

THE POLITICAL ECONOMY OF RURAL DEVELOPMENT AND SOCIAL JUSTICE

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By

Milindo Chakrabarti

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PREFACE

'Development' with 'Justice' has been the talk of the day among the politicians, policy makers, bureaucrats as well as the professional social scientists over the last couple of years. To note, such a feeling is not a matter of concern at the national level. Rather, the whole of the international community, be it from the developed or the developing nations has come forward earnestly to join such dialogues.

The present study is an attempt, somewhat partial, to trace the emergence and growth of such an idea vis-a-vis the economic structure. Considering the vast canvas that such an attempt require, we have limited our scope of understanding in the light of Indian experiences alone. However, it should be confessed at the beginning that again in the context of India, with so much of socio-political currents and cross-currents flowing side by side, it is hardly possible to pin down the factors affecting and effecting the 'process' as exactly as a doctor can perform with the help of pathological tests. Our attempt has been a more or less probing one only to point out certain general features of India as a socio-politico-economic unit and relate them to the present hue and cry over development and social justice.

A few words about the structure of the present work is necessary. I have quoted extensively on a number of occasions that may not be to the liking of many considering the conventional practice. I have deliberately so done keeping in mind that very often paraphrasing the arguments of distinguished scholars may lead to the loss of the 'basic essence' that were intended to be conveyed. The tables referred to in the text have been provided as the appendices to the relevant chapter. Notes are also given at the end of each chapter whereas the list of references has been placed at the end of the main text.

I extend my sincerest gratitude to Dr. Rabindra Nath Bhattacharya, my supervisor for this project, for extending valuable guidelines and providing constant encouragement while I was preparing the dissertation. I am also grateful to Dr. Nagendra Nath Chatterjee, who is the man who to have taught me the first lessons in Economics. I must mention of the helps rendered by the authorities of the National Library, Calcutta, Centre for Social Science Studies, Calcutta and National Institute for Rural Development, Hyderabad but for which such a venture would never have been successful. Special thanks are due to the members of the staff of the library at St. Joseph's College, Darjeeling, whom I disturbed often and on even during odd hours. My departmental colleagues in St. Joseph's College provided help more than what I asked for during the period of preparing the dissertation. Father Joseph Pappadil, S.J.,

Principal, St. Joseph's College, was always a source of support and encouragement for me. However, this work could become a reality mainly due to the constant computer-support provided by Mr. Dorjay Lama, my colleague in the College. Academy of Computer Education and Studies provided the computer facilities.

I feel it too embarrassing to thank Suparna, my wife, who took all the troubles of running the house smoothly, which did provide me with the luxury of devoting all my time and energy for the pursuance of the present work.

Finally, I fondly remember the interest shown and the encouragement provided by my father who would have been very glad to see this project complete.

The errors, if any such are there, are solely mine.

Darjjeling
8th. December, 1991.

Milindo Chakrabarti,
Department of Economics,
St. Joseph's College.

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Getting Started

For the last couple of decades social scientists in association with the political leaders and the beaurecracy all over the world have been observed to have woken up in the face of a grave concern : the question of providing 'justice' to all. They were all found to be contemplating in terms of a newly coined (!) concept of ensuring 'social justice'. All on a sudden it was realized that the earlier development process did not comply with the expected 'trickle down' effects of growth, rather it more or less acted in the opposite direction. So a new approach was formulated - an approach of development with 'social justice'.

The present study, as its title suggests, is an attempt to analyze a set of hypotheses to find out whether 'development' and 'justice' can go side by side in the context of a country like India. To make such an attempt, the first necessity is to set out the hypotheses and specify the structure of our analysis.

Hypothesis : 1 (H1) :- 'Rural Development' and 'Decentralized Planning' are the only ways out of the present (when they were initiated) situation.

On the face of such hypothesis the questions that automatically follow are ;

- A) What is the present day situation ?
- B) Is it bad ? If so, how did it turn bad ?
- C) What were the earlier prescription to do away with such difficulties ?
- D) Were they compatible with the then situation ?

E) If so, why is the need felt to have a change in approach?

Has the situation changed perceptively ?

F) If so, what are the perceptible changes vis-a-vis the past?

Hypothesis : 2 (H2) :- Integrated Rural Development (IRD) can provide an alternative economic structure to stabilize the present day situation.

The associated questions are :

A) What had been the intentions at the political level prior to the inception of the concept of IRD ?

B) How will the changed economic structure be resulting from the introduction of IRD ?

benefit the earlier section or will there be the emergence of a new section of beneficiaries ?

Hypothesis : 3 (H3) :- IRD can provide 'Social Justice'.

A) What is this 'Social Justice' that we talk of ?

B) What sort of justice IRD has provided so far ?

C) Has it failed to achieve the objectives ?

The scheme of this analysis having been formulated , we are now to take up the hypotheses separately and test them in the context of the associated reserch questions.

To take up such an exercise seems , at the outset , a bit confusing. So many of the questions raised in connection with H1 are related to those in H2. To do away with the confusion we have to make a few points clear before we proceed any further with our analysis. H1 deals with 'Rural Development' and 'Decentralized Planning' in general, whereas H2 has a particular thrust on IRD ,

a component of different programmes for rural development and decentralized planning. Once such a confusion is clarified we may carry out our studies without any hindrance.

Gilbert Etienne in the concluding chapter of a recent book asks :

'The reader might ask why I talk of a half won battle instead of half lost battle considering that so much poverty remains in India and considering also the chasm between the early expectations and the achievements ?' ¹

Although Etienne provides an answer to support that the battle against food and poverty in India is half-won rather than not half lost to show the degree of optimism he has about the future of the country , logically speaking one won't be wrong to call it a half lost battle highlighting the numbers of obstacles that stand between the win and the loss. Surely , we are thrown on to the problem of taking a subjective decision that can not always be dependent on facts and figures alone. A lot depends on how one approaches to tackle a particular hypothesis. Thus we are led to the problem of choosing the methodology.

To raise such a problem is bound to lead a social scientist to utter confusion considering the fact that the professional social scientists are still to find out a unique way to see to the formation and the consequent dynamics of a socio-politico-economic unit. There are divergent approaches to tackle such questions. So far as the analyses of economists are concerned for one group of them the main emphasis is put on exchange relations, whereas there is another group for whom the central focus is on production and subsequent process of

accumulation.

The first point that has to be clarified is regarding that of accepting the focal point. Will it be the relation of production or that of exchange that we are intending to start from in the course of our analysis? To clear up our position it is necessary to consider both the approaches at length.

Let us first take up the methodological approach that puts the main thrust on the gamut of production. In the existing terminology it is called the 'political - economy' approach and the other approach of which we shall discuss later bears the nomenclature of 'neo-classical economics'. To have a brief idea about the characteristics of the methodological approach in political economy, let us, for the sake of simplicity, do not go into the distinction at the beginning between Classical and Marxian political economy.

As it has been stated earlier, the political economy approach towards the understanding of the economic dynamics put most of its emphasis on the process of production. Schematically, it posed the following questions to be answered :

- a) What constitutes the wealth of a nation ?
- b) Where does it originate ?
- c) How are they distributed among people ?
- d) What determines its rate of growth over time ?

Historically speaking, it should be always kept in mind that the emergence of such questions was completely synchronized to the emergence of a capitalist order. Such a formulation emphasizing production to be the creator of wealth was necessary to facilitate the growth of the industrial process in England

that started in the later half of the eighteenth century. Incidentally, in course of formulating the framework regarding the wealth of a nation, the concept of 'wealth' came to be given a specific nomenclature of 'surplus'. And from Smith onwards through Ricardo and Marx, the classical political economy was mainly involved in pointing out the source of surplus and then the dynamics of the appropriation of the growing surplus generated out of the process of accumulation through production among the different appropriating classes of an economy.

The latter problem of distribution of surplus was taken up first by David Ricardo. And ironically, an analysis of such a problem led to the temporary eclipse of 'political economy' as a methodology of studying the economic dynamics of a society. As we shall see later, the methodology on 'neo-classical economics' had to emerge to counter the pessimistic conclusions provided by Ricardo and thereafter by Marx.

Ricardo, while trying to analyze the process of appropriation of surplus by different classes, came in to show the existence of conflicting interests between the landlords and the manufacturers. He argued that a higher rate of rent necessarily leads to a fall in the rate of profit, and thus puts the landlords and the capitalists at daggers drawn. Although he did not study the labour - landlord relationship directly, it was implicit in his argument that a positive gain of the landlords will definitely lead to an increased sufferings of the labourers consequent upon the slowing down of the rate of accumulation, even with the real wage rate remaining unchanged.

Although Marx did not want to join the club of 'Vulgar

Classical Economists' for their failure to understand changes in social conditions on a historical perspective, so far as the pessimistic conclusion about the capitalist system is concerned he may be very well considered along with Ricardo.

In the course of his studies, Ricardo formulated the labour theory of value to help construct his theory of distribution. The first appearance of the theory of value in Smith's argument can be traced in his concern for quantification of the surplus. As for Smith surplus did acquire a heterogenous content -- activities producing diverse products being acknowledged to be capable of generating surplus -- and as a result market or money prices, he thought, 'were too fickle and momentary to give a stable measure of value in terms of which the real content of surplus could be assessed and compared over time and between different nations'². To get rid of measuring such a heterogenous content of surplus, Smith argued the 'labour' to be treated as real money or the invariant standard. Ofcourse, he had two different ways in mind, one in terms of labour embodied and the other in terms of labour commanded.

For labour content of a product to be the measure of its value, it was necessary that like a measuring rod, the value of labour should remain invariant with the changes in distribution. Smith could easily find out that the concept of 'labour-embodied'³value could not sustain the wears and tears of a 'civilized' society characterized by the existence of wage earners, landlords and captilists as different groups of appropriators of value. Thus he had to argue in terms of 'labour commanded'⁴ value. However, it was Ricardo who did point out

that just like the former, the latter also suffered from the lack of invariance with a change in the structure of distribution. The value of 'labour commanded' as a unit was also shown to have a variable standard. Ricardo again cast his vote in favour of the labour embodied concept of value, and 'sought to measure the heterogenous aggregates (output, wages and capital) entering as determinants of his rate of profit in terms of an invariant standard, i.e., a commodity or a composite of commodities possessing the property that its own exchange value would remain invariant when distribution (i.e. wages/the rate of profit) changes'⁵. He developed his labour-embodied theory of value. Although, there were debates galore regarding the possibility of really having such a commodity or a composite commodity of such an invariant standard, it was shown by Piero Sraffa that such can really be conceived of⁶.

