where it envisages to accelerate the rate of PC/set-top box penetration in the country from 1998 level of 1 per 500 to 1 per 50 people along with a universal access to internet with flood of IT to be

a frontier area of knowledge, a plan Operation Knowledge is being proposed, with the aim to universalize the computer literacy and also to spread the use of computers and IT in education. Under the proposed Plan, computers and internet would be made available in every school, polytechnic, college, university, and public hospital in the country by 2003 whereas all universities, engineering and medical colleges, R&D organisations, and institutions of higher learning would be networked for a supplementary programme of distance education for improving the quality of education by 2000 AD.

Conclusion

With the fast growing global technological revolution in information and human resource development sector, India has initiated several strategies for its active participation to provide the most sophisticated internet communication to people at rural level. The Ninth Five Year has indicated that by 2002 the internet subscribers in the country would be around 1. million while the recent Indian policy on internet forecasts the number could be around 2 million with in a period of 2-3 years from now. To achieve the target results, there is need to be a careful assessment by our information planners and policy makers on the inter-related infrastructure requirements necessary for growth of the system and how the new information dissemination technology would provide optimum benefit to a maximum proportion of country's population. Certainly, rapid diffusion of internet depends on proper telecommunication and computer networks. India's telephone density is hardly 1.3 per cent (telephones per 100 population) against world average 11 and computer density is around 1.5 (per thousand population) against world average 2. Certainly, to make the internet a popular information medium in India there is need to strengthen the growth of both teledensity and PC infrastructures. Presently, the

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Nutritional Status Of Urban Women During Pregnancy And Their Newborns: A Study

S. Ponne and Usha Chandrasekar

Improving the dietary intake of Pregnant Women, provision of nutrition education, supplementation of Vitamin A and other micro and macro nutrients at the stage of pregnancy and over the period of lactation can go a long way in enhancing the nutritional status of the infant during the first six months of the exterogestate existence.

PREGNANCY CONSTITUTES A state of significant physiological stress where a large number of metabolic and hormonal changes and nutritional deficiencies occur. Due to growth of the fetus and other products of conception, a pregnant women's nutritional requirements increase significantly. Vitamin A deficiency can cause harm from the moment of conception because of their influence on the regulation of growth and other physiological processes. Adequate maternal Vitamin A Status and dietary intakes are important to maximise transfer of Vitamin A to the fetus in preparation for parturition and lactation. Too little Vitamin A during critical period when organ differentiation occurs is linked to resorptions, abortions and congenital anomalies.

Further Vitamin A deficiency remains the primary cause of childhood blindness and corneal disease. India has been categorised by World Health Organisation (WHO), based on clinical signs, as an area in which Vitamin A deficiency is of public health importance.

Hence in this paper an attempt has been made to assess the effect of Vitamin A nutriture of urban expectant women on their newborns upto six

months of extra uterine life. This study was undertaken with the objective of assessing the serum retinol levels of the expectant women and their newborns followed upto six months.

This study was conducted on 500 subjects who were in the last trimester of pregnancy from three private hospitals in Erode, Periyar District (Tamil Nadu). The subjects were categorised as low (275) and middle (225) income groups according to HUDCO classification (1994). Biochemical analysis for serum retinol levels were carried out on blood samples drawn from a sub-sample of 10 per cent of the subjects (25 from low and 25 from middle income group) using standard Spectrophotometric procedure. Subsequently analysis of serum retinol levels were carried out on the cord blood of the neonates and thereafter on the infants blood at third and sixth month. Further to study the impact of dietary intake and serum retinol levels of expectant women, serum retinol levels of expectant women and their newborns, and serum retinol levels of infants at birth, third and six month correlation analysis was adopted.

Results & Discussion

It was noted that none of the subjects in the both income groups were deficient (below 10 mcg/dl). However 40 per cent in low income groups and 41 per cent in middle group were having marginal levels (10-20 mcg/dl) and remaining were having adequate levels of serum retinol (above 20 mcg/dl). It may be inferred that the middle income group had greater values of mean serum retinol (26.04 mcg/100ml) than the low income group (21.92 mcg/100ml). This may be due to the larger intake of nutrients by middle income mothers compared to low income mothers during pregnancy due to their better socio economic status. Further the mean serum retinol levels between the two income groups were statistically significant at one per cent level.

It was also found that the mean retinol intake of the expectant women of both the groups were found to be inadequate (-11% and -4%) in comparison to the percentage deficit in retinol intake between the two groups thus showing a greater deficit in the low income group than in the middle income group. This obviously reflects the low food intake pattern of the low income group. Further, the correlation analysis revealed that the retinol intakes were positively correlated with the serum retinol levels in both the groups ($r=0.28$ and $r=0.31$) and these correlations were statistically significant at 5 per cent level.

It was observed that serum retinol level in cord blood was lower than the maternal serum retinol level in both the groups. There is also a finding that fat soluble vitamins per se in cord blood show lower values than in mother's blood. This has also been attributed to poor placental transport of fat soluble vitamins. The individual values of serum retinol levels showed that none of the infants in all the categories in both the groups had inadequate serum retinol levels. Further 4 per cent and 52 per cent of newborns had adequate serum retinol levels (above 20 mcg/100 ml) in the low and middle income group respectively and remaining had marginal values of serum retinol level (10-20 mcg/100 ml). Among the two groups, cord blood values of the low

income group (16.92 mcg/100 ml) was lower than that of middle income (19.46 mcg/100ml) group. This might be due to poor nutritional status of the mother in the low income group. Similar findings have also been reported. There was a significant difference between the mean serum retinol levels in both the groups at one per cent level. Positive correlation was observed between the maternal serum retinol level and serum retinol level of newborn ($r=0.95$) and $r=0.9$) of both the groups which was statistically significant at 5 per cent level.

The individual values of the serum retinol levels of the infant at the third month revealed that the level of retinol in the serum had improved. Thirty two per cent and 60 per cent of the infants in low and middle income groups had adequate serum retinol levels and the remaining had marginal values of serum retinol. The mean serum retinol levels of middle income group (20.79 mcg/100ml) in the third month were higher than their low income counterparts (19.5 mcg/100ml). The difference between the mean serum retinol levels of both the groups revealed that there was a positive correlation between serum retinol levels of the infant at sixth and at third month ($r=0.77$ and $r=0.95$) in both the groups and this was significant at 5 per cent level. By the sixth month, greater improvement was observed in the

serum retinol levels of the infant. Eighty per cent of the infants in the middle income group had adequate serum retinol levels in their six month. This may be due to adequate breast feeding by the mothers in both the groups. The difference in the mean serum retinol level of the two income groups was significant at 5 per cent level. The correlation analysis reveals that there was a positive correlation between serum retinol levels of the infants at six and at the six month ($r=0.73$ and $r=0.83$) and this was statistically significant at 5 per cent level.

The Finding

The findings in this study revealed that expectant women's retinol status had a strong relationship and positive influence with the retinol status of their newborns. There seems to be positive correlation between the maternal intakes and levels of infants blood at birth and subsequently over the growth period of sixth month. Hence improving the dietary intake of pregnant women, provision of nutrition education, supplementation of Vitamin A and other micro and macro nutrients at the stage of pregnancy and over the period of lactation can go a long way in enhancing the nutritional status of the infant during the first six months of the exterogestate existence. This would further help in the elimination of Vitamin A malnutrition by the turn of this century.

(Internet ...)

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ratio of telephone to PC in developed countries ranges between 1:3 to 1:5 and if, India initiate strategic measures in next 2-3 years from now to improve its PC penetration 1 per 100, then the ratio would be 1:6. Besides, the level of education of the general population of a country and local diffusion of internet is

closely related. To make internet a popular information medium in India, considerable efforts to be initiated at different levels of our educational system. The other is affordability of service charges for connecting to internet. The new generation of Indian software professionals are well recognised for their works in the world technology field. A low cost internet facility for the people in the country by

these professionals may be explored. The Task Force on Information Technology and Software Development to realise the objectives in bringing India into super information highway by the beginning of next century should collectively look to overcome the basic problems for the rapid diffusion of internet in India and ensure that the country will not miss the opportunity of global communication revolution. □

Book Review

LAST FRONTIER: PEOPLE and FORESTS in MIZORAM By Daman Singh, TERI, New Delhi, 1996, Pp 301.