Infact, Ricardo's intention was not just to frame a theory of value. He went on further to show unambiguously that the rate of profit is determined uniquely once the wages are given and further that there is necessarily an inverse relationship between wages and the rate of profit. Thus, he could foresee that 'surplus in a competitive capitalist scheme, where the tendency towards the equality of rate of profit and wages prevailed, was located in production and not in circulation, and secondly, that the interests of the various classes were in unavoidable conflict. Given the methods of production, rents could advance only at the cost of profits, given the wage; and profits could advance only at the cost of wages'⁷.

With the emergence of Marx, the focus of attention centred along the class-conflict between capital and labour, the Ricardian emphasis on land - capital conflict being pushed a bit towards the sidelines. Whatever be the deviation between Marx and Ricardo be in connection with their pinning out the parties to the conflict, they pointed their fingers to an undoubted reality. The reality, got clarified, although again Marx and Ricardo differed considerably on this issue, with the use of labour theory of value as the foundation stone of their analysis.

To follow the chronology of the economic thought process, let us quote a few paragraphs from Bharadwaj ².

" It was, however, Ricardo's labour Theory of value that had already set opposing theoretical forces in combat. After Ricardo's death, with the advance of machinery and manufacture, the conflict between capital and labour sharpened. A group of Utopian Socialists, sometimes called 'Ricardian Socialists' the major names among whom are Bray, Hodgskin, Thompson and Gray argued on the basis of the labour theory that labour was being cheated of its legitimate claim on produce, and proceeded to suggest radical organizational reforms. The labour theory of value, developed until then over a long period (the beginnings can be traced even before Adam Smith) and accepted as a reasonable basis, was soon looked upon with grave suspicion. Some of the 'orthodox Ricardians' like Torrens and Mc Culloch were already troubled by the technical difficulties faced by the theory and they attempted to modify it so as to get rid of its obviously ideological flavour. The inverse wage-profit relation, an important result of Ricardo's theory, was restated in such a tautological and empty form as to amount essentially to its abandonment. Simultaneously, new schools were emerging and opposition gathered momentum. The extent of the opposition and generally, the hostile mood, is reflected in Carey's passionate denunciation: 'Mr Ricardo's system is one of discords.....its whole tends to the production of hostility among classes and nations..... His book is the true manual of the demagogue, who seeks power by means of agrarianism, war and plunder.....'

" The main question that troubled atleast some of the opponents was how to explain profits accruing to the

capitalists and how to overcome the 'system of dischords' and re-establish competitive capitalism as a system with natural harmony of interests and built-in justice. It was then that Senior's idea of abstinence --- the sacrifice contributed by the capitalists as a counterpart of the sacrifice of the worker --- was found eminently suitable....."

"The early seventies mark the turning point in economic theory. On the one hand, Marx published his *Capital*, in which the issues discussed in the earlier writings in political economy were critically shifted, interpreted in a different and richer theoretical context, and the critique of capitalist production developed in an impressively comprehensive framework. On the other hand, an entirely new theory of value, based on the 'novel' idea of marginal utility, was discovered --- almost simultaneously and independently by Jevons in England, Menger in Austria and Walras in France"

"What is worth noting, moreover, is the ready acceptance the new theory received. Infact, the historical coincidence of its independent appearance in three countries is sometimes put forward as sufficient proof of its objective scientific status. However, the theory of marginal utility was not all that novel, having already been sponsored by Cournot, Dupuit and Gossen in earlier years.Why, then, did similar ideas, rejected so summarily earlier, gain such ready and wide acceptance shortly after, in the seventies ? It is highly probable that an explanation is to be found, atleast partly, in the historical conditions of the period. By the seventies, capitalist relations in Europe had become pervasive and well-entrenched, and the major arena of conflict shifted to relations between capitalists and workers. Moreover, the conflict was not merely a matter of theoretical possibility; it had already assumed overt and militant forms. It appears that the intellectual confrontation with the theoretical system of political economy and the view of social relations it propounded had become immanent, and the new theoretical system was now more immanent, and the new theoretical system was now more congenially received. While in England the confrontation was openly with Ricardian theory, on the Continent the Austrian school took explicit cognizance of Marx and challanged his system of political economy.."

Hunt and Schwartz⁹ corroborated the above idea to argue : "Neo- Classical theory was largely on a response to certain 'unsetting' conclusions drawn from labour theory of value arguments current in the last century ."

Thus in a nutshell we could arrive at the socio-economic background behind the emergence of the Neo-classical

School of Economic Thought.

However, just having an idea about the reasons behind the emergence of the Neo-classical economic principles is not sufficient in the context of the present study. In the light of the background we have to analyze the characteristics of the economic ideas that emerged to counter the political-economic approach. We again quote at length from Bharadwaj¹⁰. According to her the salient points of Neo-classical economics in contrast to the viewpoint of classical political economy are :

" (a) The new [neo-classical] theories introduced through their characterization of the productive process and their concept of 'costs' a symmetry among all the revenue categories and offered a uniform explanation of 'factor rewards'.

(b) The theory of price itself subsumed the theory of distribution in the sense that both product and factor prices were explained by the same processes, equilibrating demand and supply.

(c) The 'individual' making optimizing decisions in response to prices emerged as the basic unit of analysis.

(d) A formal and apparent symmetry was introduced in the roles that production and consumption play in determining prices. This introduced, prominently, considerations of individual subjectivity; for ultimately consumption provided not only the *raison d'être* for production but also the basis for determining factor rewards; while consumption was itself explained on the basis of utility maximization by individuals, guided essentially by relative prices, the system of preferences of the individual was taken as foreknown.

(e) Analysis shifted prominently to the sphere of circulation or exchange; both, the determination of all the quantities and of distribution, being subsumed under the general theory of relative prices, the latter came to acquire analytically the key role as a driving force behind change."

Although the salient points of neo-classical economics as cited above are quite self-explanatory in nature we shall lay some special emphasis on (c) and (d).

Let us first consider (c). It is quite clear that such a feature was absolutely necessary to be included into the new economic thought to counter the demon of 'classical' social

disharmony. "Each individual is endowed with an initial set of factor - land, labour power, etc. -- and exchanges these for an alternative set of factors such that his 'utility' is maximized. Everyone is happy. The system is stable and self-reproducing. No conflict, no social classes, no exploitation, no imperialism, no wars. The 'invisible hand' has cleared the Market"¹¹. Thus having attempted to do away with the concepts that may give rise to social - disharmony, the neo-classical approach tried to further consolidate the concept of individual ethic. To quote Hunt and Schwartz again :

"All statements about society are reduced to those about privatized, self seeking individuals ... in economics we still have the unending celebration of the instalment-plan Robinson Crusoe, the sovereign consumer guiding the economy as he maximizes his satisfaction "Using the mediou of money, consumers cast their votes in the market to determine what gets produced and by whom"¹².

This concept of individual ethic can be analysed from several angles. However, we have to avoid such a temptation in the present context. We are to emphasise the aspect of every individual being given the right to maximize his own satisfaction and make himself happy in the theoritical premise of the neo-classical economic system. However, does it mean that every individual is treated equally in such a theoretical structure ?

According to Gunnar Myrdal:

"the whole theoretical objectives of J.B.Clark may be summed up as an attempt to prove the thesis that, given true competition, price formation will meet the requirements of equity, in as much as each man's income must then correspond to the value to society of his productive contribution. Yet Clark, too took it upon himself to stress that economic science as such had nothing to do with the question of the relative justice or injustice of existing institutions, laws, or customs. The same dual attitude is apparent in the majority of neo-classical theorists."¹³

To consider (d) we have to point out the neo-classical

critique of the classical doctrine in the context of its 'subjectivity'. Having done away with the Classical tools of 'class', 'conflicts' as well as the concept of surplus, alleged to be subjective in nature, the neo-classical framework introduced the objective understanding of the economy with the help of concepts like that of production, profit and prices to lead to a visible equilibrium situation in an harmonious set-up. Thus, the neo-classical economic structure is tied to the 'acceptance of the socio-economic institutional structure. Capitalism defines the constraint -- the economist's task clearly delimited within their bounds'. To quote Milton Friedman : "The economist's value judgements doubtless influence the subjects he works on and perhaps at times the conclusions he reaches.... . Yet this does not alter the fundamental point that in principle, there are no value judgements in economics ".¹⁴ From this point of view the neo-classical economics leads us to some objective conclusions completely 'value-free' as against the subjective classical political economic methodology. Samuelson argues :

"The consumer is, so to speak, the king each is a voter who uses his money as votes to get the things done what he wants done¹⁵.

"To understand what determine labour and property's share in national product, and to understand forces acting on the degree of equality of income, distribution theory studies the problems of how the different factors of production -- land, labour, capital, enterprenuership and risk taking -- are priced in the market place or how supply and demand interact to determine all kinds of wages, rents, interest yields, profits and so forth..... the Clark neo-classical theory of distribution, although simplified, is logically complete and true picture of idealized competition.¹⁶

" Under perfectly perfect competition, where all prices end up equal to all marginal costs, where all factor prices end up equal to values of marginal-products and all total costs are minimized, where the genuine desires and well

being of individuals are all represented by their marginal utilities as expressed in their dollar voting -- then the resulting equilibrium has the efficiency property that 'you can't make any one man better off without hurting some other man' ¹⁷.

This aspect of objectivity is further elaborated by Daniel Bell.

" Modern economic modes of thinking -- those of the last 200 years -- depart in two wholly novel ways from all previous modes of thinking -- about the subset of human activities that it labels 'economic' -- a word that was not established until Alfred Marshall's *Principles* in 1890; until that time the term used was 'political economy'. The first departure was to isolate economics from a traditional context of moral activities, and to establish it as a set of activities that could be judged purely in instrumental terms. The second was to conceive of the world of economic exchanges, analytically, as an autonomous, self-consistent realm, a system of structural relations in which an understanding of economic activities could be derived from the postulates of the system.

There were two intellectual reasons for these developments. Related to the first was the association of economics with modern liberalism and its fundamental tenet that human beings were to be regarded as individuals detached from family, class, clans or nation, as independent, self-determining beings, each the judge of his own actions; a corollary of this tenet was that the rules regulating the relations between individuals were to be procedural, not morally substantive.....

Subsequently, in its first 75 years, English economic theory developed in context of utilitarianism which postulated that the happiness of the greatest number was the outcome, if not the object, of independent economic choices.....