Available literature has little to offer on diversified strengths of Mizoram. What is available is the occasional briefs and often cryptic remarks, if any. In fact it is the vagueness of literature-references and the obvious richness of ecological diversity led researcher Ms. Daman Singh to initiate this study.

The book essentially aims at achieving a meaningful understanding of the relationship between people and their environment and between the environment and development. Accordingly, the whole subject matter has been presented in two parts. The first part gives an account of environmental history of Mizoram. The interplay between the natural resources and people constitutes the subject matter of the second part.

Mizoram's uniqueness begins with its people itself. That Mizoram's population (6.90 lakh in 1991) is very sparsely distributed is indicated by its very low density of only 33 persons per square kilometre, compared to the all India average of 267. As many as 95 per cent of its population belongs to scheduled tribes and as many as 86 per cent profess Christianity. An outstanding feature of Mizoram is its second highest literacy (82 per cent) rate in the country. The narrowest gap between male (86 per cent and female 79 per cent) literacy among the Indian states is yet another distinction of Mizoram.

The north-east including Mizoram invariably conjures up an image of

primeval jungle, with dense bamboo thickets and high rising trees. According to the official reports (NEC 1992), the total forest cover in Mizoram accounts for about 70 per cent of its geographical area. However, forest by use is 62 per cent of the reported area. If 'Jhum' fallows are also taken into account, according to MRSAC thematic mapping, the forest cover of Mizoram is as extensive as 92.80 per cent of the geographical area.

No doubt, forests have been a major source of revenue earning in the North-East and so in Mizoram. However, forests are much more than a revenue-earning system. Forests bind soils of steep slopes and regulate the springs that feed the hill top villages. They provide timber and bamboo for housing, fuel for cooking, fodder for cattle, and a vast variety of fruits, and vegetables. They are homes to wild birds and animals. The periodic clearing and burning of forests supply the essential nutrients that the soil lacks, permitting the cultivation of food and cash crops. The state of the forests is, therefore, an important determinant of the quality of life of the people, and is itself determined by the way in which they are used and managed.

Like elsewhere in the world, increasing population has intensified pressure on land/forests for meeting its various needs in Mizoram also. Wanton periodic clearance of forests for cultivation purposes, popularly known as 'Jhum' or shifting cultivation, has been the major claimant for deforestation over the years in the state of Mizoram. In Mizoram, jhuming contributes to 60% of village income, on an average. It is disheartening to

note that, in Mizoram, only 19.92 per cent of the area seems to consist of forest free of shifting cultivation. However, the practice of shifting cultivation has several adverse effects on biodiversity including soil and water losses. To quote, the average soil loss mainly due to jhuming in Mizoram has been 12 MT/ha/yr. Ms. Daman Singh's study has well established that shifting cultivation/jhuming in Mizoram has converted multi-tiered forests with multiple species into secondary bamboo forests, and in the process has displaced both plant and animal species. This has tended to annihilate biodiversity of the state as well as affect jhuming for the worst. However wisely and dexterously the shifting cultivation is done, it endangers the sustainability of ecosystem. Hence, this calls for a sensible, credible, and eco-friendly land-use policy for the state of Mizoram.

The major strength of the North-East, especially of Mizoram, is its vast diversity in bio-resources. As the author has also emphasised, this is the key to the sustainable development of this beautiful frontier of India as it will lead to an economy of permanence. Realizing this fact both the people and the Government of Mizoram must think deeply and keenly how to achieve sustainable development. Progressive marginalisation of people tends to lead them to alienation. Hence, the author very rightly suggests the need for people-centered development where people themselves act as agents of change. There are examples where bottom-up pattern of development has led to a far reaching type of development where individual really matter. There has not to be an economic 'dictatorship' coming from the top. In fact, the author feels, there is a need for having an economic partnership fostered at the ground level. The author's treatise will endorse other researchers to write accounts for other six sister states of the region.

Dr. S.S. Khanka

Decentralized Production in India (Ed) by Philippe Cadene and Mark Holmstrom, Sage Publications, New Delhi, 1998; Pp. Price Rs. 525.

The book deals with a subject which has received very little attention by researchers in India. Yet this is an area which is likely to assume greater importance in the future.