The second, intellectually distinct yet historically related, development was the new idea of economics as a science. But the view of science that was prevalent then was the explication of an underlying structure of constants, of invariant relations beneath the flux of turbulent surfaces, and the formulation of a general set of equations governing the interconnections of those constants....

In short, economics moved from the moral (or political) and normative to the instrumental and scientific; and the great structure of this achievement was the neo-classical edifice of Alfred Marshall and the mathematical formalization of this set of relations in the 'general

equilibrium' theory of Leon Walras."¹⁸

Thus, the arguments arranged above tend to give us a feeling that in essence, the neo-classical methodology proved to be superior to its 'political economy' counterpart in the sense that it could provide a scheme that would definitely lead one to come to an objective assesment or conclusion, to say, regarding the dynamics within an economy. A clean set of positive proposition regarding the functioning of an economy was portrayed to have appeared onto the scene to do away with the normative approach of the 'political economy' as a methodology of analysis.

Infact, this assertion is liable to take a 180° turn the moment we attempt finding out the different tools used under the two methodological schemes. For the neo-classicists -- the proponents of demand supply interaction --- the tools are the tastes and preference patterns of an individual both as a consumer and as a producer. A complete list of subjective attributes associated to human livelihood gets mixed up to derive the taste and preference parameters of an individual. On the other hand the tools in the hands of a political economist are firstly surplus and the associated concept of wage and secondly the concepts of profit and rent into which the appropriated surplus are split up through the process of appropriation. It is hard to deny the 'objectivity' of such concepts.

Now that we have been forced into a situation to compare between two distinct methodologies where one, the political economy approach makes use of objective tools unhesitatingly to arrive at some subjective or normative

conclusions and the other refers to use of subjective tools to a scientific, objective conclusion, at least one point is made amply clear. Neo-classical approach can never be on a straight forward account accepted to be superior to the other approach on the grounds of objectivity. Both the approaches have the concept of subjectivity *vis-a-vis* the concluding observation. And ultimately one is led to another subjective decision making regarding the acceptability of one in relation to the rejection of the other.

One who believes in the maintenance of the status quo-- who does not want the possibility of any sort of pessimistic future shroud the apparently glittering present ---- will subjectively choose the neo-classical alternative. Whereas, those who look to the future possibilities to analyse the present will use their value judgement and choose the way in terms of the methodology of political economy.

The elaborate comparative discussion on the two existing methodology (without denying the existence of several sub-branches shooting out from either of the broad groups) makes it mandatory on the part of the present author to pick up his choice. Unhesitatingly the choice is objectivity first and subjectivity second, not the other way round. It is felt that in doing so, the present author is somehow being able to come out of the 'glittering' trap of objectivity as laid down by the school of neo-classicists.

Furthermore, considering the neoclassical tenets of :

- a) acceptance of the socio-economic institutional structure;
- b) the premise of social harmony;

- c) a bombastic, antiquated individualism;
- d) the State being an impartial arbitrator, not committed to particular class or group; and
- e) total lack of historical perspective;

it will probably be antithetical, in the present context of analyzing the new developmental target-group oriented approach of rural development taken up by the State in view of the earlier historical lapses, to accept the methodology provided by the neoclassicists. And we must not forget the argument of this school of thought that their approach as such has nothing to do with the question of relative justice or injustice of existing institutions, laws or customs. A methodology which clearly expresses its attitude towards justice in such a strong word cannot be taken up to deal with the problems of rural development and social justice.

However, the stage is not set clear yet in spite of the acceptance of 'political economy' as our methodology to proceed further. As we have already noted, the methodology of political economy has got two distinct branches, one being the 'classical', with the other being the 'Marxist'. So it is necessary to be specific about choosing the particular branch as well. In doing so first of all we have to draw up the schematic difference between these two approaches. To put it in a nutshell, Marx incorporated the essence of history to his scheme such that 'one obtains a clearer and more explicit recognition that the concepts and categories in terms of which the analysis builds up a theoretical system are specific to the historically developed mode of production itself'²⁰, as opposed to the classical scheme

which often conveyed the impression that they considered their particular theoretical constructions to be 'eternal truths' universally applicable to all times²¹.

Considering the set of hypotheses we have prepared for ourselves for testing in the context of our present study, we cannot but to accept the approach outlined by Marx. Otherwise, the historical flavour cannot be incorporated into our analysis.

NOTES

1. Etienne (1988) P:263
2. For a detailed analysis see Bharadwaj (1986) P: 12-17
3. 'Labour embodied' value of a commodity implies the amount of labour that is necessary to produce the commodity.
4. 'Labour commanded' value of a commodity implies the value of other people's labour that the commodity can command; i.e., the quantity of the labour of society which one can buy with the quantity of labour contained in one's product. See for a detailed discussion Roll (1949) P:160-61, Smith(1950) Chaps V & X, Ricardo(1960) Chap II.
5. See Bharadwaj op.cit. P:14-5
6. Bharadwaj op.cit. argues : "Such an 'invariant standard' which Ricardo failed to discover, has been constructed by Piero Sraffa in his Production of Commodities by Means of Commodities (Cambridge,1966). The ingenious construction of the 'standard commodity' has the requisite properties, and serves the analytical purpose

of locating the determination of profits in production and in unambiguously demonstrating the inverse relationship between profits and wages without foreknowledge of prices." footnote at P:15.

7. Bharadwaj op.cit. P:15-16
8. Bharadwaj op.cit. P:17-20
9. Hunt and Schwartz (1973) P:20
10. Bharadwaj op.cit. P:31-2
11. Hunt and Schwartz op.cit. P:9-10
12. Ibid P:10-11 quoted from Homan et al (1958) P:68.
13. Ibid P:8.
14. Friedman (1967) P:86.
15. Samuelson (1964) P:56.
16. Ibid P:525-6.
17. Ibid P:621.
18. Bell (1981) P:47-8
19. Hunt and Schwartz op.cit. P:8.
20. Bharadwaj op.cit. P:5.
21. Ibid P:5.

2

The Present
Structure

Having solved the problematics of methodology, we can now take up the hypotheses one after another for detailed examination. In this chapter and the one to follow we shall concentrate on H1. To start with we have to specify the 'present'. Broadly, it is taken to be the early 1970's when "greater emphasis on social justice re-emerged... around the politically fraught slogan of 'garibi hatao' (to remove poverty). To the existing policies, special agencies and schemes for the poor were added ".¹ And the process of adding up new schemes and agencies to that end has been continuing till date. Ofcourse, the most important of the rural development programmes can be observed to be the Integrated Rural Development Programme(IRDP) that was introduced in India in 1979. As we have already stated out, in H1 we shall consider all the schemes that come within the perview of rural development and decentralized planning. IRDP will be taken up later specifically in the context of H2.

H1 starts with the first question as to what is the present day situation. The present situation will henceforth mean the economic scenario that existed during the decade of 1970's.

What was the structural characteristic of the Indian economy during the seventies ? Rao(1983)and Sundrum (1987) provide some interesting insight into the question. However, it should be recalled that the methodology we have adopted, does not view the economic dynamics of a particular time period in a society out of a historical vacuum . We cannot but have to consider the structural position of Indian economy with reference to the past. And in this connection we have to consider the socio-politico aspects as well. To maintain such an approach we

shall have to take up the historical background of the Indian social system.

A scholar noted,

"that India belongs to two worlds is a familiar platitude that happens to be true. Economically it remains in the pre-industrial age. It has not had an industrial revolution in either of the two capitalist variants..... [Britain and the U.S.A.], nor according to the communist one [China]. There has been no bourgeois revolution, no conservative revolution from above, no peasant revolution. But as a political species it does belong to the modern world."2

Structurally speaking, India is accepted as a democracy in terms of her political existence. Moore wonders as to how India could attain the sort of parliamentary system of democracy without an industrial revolution. He argues that such a paradoxical situation is an answer to the appalling problems facing the Indian government. For him, the Mughal Empire was never threatened by any aristocratic or bourgeois privileges and liberties. Nor were there among the peasants any forces at work that would have been likely to produce either an economic or a political break with the prevailing society. Inefficient cultivation, partly due to Mughal tax farming and partly because of the existence of a well-structured caste system was the order of the day. And further more, the caste system also absorbed the innovation and exploitation without any change, thus not giving rise to any sort of peasant rebellion as it took place in China. "The Mughal system", Moore argues, "simply broke down, due to dynamics of increasing exploitation produced by its system of tax farming"3. This provided the Europeans the opportunity to establish their control over India during the 18th. century.

The British regime at the initial stages modified the

land management structure to their requirement although virtually keeping the existing system unchanged⁴, introduced policies that pushed the artisan castes crushing gradually into oblivion⁵. According to Moore, "the British further made visible the whole apparatus of Western scientific culture that was a threat to traditional priestly privilege." Moore goes on adding, "the response was the Mutiny of 1857, a reactionary convulsion and unsuccessful effort to expel the British".⁶ This modest beginning in the structural adjustment prior to the Mutiny started becoming more and more pressing once the upsurge was subdued. There emerged a class of parasitic landlords. Moore argues,

"despite poor cultivation, the peasants did generate a substantial economic surplus. The British presence, the failure of the Mutiny, the character of the Indian society ruled out the Japanese solution to backwardness: rule by a new section of the native élite which used this surplus as the basis for industrial growth. Instead, in India the foreign conqueror, the landlord, and the money lender absorbed and dissipated this surplus. Hence economic stagnation continued throughout the British era and indeed into the present day."

"On the other hand, the British presence prevented the formation of the characteristic reactionary coalition of landed élites with a weak bourgeoisie and thereby, along with British cultural influences, made an important contribution toward political democracy. British authority rested heavily on the landed upper classes. The native bourgeoisie, especially the manufacturers, on the other hand felt cramped by British policies, particularly on the trade, and sought to exploit a protected Indian market. As the nationalist movement grew and looked for a mass basis, Gandhi provided a link between powerful section of the bourgeoisie and the peasantry through the doctrine of non-violence, trusteeship, and the glorification of the Indian village community. For this and other reason, the nationalist movement did not take a revolutionary form, though civil disobedience forced the withdrawal of a weakened British empire. The outcome of these forces was indeed political democracy, but a democracy that has not done a great deal toward modernising India's social structure ..."⁷

Interestingly, it may be noted that "from the lower

class people Gandhi infact elicited no truly political response, if that is taken to mean a willingness to plan , organise and be subject to discipline for the sake of gaining power. They reacted to him with mixture of adulation and millenary anticipation".⁸

Thus democracy did come to occupy the central stage of the Indian political system without , ofcourse , being accompanied by any liberal change in the social structure nor there could be observed any revolutionary change in economic front . A vicious circle got firmly established in free India with a stagnant agricultural sector , very small impetus to industrialisation leading to the money lenders and the landlords skinning off what surplus there was , mainly for unproductive purposes.⁹ With ushering in of independence , and Nehru emerging as the sole undisputed leader of the Congress within a very short time (by 1950 both Gandhi and Ballabh Bhai Patel were dead), attempts were started to be made break the vicious circle.¹⁰ "They amount to using a combination of economic incentives and political compulsion to induce the people of the land to improve productivity and at the same time taking a substantial part of the surplus so generated to construct an industrial society."¹¹ Thus there were the abolition of Zamindari to encourage peasant farming which in the late 1960's could become the foundation for introducing green revolution¹². By 1955 India was to follow a socialist pattern of society without hampering the interests of neither the landed aristocracy nor the industrial bourgeoisie.¹³ The introduction of Community Development Programme was also with an eye to stimulate the peasants' output. However, the abolition of Zamindari, legislation regarding ceiling on landholdings and

the consequent operation of distributing surplus land to small and marginal farmers and landless agricultural labourers did not follow the expected way. The Community Development Programme also proved to be a non-starter. More was left to be done proving the strong collaborative force of the landed aristocracy and the state machinery to be a hard nut to crack. Almost simultaneously, the industrial bourgeoisie and the state machinery collusion also started flourishing at a rapid rate through the public sector investments in the infrastructural sector. But what was observed to be missing was a direct collusion between the landed power and the bourgeoisie. The introduction of the new technology in agriculture during the mid sixties may be regarded as the first milestone to that effect.

The period between 1965-67 is an important time frame so as far as Indian politico-economic situation is concerned. First, the severest low-harvest situation in Indian agriculture was experienced during this period. Ironically, the 'Green Revolution' was also initiated during the same time. It was for the first time in the Indian political scenario that in 1967 Congress lost power at the state level in all north-Indian states - from Himachal Pradesh to West Bengal.¹⁴ And finally, the discontent among the poorer section of the society started simmering in different parts of the country.

Against this backdrop we shall be trying to understand the structural changes that took place in the Indian economy since independence till the beginning of the 1980's. Let us first consider the fluctuations in the year to year growth. Table : 2.1 shows that "while annual fluctuations of a wide order

are seen in all the three decades, there seems to be a tendency towards an increase in the element of fluctuation over succeeding decades. Thus while the standard deviation for the entire period from its trend rate was 0.2333. it was 0.0089 in the first decade, rose to 0.0146 in the second decade and touched 0.0162 in the third decade."¹⁵ Table 2.2 provides the above information at a further disaggregated level.

Now to consider the sectoral distribution we observe from Table 2.3 that the rates of growth of secondary and tertiary sectors have been more than double that of the primary sector, with the secondary sector having an edge over the tertiary sector over the whole range of the period under consideration. However, the decadal level growth rates of both the primary and secondary sectors are observed to be declining with that of the tertiary sector showing an increasing trend. In fact, in the last decade, i.e. during 1970-71 to 1979-80, the tertiary sector even grew at a higher rate than the secondary one.

According to Rao, "the slackening of the growth of the secondary sector in its NDP contribution, especially during the later half of the period, seems to indicate some measure of retrogression in the inter-sectoral growth of the Indian economy."¹⁶ He further argues, "if this trend continues into the 1980s, it does not augur well for either overall growth of the economy or its structural change in the desired direction."¹⁷

Another aspect of the structural change of the economy is the change in the sectoral allocation of the labour force. Table 2.4 gives an idea in that direction. We find that the total labour force increased at the rate of 1.46% in the

1950s, at 0.86% in the 1960s and at 2.12% in the 1970s. However, there has been little change in the sectoral allocation of the labour force, and it is only in the latest decade that the secondary and tertiary sectors have made some gains at the expense of the primary sector. Further on a sectoral disaggregation (see Table 2.5) it may be observed that agriculture had absorbed the bulk of the increase in labour force in each decade; the share of the service sector, out of this increases, rose steadily, whereas in the industrial sector the share was fluctuating.

Parallely, following Rao, if the economy is disaggregated into two heads, modern¹⁸ and traditional¹⁹, we observe, "that there is a steady increase in the share of the modern sector in terms of the totals for the quinquennial periods, indicating a trend towards modernization in the organizational pattern of the economy (see Table 2.6). The increase in the share of modern sector in terms of quinquennial data is from an average of 54.79 percent to 60.34 percent in the last quinquennial period. All the same that nearly 40 percent of all economic activity still falls in the mixed income of the self employed shows that the traditional sector continues to play a strong role in the organizational pattern of the Indian economy."²⁰

By now we have obtained the answer to our first question. Although there had been a trend observed towards modernization of the economy, traditional sector plays a vital role in it. Further, there had been a structural retrogression in the economy arguably not favourable for stability as well as

overall movement in the desired direction.

So we are now to face the next question in the order. How really could this structural retrogression be working in or against the interest of the particular section of the society for which the economic policies of the country were framed ever since the independence? This sort of a query necessitates the identification of the beneficiary group out of the policy framing vis-a-vis the running of the country.

We have already hinted at existence of the agriculture-State and bourgeoisie-State nexus running simultaneously ever since independence. However, such an assertion needs substantiation. Kochanek²¹ has provided an interesting insight into the logistics of the one-party democracy under the Congress rule that was experienced in independent India more or less upto 1967. The different levels of association of the Congress party with the banias²² and the hindu nationalism²³ during the movement for independence was taken up by scholars for detailed examination. These studies more or less gave us the idea of a simultaneous, association of the state machinery under Congress rule with agricultural and industrial trading interests.²⁴ This is a symptom which Bagchi²⁵ refers to as the fractured compromise that started since the 1930's to result into a democratic consensus.

However, since 1967 the whole situation changed. Congress came in for its first electoral debacle in 1967. The party split in 1969. The first episode resulted out of the defection of middle peasantry - middle caste group from the congress fold. The second was the outcome of an attempt on

behalf of Mrs. Gandhi to reduce the dominant middle-caste representations and raise that of the lower castes in order to supplement the traditional Congress support base among minorities, scheduled castes and tribes. Populisms in the form of bank nationalization, the abolition of privy purses, the *garibi hatao* slogan and the 20 point programme served as means of greater mobilization of lower castes."²⁶

Thus the prevailing ideas of consensus and compromise as to be replaced by another set of ideas, to usher in gradually, in course of time, another system of compromise and consensus, so that the State apparatus could be controlled by the existing group of industrial-trading and agricultural interest with least disturbances to the powers and class relations in the society. "Power was to be transferred, rather than conquered; power was to be appropriated rather than destroyed or transformed."²⁷ And the new group of rural elites in the form of owner-peasantry came out to be further benefitted through the introduction of the 'new agricultural strategy' in the late 1960's.²⁸ Parallely, the industrial interest started benefitting more out of nationalization of commercial banks and the associated policies in connection with the growth of industries and trade.²⁹

Once such an identification problem is resolved, we can observe that structural retrogression was very much against the interest of the existing ruling class and further such a movement was also leading to a social unrest by antagonising the toiling masses and a thorough examination of the existing situation was felt urgently necessary. And special thrust were put on 'Rural

Development and Decentralized Planning'. Interestingly, however, the concept of Rural Development and Decentralized Planning were nothing new in the context of the policies for economic development of the country. The next chapter provides a historical perspective of decentralized planning in relation to the developmental policies of the country and provides as well an answer to the question as to what were the earlier prescription to do away with such difficulties.

Table : 2.1

Annual Rates of Change in Real NDP*

Year	Rate of change	Year	Rate of change
1951-52	2.0171	1966-67	0.8599
1952-53	3.2882	1967-68	8.3241
1953-54	6.3150	1968-69	2.8118
1954-55	2.8574	1969-70	6.3698
1955-56	3.4155	1970-71	5.1973
1956-57	5.5847	1971-72	1.7339
1957-58	-1.7257	1972-73	-1.0421
1958-59	8.1568	1973-74	4.7258
1959-60	2.1313	1974-75	1.5207
1960-61	7.0311	1975-76	9.2071
1961-62	3.6745	1976-77	1.6486
1962-63	2.0108	1977-78	8.4744
1963-64	5.5236	1978-79	5.2960
1964-65	7.7006	1979-80	-4.7564
1965-66	-4.9538		

* : quoted from Rao (1983) P:30

Table : 2.2

Annual Rates of Per Cent Change in Real Sectoral Incomes and NDP*

Year	Primary	Secondary	Tertiary	Total NDP
1951-52	1.5430	0.1906	4.2010	2.0171
1952-53	5.0207	0.1268	1.6996	3.2882
1953-54	7.7839	6.0798	3.3424	6.3150
1954-55	0.2379	8.4179	5.1523	2.8574
1955-56	0.0509	10.1572	6.1159	3.4155
1956-57	4.9644	8.4458	4.8871	5.5847
1957-58	-4.9395	-0.2765	3.6627	-1.7257
1958-59	11.8356	5.5453	4.7427	8.1568
1959-60	-2.3231	6.8301	6.1261	2.1313
1960-61	9.1868	9.9590	6.5533	7.0311
1961-62	6.8491	7.6034	5.9670	3.6745
1962-63	-2.6274	7.0667	6.2979	2.0108
1963-64	2.8324	9.5438	6.8309	5.5236
1964-65	8.9593	7.2947	6.1114	7.7006
1965-66	-13.8105	2.9720	2.7578	-4.9538
1966-67	-1.2041	1.0160	3.3500	0.8599
1967-68	15.2656	3.1749	3.5115	8.3241
1968-69	0.5016	4.3824	4.8467	2.8118
1969-70	6.2449	8.3722	5.0844	6.3698
1970-71	8.5946	-0.8156	5.1599	5.1972
1971-72	-0.6430	2.5354	4.4402	1.7339
1972-73	-6.4125	3.7202	2.6956	-1.0421
1973-74	7.3799	2.4485	3.1490	4.7258
1974-75	-1.9787	2.7044	5.0058	1.5207
1975-76	12.9360	5.1235	7.6550	9.2071
1976-77	-6.5680	9.7282	6.2828	1.6486
1977-78	12.4859	6.5829	5.4803	8.4764
1978-79	1.6504	8.1189	7.5009	5.2960
1979-80	-13.1670	-2.3956	2.6672	-4.7564