At the outset, one of the editors of the volume, Mark Holmstrom, makes some interesting observations on the present state of industrial development in India. He points out that over the past 40 years Indian manufacturing industry has grown fast, but not fast enough, in size, variety and technical sophistication. Many products produced in India are still of poor quality or expensive, or both. Large and small firms are not innovative enough and are incompetent in world markets. Employment has grown far too slowly and most of the growth has been in the unorganised sector. India has fallen far behind smaller Asian countries where industrial growth has led to steadily rising incomes and nearly full employment, according to Holmstrom.

The central theme of the book is that small and medium enterprises are vulnerable if they stand alone, and the new conditions created by liberalization and globalization are bound to make them even more vulnerable. However, the authors argue that experience in many parts of the world has shown that clusters of networks of interdependent small firms can survive, prosper and provide employment. They can not only meet the new fiercer competition, but turn it to their advantage. Efficient networks of technically and economically interdependent firms may be geographically dispersed, but they are more likely to develop when clustered in an industrial district, often around a city with special strengths in a range of complementary products. Taking into consideration the above observation by the authors one is compelled to note that the Government

of India needs to seriously re-examine its policy regarding location of sugar industries in the country.

While arguing about the merits of industrial clusters, it is pointed out that even if individual firms cannot offer the same job security as large firms, people who live and work in the district feel confident, even in adverse circumstance, that they will be able to find a job in the area. Even if no one is completely free of uncertainty, yet everyone can feel fairly certain of not being overwhelmed by it. Thus it is argued in the book that the network of social and economic relations within the industrial district gives workers and their employers most of the advantages of a large firm, without many of the disadvantages.

The authors are of the opinion that small firms should not be encouraged and subsidized simply because they are small regardless of having any potential for innovation. There should be some criteria to distinguish small scale industries which efficiently utilize the assistance provided from these which do not. It is a mistake to think crudely in terms of sectors (large/small, urban/rural, industry/agriculture, etc.) according to the authors of this volume.

The book includes a number of case studies dealing with decentralized industrial development patterns in various cities of India. The case study by Mark Holmstrom on Bangalore and the one on Ludhiana by Meenu Tewari stand out as outstanding pieces of research work.

Various articles in this volume recognize that Indian has become a part of the process of global development in the context of the new liberal economic policy which has brought the long period dominated by Jawaharlal Nehru model of mixed economy to an end as pointed out in the concluding chapter of the book.

The contributors to the volume have opened the gateway to a new and challenging area of research investigation and it can be expected

that the Indian experts will soon take over from where the innovative book serves as a starting point.

P.V. RAJEEV

(Fifty Years...)

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metals and alloys. It has now undertaken corrosion audit and online monitoring of major structures and various industries like fertilisers and chemical industries, ONGC, IOC, Gas Authority of India, etc.

It has developed a number of anti corrosion products and processes.

It is estimated that loss due to corrosion of metals, alloys and other materials and replacement is about Rs. 13,000 crore annually. With a mere application of already existing technologies for corrosion control, nearly one fourth of the amount can be saved.

It has also made a breakthrough in the electro-forming technology for rocket engine application which has been successfully adopted for the sub-scale engine on the first C-12 engine thrust chamber.

The Institute has got four extension centres at Madras, Cochin, Mandapam camp and Tuticorin and nine R&D divisions carrying out the work on all aspects of electrochemical science and technology with emphasis on corrosion, batteries industrial metal finishing, electro-metallurgy and chemicals.

CECRI has also undertaken to impart continuing education programme under which short term refresher courses for small, medium and large scale industries are being conducted in important aspects of electrochemical science and technology. More than 300 personnel from industries and government organisations attend these courses annually. The centre for education, an educational body attached to CECRI conducts a 4-year B. Tech course in Chemical and Electrochemical engineering. □

Striding Towards Developed India



Amicable solution: The Prime Minister Mr. Atal Behari Vajpayee with the Chief Ministers of Pondicherry, Tamil Nadu, Kerala and Karnataka at the meeting on Cauvery issue in New Delhi, August 6, 1998.



The Prime Minister of Republic of India, Mr. Atal Behari Vajpayee and the Prime Minister of Islamic Republic of Pakistan, Mr. Nawaz Sharif, signing the Lahore Declaration, February 21, Lahore.



Friendship across the borders: The bus taking the Prime Minister of India and other dignitaries approaching Wagha border, 20 February 1999.