* : quoted from Rao (1983) P:31

Table : 2.3
Compound Growth Rates*

Sector	50-51 to 60-61	60-61 to 70-71	70-71 to 79-80	50-51 to 79-80
NDP	3.77	3.39	3.71	3.63
Primary	2.66	1.78	1.69	2.09
Secondary	5.81	4.94	4.84	5.19
Tertiary	4.63	4.76	5.27	4.95

* : quoted from Rao (1983) P:32

Table :2.4
Sectoral Allocation of Labour Force : 1951-81*

Year	Agriculture	Industry	Service	Total
(A) Number of Workers (in 000s)				
1951	103640	15270	24311	143221
1961	119098	19312	27128	165538
1971	129890	20812	29671	180373
1981	153016	29972	39528	222516
(B) Percentage Distribution				
1951	72.4	10.6	17.0	100.0
1961	71.9	11.7	16.4	100.0
1971	72.0	11.5	16.5	100.0
1981	68.8	13.5	17.7	100.0
(C) Percentage Distribution of Male Workers				
1951	71.7	11.9	16.4	100.0
1961	71.7	12.8	15.5	100.0
1971	69.8	11.9	18.3	100.0
1981	65.6	14.5	19.9	100.0

* : quoted from Sundrum (1987) P: 109

Table :2.5

Sectoral Components of Increase in Labour Force : 1951-81
(Numbers of Workers in Thousands)

Period	Agriculture	Industry	Services	Total
1951-61	15458 (69.3)	4042 (18.1)	2817 (12.6)	22317 (100.0)
1961-71	10792 (72.8)	1500 (10.1)	2543 (17.1)	14835 (100.0)
1971-81	23126 (54.9)	9180 (21.7)	9857 (23.4)	42143 (100.0)

* : quoted from Sundrum (1987) P:110

Table : 2.6

Modern and Traditional Sectors in the Economy -- NDP Shares by
Quinquennial Totals at Constant Prices*

Period	NDP in Rs Crores)		Total	Percentage Share in Total NDP	
	Identifiable Factor Incomes or Modern Sector	Non-identifiable Factor Incomes or Traditional Sector		Modern Sector	Traditional Sector
60-61 to 64-65	39549	32624	72173	54.79	45.21
65-66 to 69-70	45825	36732	82557	55.51	44.49
70-71 to 74-75	58507	40081	98588	59.34	40.66
75-76 to 79-80	72740	47808	120548	60.34	39.66

* : quoted from Rao (1983) P:40.

Notes

1. Etienne, (1988), P:226.
2. Moore, (1979), P:314, parentheses in the text mine.
3. Moore op cit P:315.
4. See for a detailed discussion Rothermund (1978) Chap 3
P:33-40
5. See for a detailed discussion Gadgil (1974) Chapter III
P:33-46.
6. Moore op cit P:316.
7. Moore op cit P:316, For a detailed elaboration of the
concept see Moore op cit P317-385.
8. Brown (1974) P:345.
9. Moore op cit P:385.
10. However, evidences show that Gandhi & Patel were also
agreeable to follow such policies. See Brecher (1959)
P:390,395, 509-510.
11. Moore op cit P:385-86. We shall discuss an example of this
policy in detail in the context of the nationalization of
the commercial banks later in Chapter:3
12. Discussion on Green Revolution follows later in Chapter:3.
13. A discussion on Indian socialism and its effects follows
in Chapter :3 .
14. See Kochanek (1968)Chapter 16 & Jain (1988).
15. Rao (1983) P30-31.
16. Ibid P33.
17. Ibid P33.
18. One whose NDP can be broken up into factor shares.
19. One whose NDP is a mixture and cannot be broken up into

factor shares.

20. Rao op cit P40-41.

21. See Kochanek op cit.

22. See Low (1988).

23. See Graham (1988)

24. We shall discuss this assertion in some further detail in Chapter:3 when we take up the trends vis-a-vis decentralized planning in India.

25. See Bagchi (1991)

26. See Jain op cit P:256

27. See Bagchi op cit P:611.

28. This is reflected through the betterment of the terms of trade in favour of agriculture since 1966-67. See Mundle (1981) P:174-175 Table 6.5.

29. For a detailed exposition see chapter 3 that follows.

3

of

Decentralization

For the last couple of years, discussions are heard of at the political or even at the academic levels that we have to chalk out a developmental policy that incorporates the concept of decentralized planning. To quote from a recent study,

"..... decentralized planning must be seen as an instrument for making the planning process more responsive and relevant to the people's needs and problems. This will not only ensure greater social justice but will also release latent potential of human and material resources. Thus decentralized planning should be regarded as not only a 'cost reducing' but also a 'resource augmenting' process."

The re-emergence of the emphasis laid on the need for decentralized planning may be the realization that even after almost four decades of planning (at the central level!), we have hardly been able to enforce social justice² in our country. We observe that from 182 millions in 1957-58, the rural population below poverty line has increased to 222 millions by 1984-85. A study has put considerable blames on the Five Year Plans instituted at the central level for such happenings.

"A major discrepancy and therefore a major lacunae in India's Five Year Plans arises from our attempts to alleviate rural poverty and to raise rural against urban incomes with the capacity to change relative growth rates of agriculture and manufacturing..... Roughly 2/3 of income of the country is closely associated with urban areas while 1/3 is firmly based in rural areas as against 3/4 of the population reside in rural areas."³

Arguing further, Shetty points out that "the Seventh Five Year Plan with a modified rate of growth of 8% for industry while agriculture only at 4% endorses the declining opportunities of the rural areas"⁴.

What actually do we mean by 'decentralized planning' when we plead a case for or against it? In the Indian context, the concept embodies the devolution of decision-making-power

regarding planning and development at a sub-state level. From the very beginning of our planning era we do have planning bodies both at the central as well as the state levels. Thus, decentralized planning implies a choice of planning unit at the sub-state level, may be the village or block or subdivision or even the district. Such choices are obvious keeping in mind the administrative infrastructures that have already been built up at those levels. Ofcourse, there has been an inconclusive debate- one that is still going on- regarding the choice of unit vis-a-vis decentralized planning. However, we have no scope for highlighting the debate in the present context. So how then to define the concept?

As the institution of Panchayati Raj has been in existence for a long time ever since its inception in the early fifties it may be argued that it should have taken deep roots into the rural society. This institution is characterized by the election of people's representatives at village, block as well as district levels. Further, since decentralization, at least in the present context, signifies devolution of decision making power from the top to the bottom, we can have a practical definition of decentralized planning that may be put as :

Decentralized Planning is a planning process where the decisions regarding further economic development, i.e, planning and their consequent implementations are undertaken at the village, block or district levels by the elected people's representatives through the institution of Panchayati Raj.

Having obtained the definition of 'decentralized planning, we can now attempt tracing the emergence of the concept in the pages of the history of the development of Indian

political and economic thought. And in this context, it is interesting to note that the necessity of having decentralized planning process in our country were felt a number of times even before we attained independence. Studies reveal that 'development from below' was the concept introduced for the first time by the late Prime Minister Jawaharlal Nehru..... To him planning was an instrument not only to improve the prevailing economic conditions but also the social characteristics of Indian society particularly in the rural area. To achieve this, he wanted the 'Panchayats' to be drawn into the network of planning and its implementation'.⁵ "Nehru carried himself the expression 'Panchayat Raj' to give an Indian name to the words 'Democratic Decentralization' so as to translate the Gandhian 'Gram Swaraj' through self-help."⁶

Mahatma Gandhi, just after India became independent, commented,

"True democracy cannot be worked by twenty men sitting at the centre. It has to be worked from below by the people from every village."⁷

Gandhi further argued that it is only through decentralization as visualized in the Constructive Programme, that the means of production of the elementary necessities of life can remain in the control of the masses.

However, Gandhian concepts of "Constructive Programme", "Trusteeship" were condemned and criticised to be utopian, unprogressive etc. by many. Even Nehru categorically discarded the concepts of Trusteeship and Khadi Movement viewing them to be an intensification of individualism in production that will lead to a throwback to the pre-industrial age.

The First Five Year Plan formulated under the stewardship of Nehru aimed at initiating measures of social justice on a wide scale. Although it was admittedly a 'plan of preparation' and 'little more than a five year programme of Govt.-expenditure', the need for decentralized planning was recognized from the very inception of Five Year Planning in India. The Community Development Programme was introduced in 1952, i.e., in the midst of the First Plan and was extended so as to cover 12,000 villages at the end of the First Plan.

"The Fundamental aim of the Community Development Movement is that the people in the villages are enabled, through their own efforts and in co-operation with one another, to bring about improvements in all aspects of rural life and rapid betterment of their standard of living - the Government assisting by providing technical assistance and organizing supplies of credit. The institutions through which self-help and co-operation are enlisted and all efforts are channelled are (i) the panchayats at the village, block and district levels, and (ii) a network of co-operatives with the primary society at the base, linked up to federated units at higher levels. Social change is sought to be achieved by a programme of activities which may be broadly as under:

- i) Increased employment and production: Every family should have a plan of its own -- scientific agriculture in its widest sense, cottage and small-scale industries, etc-- and the necessary assistance should be given for this.
- ii) Co-operation: The co-operative movement is the main agency for social change. It should be spread so that every family is represented on at least one co-operative society on its own right. The primary aim is to encourage thrift and promote social cohesion....."8

Interestingly, although Nehru strongly criticised the Gandhian ends of 'Gram Swaraj', the means to achieve it, i.e., the concept of 'Panchayati Raj' very much attracted him. Thus we observe that during the course of the Second Plan, the Community Development Programme got itself strongly associated with 'Panchayati Raj'. "The Second Plan clearly visualized a well

organized democratic structure of administration within the district in which the village panchayats would be organically linked with popular organizations at the higher levels. Pending further studies, the Plan offered interim proposals for setting up District Development Councils and also Development Committees in the blocks. The recommendations of the Study Team set up by the Committee on Plan Projects in favour of a system of 'democratic decentralization' were considered by the National Development Council in January 1958. The Council emphasized that the foundation of any democratic structure had to be democracy in the village."⁹

The Second Plan further proposed in the context of Community Development Programme that "along with the district, the block should serve as a unit of Planning and Development. It was suggested that in the following fields, proposals for the Third Plan should be drawn up by the States on the basis of district and block plans:

- (1) Agriculture including minor irrigation, soil conservation, village forests, animal husbandry, dairying etc :
- (2) Development of Co-operatives:
- (3) Village Industries :
- (4) Elementary education, specially provision of school buildings for local committees :
- (5) Rural water supply and the programme of minimum rural amenities, including construction of approach road or rail head; and
- (6) Works programmes for further utilization of man-power resources in rural areas."¹⁰

However such expectations were belied as we find Iyengar reporting, "Although efforts were made in several states to prepare block plans specially in agriculture, in the main, the plans of States have been prepared independently of local plans."¹¹

The Balwant Rai Mehta-led Study Team on Community Development and National Extension Service (1957) clearly pointed out the failures of the Community Development Programme to evoke popular initiative.

Not only the Balwant Rai Mehta Committee, but also we find Nehru himself lamenting in 1963 that it was a pity that the whole movement of Community Development which aimed at improving quality of living of men and women in rural areas, was getting into the rut. "We are losing ourselves in procedures, in long discussions..... and not doing what we are supposed to do in this matter." Regarding Panchayati Raj, Nehru argued, "We must give power to the people even though it leads us to hell. We will certainly come out of the hell if we get there..... The trouble is that we deal more with papers than with practical work. We prepare and issue such enormous papers as are difficult for people to digest."¹²

Regarding the carrying out of the task of democratic decentralization, however, the Mehta Committee suggested the creation of a three tier system of Panchayati Raj institutions. The report was very enthusiastically accepted and legislative measures were taken up in various states for setting up Panchayati Raj institutions.

The planners also took the cue from the Mehta Committee

Report (1957) and hailed the legislative measures taken up by the States towards the creation of Panchayati Raj institutions as the major significant step forward. The Third Plan regarded the growth of Panchayati Raj institutions as one of the principal tasks to "enable each area to realize its maximum development potential on the basis of local man-power and other resources, co-operative self-help and community effort, and effective use of the available resources and personnel."¹³

Interestingly, "the euphoria generated by the initial efforts at democratic decentralization, however, did not last long. The progress of setting up Panchayati Raj Institutions were halting and uneven..... The conflicting bureaucratic interests and political pressures saw to it that these bodies remain anaemic or defunct and elections to Zilla Parishads often been kept in abeyance for years at a stretch."¹⁴

The study by Sen and Roy¹⁵ regarding Community Development Programme corroborates to such an argument. On the basis of an all-India survey, they observed that the owner-cultivators have been benefitted the most from the programme. Moreover, they found that the programme had been still seen as an official venture and the people depended on the government to do things for them. The block development officers rather than their elected representatives were considered as the key man in the programme.

These observations along with Nehru's lamentations help us understand that, although, so far as policy framing was concerned, there were attempts at imparting social justice through active participation of the people at the grassroot-level,

that could not be ascertained due to the bureaucracy wielding much power than the people's representatives. And such a phenomenon even led to the benefits of the programme going to the richer section of the village-folks.

Is it to be believed then that the onus lies solely on the bureaucracy regarding the non-achievement of the goal of reducing social justice? It is better we have an idea regarding income inequality that persisted during the sixties. Bardhan¹⁶ estimated that percentage of rural population below the minimum level of living increased from 38 in 1960-61 to 53 in 1967-68. Ahluwalia¹⁷ estimated the incidence of poverty to have risen from 38.9% to 56.6% during the same time period.

Interestingly, it is during this period of time that the Rural-Urban Relationship Committee submitted its report in 1966 and emphasized on the concept of area management where "a whole area should be treated as one unit for administrative purposes and rural and urban areas falling within it should be treated as integral parts of the area for the purpose of overall planning and implementation of the development projects." The Committee recommended the districts which were already in existence as administrative units should also be considered as units for planning taking into account both rural and urban areas falling within its respective jurisdictions because such an idea was "compatible with national objectives, regional requirements, local needs, people's aspirations and technical and administrative constraints".¹⁸

On the other hand, scholars started arguing for the implementation of the community Development Programme in the

urban areas. To quote, "Rather, the Community Development Movement would have been able to achieve very good results if urban areas have been taken up first. It is in such areas that we have initiative and enterprise, with the additional advantage of concentration in small areas. A hundred such urban centres dealt with by Community Development Programme would have proved most effective as instruments of audio-visual instruction. Even now it would be wise to shift the emphasis from the rural to urban areas."¹⁷

The argument put forth above in the preceding two paragraphs, makes clear at least two points in this context. Firstly, planning at the village level could not be initiated due to lack of administrative infrastructure at that level, implying the bureaucracy's supreme authority in the implementation of developmental policies and secondly, the argument that the urban areas should be given more emphasis in the development policies also gained high currencies among some intellectuals. Although it is no denial of the fact that the urban areas were not having the problem of poverty, still considering the larger incidence of poverty in the rural areas and further, understanding well that the urban poverty was also a direct consequence of rural poverty - a result of migration of poverty from rural to urban centres - the emergence of such an idea clearly represented a deviation from the avowed goal of enforcing social justice taken up in the plan-documents since the beginning of the planning era.

Incidentally, against this backdrop, in the late-sixties, India, along with some other third world countries, turned into the hotbeds of rising dissatisfaction among the rural

population which in some cases even culminated into peasant struggles. "The special survey done by the Home Ministry in 1969 on the nature and causes of current Agrarian Tensions in Rural India [was] a clear indicator of the growing unrest."²⁰

So the priorities had to be remodelled. The Fourth Plan underlined the need for strengthening the planning machinery at different levels. The Planning Commission issued detailed guidelines for the preparation of district plans in 1969. And by the early seventies were observed important changes in the planning process in terms of strategy, approach and organisations. The emphasis having shifted to a target group approach, several programmes were initiated aiming at poverty removal and employment creation, the most notable being, Crash Scheme for Rural Employment (CSRE) MFAL, SFDA and different Area Development Schemes. Singh argues that "with the launching of these programmes the need for microlevel decentralized planning came to be increasingly realized."²¹ However, the concept of people's participation was hardly given any opportunity to creep into these programmes. Although new agencies were evolved to implement such programmes, those also remained tied to the bureaucratic machinery. And the schemes went on to be operated even during the Fifth Plan. What were the results?

Prof. Amartya Sen observed,

"The recent Indian schemes to promote employment partly reflect increasing public concern with the phenomenon of rural poverty. The magnitude of this poverty, no matter which estimate one accepts, is, however, so large that even if the schemes all prove highly successful no dramatic impact can really be expected. Further those who are affected do not in fact come from below the poverty line as was noted in reviewing the CSRE, SFDA and MFLA programmes.

"The class composition of the beneficiary is by no

means as straight-forward as it may first appear. Through significant loopholes in the conceptions of programmes it has turned out that many among the poorest cannot benefit at all from this programme, while some of the relatively better-off can be covered by them. The institutional framework of rural India makes this problem extremely real."²²

A World Bank Report also supported Sen's observation arguing, "While the target groups among the rural poor gain from secondary employment, the owners of the assets, specially land, typically obtain large benefits from the infrastructure created."²³

Thus, in the process of our attempt to find out the answer to the question as to why were the earlier prescription to do away with such difficulties, we have also obtained the answer to the next question regarding the compatibility of the 'policies' with the then situation. Recalling from the earlier chapter that by the late 1970s there were observed,

- a) increasing fluctuations in the growth pattern of NDP;
- b) a structural retrogression of the Indian economy;
- c) the emergence of the agricultural sector, as still the largest generator of employment potential; and
- d) existence of a traditional sector, in spite of a trend towards modernization,

it was quite clear that there had been a perceptible change in the situation by the seventies compared to what it was during the 1950s. The so called 'trickle down' expectation turned out to be complete myth.²⁴

Consequently, there arose the need for evolving a new strategy. The World Bank observed that the earlier policies failed due to the inability to activate grass-root level socio-

economic institutions in regions and sub-regions of rural areas to ensure 'people's participation' in rural development. The report stated, "There is a growing consensus that the effective planning and implementation of rural development programmes requires the following elements :

- 1) A National plan or programme of action for rural development, together with supporting national and regional policies and adequate central-local financing arrangements.
- 2) A strong organisation at the national level to coordinate vertically organized, central government sectoral departments.
- 3) Greater decentralization with effective machinery at the regional and local level to coordinate the sectoral activities of national departments operating in the region and regional and local departments.
- 4) Participation by the rural poor in the planning and implementation process through local government project advisory committees, co-operatives and other forms of group organisations."²⁵

Consequently, the Indian planners, who were eager to find out a cause behind the failure of the earlier policy, took up the cue and started cursing the old policies for not ensuring active participation of people at the grassroot level through decentralization of power regarding developmental decision making.

Thus spake the Draft Sixth Plan (1978-1983):

"The Plan, whose primary emphasis is on rural development and rural services, will demand a much greater level of organisation and public participation than past plans."²⁶

Accordingly, the Draft Sixth Plan introduced the concept of IRDP,

a programme that had already been introduced in other third world countries since the early seventies. With the premature change in the government, and the new Sixth Five Year Plan (1980-85) replacing the previous one, the emphasis on IRDP, a concept popularized by FAO and other related UN agencies, was further intensified with all the blocks being brought under its purview by 1980.

And parallelly, efforts were on to operationalize the process of decentralized planning. Reports were submitted by the Working Group on Block Level Planning (1978), The Committee on Panchayati Raj Institutions (1978) and the Working Group on District Planning (1984). In short, it comes out that all the reports were unhappy with the existing state of affairs and suggested certain modifications in the procedures, mostly related to the spatial expanse of the unit of planning and the course of involvement of the Panchayati Raj Institutions in decentralized planning process.

We may take stock of the impacts of the recommendations of several expert committees in the context of operationalizing the process of decentralized planning. As we have already spelt out the case of IRDP will be taken up separately in the context H2.

It is to be noted that along with IRDP, a number of employment generation programmes such as NREP, RLEGP etc were introduced simultaneously. Studies have shown that they also failed miserably to attain the objective of enforcing social justice.²⁷

Reviewing the plan documents and reports of various

committees and working groups, Singh provides a unique summary regarding the pre-requisites and essential features of decentralized planning. They are :

- 1) Decentralized Planning is considered to relate the developmental effort to the specific resource endowment, potential and need of each area. Further it has to elicit popular participation in plan formulation and implementation;
- 2) District level planning will act as the central pivot in the decentralization process, providing a link between grass root planning and state level planning;
- 3) Multiplicity of planning organisations at the district level has to be done away with;
- 4) Sectoral programmes from above has also to be abandoned;
- 5) The process of decentralized planning is to be gradually carried to the lower levels. However, it should not be relegated upto the village level. The block may be a more appropriate unit for area planning; and
- 6) The Panchayati Raj Institutions at different levels are the most appropriate bodies to be made responsible for decentralized planning.²⁶

Singh²⁷ further provides a critical assessment of the aforesaid prerequisites. We are not repeating them. It is better we concentrate a bit more on the sixth prerequisite for decentralized planning as mentioned above. It is well known that since the early eighties, some states started the process of planning at the decentralized level. Most notable among them are West Bengal and Karnataka. Now, a successful approach towards decentralized planning is surely the handing over of the decision

... households possessing the small holdings. On the other hand that of households possessing large holdings enjoyed a steady decline.³¹ At the state level, even the same trend holds good in West Bengal, often referred to as the 'red fort' of the Communists. The Agricultural C...

making responsibilities on to the elected representatives of the Panchayati Raj Institutions. However, for such an approach to try implement social justice to the down-trodden poverty-stricken rural masses and to arrive at a truly participatory democratic forum at the panchayat level we must have proportional representation of all the communities existing at that level. Here is an interesting study on Karnataka. After the 1983 elections to the Zilla Parishads, 56% of the ZP Adhyakshas were found to be belonging to the two dominant land-owning castes, although these two castes constituted only 28.6% of the population of the state. In terms of occupation, most of them were found to be large farmers. Out of twelve such Adhyakshas only three had landholdings below 5 acres and of them only two belonged to the non-dominant backward caste and the rest to the scheduled caste. On the other hand, out of the five Adhyakshas having land holdings of over 40 acres, four belonged to the two dominant classes of the Vokkaligas and the Lingayats, the rest being a Coorgi. Two more Adhyakshas belonging to the Vokkaliga caste had holdings between 20 to 40 acres and the rest, one Kuruba and the other a Jain, a minority community, had holdings between 10 and 20 acres. The study rightly questions, "When the institutions of democratic decentralization operate in a grossly inequitable rural setting..... how can planning and implementation of development activities for the rural poor be delinked from the skewed political structure?"³⁰

Against this backdrop of observation cited in the previous section, we would like to set ourselves to provide answers to the following questions :

1) Why there had been continual reference in the course of preparing Indian development policy of having a system of decentralized planning through people's participation at the grass root level? Or, what purpose does the process really serve? and;

2) Why did they fail to deliver any good at the grass root level in our society?

Before going for providing any answer to the above questions, it is better to consider the structure of the Indian economy. As per the text book terminology, India is a mixed economy in the sense that her development policy accommodates both public sector and private sector enterprises. The private sector has been given a free hand regarding the production of consumer goods subject to certain control and check by the government, whereas the public sector has been given the monopoly to produce the very basic capital goods and to provide the necessary infrastructural facilities. And further with the nationalization of commercial banks and the insurance companies, the public sector also enjoys an almost complete control over the financial capital market. On the other hand, in the context of agricultural production, the process of marginalization is moving at a rapid pace. Between 1961-62 and 1982, there has been an increase in the percentage of households possessing the small holdings. On the other hand that of households possessing large holdings enjoyed a steady decline.³¹ At the state level, even the same trend holds good in West Bengal, often referred to as the 'red fort' of the Communists. The Agricultural Census carried out in 1985-86 reveals that the number of marginal holdings (land

below 1.0 ha) increased by 6.6% between 1980-81 and 1985-86. On the other hand the number of large holdings(land size of 10 ha and above) declined by 8.9% over the same period. In 1980-81 there was hardly any land holding of size below 0.02 ha. By 1985-86, there were noted about 24,800 such holdings. However, one may argue such a symptom should not be called 'marginalization' in the context of West Bengal as it may have resulted from a successful implementation of the land reform measures. Such an argument receives a severe jolt when we consider studies that observed that the category of medium and large farming households still control a very high share of land compared to the proportion of households falling in those size classes³². A quantitative picture comes out of the Agricultural Census document for West Bengal carried out in 1985-86. Only about 9.9% of the land holdings still account for 35.6% of the total agricultural land under use in the state, whereas on the other hand 90.1% of the land holdings, belonging to the small and marginal farmers constitute 64.4% of the total operated area. With the ushering in of the process of marginalization, the agricultural sector has in general come in for a crisis in terms of its importance vis-a-vis the national production structure. Whereas in 1960-61, the agricultural sector could provide 51% of the NDP, by 1986-87 its share came down to 33.3%. This is the result presumably of two major governmental policies. Studies have shown that agricultural growth in India is very much dependent on the growth of yield. And such a growth of yield is directly related to the use of modern technologies involving HYV, controlled irrigation, chemical fertilizers, pesticides among

others, or in other words, to the sustenance of the green revolution.³³ Interestingly, it has been already observed that the so-called green revolution did benefit only the landlords and rich peasantry³⁴, since it were only they who could take the risk of going in for big investments that the introduction of modern technology demands. Thus the steady going marginalization process is offering the opportunities of growth in agricultural process to a gradually declining number of agriculturists. The situation has been pathetic further as a result of the policy of the government in terms of keeping the prices of the agricultural products low vis-a-vis that of the industrial products. Since NDP is always measured in value terms, the comparatively high price of the industrial products also tends to inflate the share of industry in the NDP in relation to that of agriculture.

So it is clear that the surplus that is generated out of the agricultural sector is controlled only by a few handful of peasant proprietors. Shetty quoted an ICSSR - Punjab State Planning Board joint study to point out that because of their inadequate incomes, about one-third of the marginal farmers and one-fourth of the small farmers in Punjab -- the base of green revolution-- are living below the poverty line.³⁵

What happens to the surplus? Previously, the surplus generated in the rural areas controlled by the feudal lords were mainly used up in luxury as there were no such machinery at the hands of the industrial capitalists to channelize the surplus to be invested in their enterprises. Prior to nationalization, the commercial banks hardly had any rural network. However, with the

nationalization of banks, interestingly in 1969 when the green revolution was just making its presence felt, the Indian capitalists found it easy to channelize the surplus from the rural areas to the urban production centres. And that is the indication of the beginning of a direct collusion between the landed elite and the bourgeoisie. Such a proposition gets a support, although not fullproof, when we observe that from 8321 at the end of 1969, the number of commercial bank branches increased to 54163 by the end of September 1987³⁶ and most of them were situated in the rural areas. To be a bit more specific, the share of rural branches increased from 22.17% in June 1969 to 55.83% by June 1987. This is further evident from the RBI data that in June 1978, almost nine years after nationalization of the first batch of commercial banks, the credit-deposit ratio for the rural India was 52.5% compared to 79.9% for the urban metropolitan cities. However, with the IRDP being introduced at a rapid rate since 1979 the gap seems to be narrowing down.³⁷

In this context it is important that we divert a little to understand the political economy of nationalization of the banking industry. Such an understanding will help us to conceive of the problems of poverty, rural development and decentralized planning in a some what better light.

India with effect from January 3, 1977, by the Constitution (forty second) Amendment Act 1976, came to be known as a "Sovereign Socialist Secular Democratic Republic". The addition of the words 'Socialist' and 'secular' to the existing idea of "Sovereign Democratic Republic", which was accepted ever

since the introduction of the Constitution of independent India, did not indicate any drastic change in the state policy. That India wants to achieve a socialistic pattern of the society was asserted way back in 1954.

Having realized that the avowed goal of India was to achieve socialism and by the mid-seventies the goal had been achieved, constitutionally speaking, the impression about such an achievement needs to be formalized. What are the symptoms of the typical Indian socialism? Judging the several governmental policies the symptoms come out to be :

- a) To put a considerable emphasis on the importance of public sector investments in the Plan-documents and the Industrial Policies;
- b) To go for the nationalization of almost all the leading scheduled commercial banks as well as the insurance companies; and
- c) To create a situation of providing equal opportunities to all her citizens through taxation, labour legislations etc and the recent experiments of poverty alleviation programmes.

One may argue that the decision on the part of Indian state-power to go for centralized centralized planning is itself an indication of India's going socialist. For them Seymour Harris asserted, "Planning has no place under pure capitalism, for it does not allow much room for the capitalist trinity -- sovereignty of the consumer, the tyranny of the price system and the quest for profits".³⁸ If that argument are to be accepted simultaneously we have to face the next question : Is it then so

that the present declaration of the policy of decentralized planning is an indication of a movement towards 'pure capitalism'? Such is so asked because of the fact that by 'planning' Harris wanted to mean centralized planning alone.

However, in the context of the present discussion we do not accept the question as it is and also the logic behind raising such a query seems questionable. However, in course of our analysis, attempt will be made to answer the question, from a different view-point. It should be clarified at the very outset that we do not accept such a simplistic formulation of ideas in a world so complex in understanding.

Let us start with considering the first symptom of socialism in the Indian context. Such symptoms relate to the emphasis given to public sector enterprises throughout the planning period in the country. Scholars argue "India has followed the path of democratic centralism as an instrument for developing more on the pattern of socialist development. Concept of mixed economy has been followed in which public and private sectors play complementary roles but the public sector is assigned a leading role"³⁸. Table:3.1 provided in the appendix to the chapter shows the outlay and investment during the five year plans.

The interesting observation that emerges from Table:3.1 is that although upto the Fourth Plan, public sector investment increased both absolutely and relatively vis-a-vis private sector investment has been following a declining trend. And interestingly enough, it is during the period of the Fifth Plan, that India was Constitutionally declared a socialist country

through the 42nd Amendment to the Constitution.

How then to explain this apparent paradox ? We have to trace the history of planning through the pre independent period. In 1944 , eight leading industrialists of India led by Puroshottamdas Thakurdas and J.R.D. Tata prepared "A Plan of Economic Development for India", popularly known as the Bombay Plan. And quite interestingly, the Plan pointed out clearly that "the precise form in which the capital may be raised will depend among other things, on the role to be assigned to the state in the future economy of the country..."⁴⁰ That the Plan earnestly argued in favour of State control over economic activities gets clear in the following lines from the Plan documents.

" During this period, in order to prevent the inequitable distribution of burden between different classes which this method of financing [by deficit financing , i.e. by manufacturing money to create wealth] will involve, practically every aspect of economic life will have to be so rigourously controlled by government that indivisual liberty and freedom of enterprise will suffer a temporary eclipse ."⁴¹

Regarding the planning for industrial development, the Bombay Plan distinguished between two principal categories of industries : a)basic industries and b) consumption goods industries. To quote from the plan documents:

"Basic industries, which could get priority over the other type of industries in the earlier years, would include amoun others the following principal groups :

- Power : Electricity
- Mining and metallurgy : iron and steel, aluminium, manganese etc
- Engineering : machinery of all kinds, machine tools etc
- Chemicals : heavy chemicals, fertilizers, dyes, plastics, pharamaceuticals etc.

Armaments :

Transport : railway engines and wagons,
shipbuilding, automobiles, aircrafts
etc.

Cement

These industries are the basis on which the economic superstructure envisaged in the plan will have to be erected."⁴²

Quite obviously, the first government of the independent India could smell the intentions of the preo-Congress formulators of the Bombay Plan and the Industrial Policy Resolution of April, 1948, as well as the First Five Year Plan document clearly revealed the emphasis of the state control on those basic industries, excepting of course, the cement industries. The Second Five Year Plan document clearly pointed out that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector. Other industries which are essential and require investment on a scale which only the states in the present circumstances, could provide, have also to be in the public sector.⁴³ The same argument was echoed in the Industrial Policy Resolution of 1956. However, interestingly, the whole policy thrust started moving in the opposite direction since the Fifth Five Year Plan. The Draft Fifth Five Year Plan document (vol.:1) noted that the repercussions of the shortfalls during the Fourth Plan on the performance of public sector enterprises, the major investors in core industries such as steel, fertilizers, non-ferrous metals, heavy engineering, has had an an adverse impact not only on industrial production but also on allied service industries such as power and railways, on agriculture, on the creation of internal financial resources and on the balance of

payments.⁴⁴ To come out of the impasse, 'approximately Rs. 4000 crores (were) expected to the private sector investment in key and essential industries in the Fifth Plan period'.⁴⁵

The question that emerges automatically is : what are the reasons behind such a volte face in the State Policy towards private sector industries, that emerges when one intends to read between the lines ?

The answer to the question above can be given properly only when we consider the second symptom of Indian socialism that indicates the nationalization of the banking sector in 1969. With the solid network of bank branches even extending to the distant corners of the rural India since nationalization, the banking sector started playing an important role in channelizing the surplus generated in the rural and semi-urban areas to the urban areas. Table:3.2 provides a clear understanding of the trend of the expansion of the banking sector ever since its nationalization.

The table shows the emphasis given on expansion of bank-branches in the rural areas. Whereas in 1969-70 the number of rural branches was only 1832, it increased more than 16 times to 30781 by 1987-88. On the other hand the number of total bank branches increased only about 6.6 times or so over the same period from 8262 to 55015. Well, this was one of the avowed reasons behind nationalization, with the idea being to extend banking facilities even to the distant rural areas. However, if we look into the credit facilities provided by the commercial banks we get a completely different picture. Both Table:III & IV help concieve the situation. Although figures could not be

obtained on comparative basis, Table:3.3 shows the concentration of credits in a few metropolitan and urban areas even three years after nationalization, i.e., in 1972. In December 1972 14 cities of India accounted for 50.5% of the total deposits but enjoyed 65.9% of the credit facilities provided by the commercial banks.

The table clearly shows that out of the four metros excepting Delhi, all the rest enjoyed a higher percentage of advances than that of deposits. They together accounted for 32 % of the aggregate deposits but grabbed 45% of the available credit sanctioned by the Indian banking sector.

However, the above argument does not suffice to prove the claim that the banking sector was nationalized to serve the industrial interest by channelizing the surplus generated in rural India to the metropolitan and urban industrial centres. Two weaknesses can be cited regarding the above evidences. Firstly, it does not have the comparative flavour as we get in a time series. Secondly, 1972 situation can be easily disregarded to portray the expected results of nationalization, since it may not be expected that such effects would be felt within three years of taking such action.

However, we can present statistical evidences for the later years, and that also in the form of a time series to support in a stronger way the proposition that is intended to be ascertained. Table :3.4 gives the credit - deposit ratios separately for the rural , semi-urban and urban/metropolitan areas.

The table clearly reveals that inspite of so many

honest (!) attempts, the rural sector of the Indian economy still enjoys a lower credit-deposit ratio than its metropolitan/urban counterpart. The situation of the semi-urban area is worse further. Of course, there is a trend towards the narrowing down of the disparities, for reasons which will be clarified in the course of the argument that follows. Thus it gets portrayed that the industrial interest in the metropolitan/urban centre of the country gained the most even after the nationalization of the commercial banks. To prove the point further let us concentrate on Table:3.5

The table clearly portrays that ever since nationalization, the commercial banking sectors issued larger and larger amounts of credit to the commercial sector than to the government. To add further to it we find in table VI that follows, that from the eighties onwards the investment by the nationalized banking sector in the securities of the non-government enterprises is quite significant having reached the level of 15987 crores of rupees in 1987-88 from rupees 3181 crores in 1979-80.

Table:3.6 may in one way account for the declining trend in the net bank credit to commercial sector as percentage of that to the government since the early eighties as we found in Table-V. With more and more investments by the commercial banks in the non-government securities, the demand for credit on the part of the commercial sector might have slackened.

Thus we believe that now there are grounds enough to accept the argument that the nationalization of the commercial banks helped considerably serve the private sector industrial

interest at the expense of the rural sector of the Indian economy.

The whole argument posed above was to find a clue to the volte - face on the part of our planners to go for opening up some key and essential industries to the investment by the private sector. And we are now a bit convinced regarding the reasons behind such decision. Firstly, through the planning process spanning about a quarter of a century, the public sector enterprises were in a position to provide the necessary infra-structural facilities as well as raw materials to the private sector -- and intention expressed unhidngly even in the Bombay Plan. Secondly, the nationalization of the banking sector could provide a sufficient source of capital to the private sector industrialists mainly concentrated along the metropolitan/urban areas. As we have noted earlier in the Second Five Year Plan document that those essential industries requiring a big amount of capital investment which the private sector was not able to provide were to be established in the public sector. Now the private sector interest with the banks ready to provide funds either through credit or through investments in the later years attained a position to think of even bigger investments.

In a way it is thus clear that the first two symptoms of Indian socialism have been very much directed to serve the industrial interest. And regarding the third symptom, without any hesitation it can be argued that as a concept it is very much prevalent even in the countries which hate to call themselves Socialists, like say, America.

In order then to find out as to whether the afroesaid

symptoms of Indian socialism are compatible with the doctrine of 'socialism' we have to start with the definitional aspect. The concept has been nurtured by various school of thought. Proudhon, Fourier, St. Simon or Robert Owen defined and explained socialism in their own ways which Marx and Engels, while putting down their own ideas of scientific socialism, called to be utopian. However, there is certainly one common point in such arguments in the name of abolition of private property.⁴⁶ Marx and Engels were a bit too rude (?) to even to do away with the profit motive of production. Thus if we take socialism to mean a social system where there is put an end to the exploitation of one individual by another and the interests of the society as a whole are placed above those of the individual -- or of any segment of the society, in case there is a conflict between the two, then it appears that the differences among the various school of thought arose in the context of the implementation of the concept. Some viewed the abolition of the institution of marriage as the way out, whereas some other found the answer in raising a class-- struggle.

What is then the character of Indian socialism in the light of the above definition and their various ways of implementation? It is pertinent to quote Jawaharlal Nehru, the 'guru' of Indian socialism in this context. In his presidential address to the Indian National Congress in 1936, Nehru declared,

"Socialism is for me not merely an economic doctrine which I favour, it is a vital creed which I hold with all my head and heart. It something even more than an economic doctrine, it is a philosophy of life and as such it appeals me."⁴⁷

Although he was deeply impressed by what he saw in the Soviet

Union on his first visit in 1927, his concept of planning, it is argued, was totally different from that of Marxist planning. To him, "what is happening today behind the Five Year Plan and other economic programmes in India is the change over from the traditional society into a modern society" and "while the state should control strategic points in economic scene such as banking and insurance by and large a controlled and mixed economy with certain amount of regulation of the private sector would be enough to bring about the desired transformation."⁴⁸ However, that he was also confused with his own ideas gets clarified if we consider the assertion that the long term objective of planning and economic policy was to achieve a "socialistic pattern of society in which the basic criterion for determining the lines of advance would not be private profit but social gain, and the pattern of development would be so planned that it would result not only in a rise in national income but also in closer equality in incomes and wealth."⁴⁹ Thus his choice for both private sector enterprises and efforts for social gain at the expense of private profit stands contradictory.

And we have seen earlier that the economic policies and planning measures taken up in the name of socialism in India did place the interests of a few individuals well above those of the society. Several studies of which we have mentioned earlier, have shown the increasing trend in the disparity in income distribution, which even seem to have crossed the tolerable limit resulting in discontents among the masses in several places throughout the history of Indian planning, particularly since the late sixties. The increasing pauperisation of the larger section

of the society has concerned those few favoured handful of industrialists as well, fearing shrinkages in the demand of their enterprises which are mainly of the consumptive nature. To avoid such a catastrophe it is necessary to provide purchasing powers in the hands of the pauperized masses, as it was done in America during the period of New Deal after the great depression through governmental reliefs way back in the thirties. The Indian version of 'New Deal' comes in the form of IRDP on a short term basis and the proposal for De-centralized Planning with a long term view.

Thus it may be argued that there is an apparent incompatibility between the present economic policy favouring the private industrial interest and the constitutional 'socialism' if we are to accept the basic interpretation of 'socialism' meaning the greatest happiness of the greatest number. However, the incompatibility can be done away with if we accept the so called Indian version of socialism coined by Nehru which was meant not to attain such a goal in practice, rather to have a "change over from the traditional society into a modern society". The traditional society with almost negligible industrial capacity prior to independence was to be replaced by a modern society that can test fire medium range missiles to show its power to the entire world even when millions of its people are starving.

However, for capitalism to prosper it is not only the easy availability of finance that is necessary. It also requires the infrastructural support as well as the basic raw materials, like coal, iron and steel etc. Thanks to the concept of achieving a 'socialistic pattern of society', which even ultimately culminated into an achievement of 'socialism' through

constitutional amendment in the seventies, such facilities were provided by the public sector involving huge capital investment and even subsidies in prices.

It is interesting to note in this context that the Bombay Plan Document of 1944 prepared by among others, Messrs JRD Tata, GD Birla, Lala Sriram, Kasturbhai Lalbhai, pointed out clearly that "the precise form in which the capital may be raised will depend among other things, on the role to be assigned to the state in the future economy of the country" The Plan earnestly argued in favour of State control and State ownership.⁵⁰

But a capitalist sector is not happy with the growth in production only. They have to earn surplus, and as a result, they have to see that their products get sold. So they have to assure the generation of effective demand for their products also. The question is, where is that effective demand to be generated from?

India is a country where almost 80% of the population are residing in the rural areas. Thus if there is to be really a growth in the effective demand, that must come from the rural areas. However, still today, Indian capitalism is mainly producing for the rest 20% of the population as is evidenced by the present boom in electronic consumer goods production.⁵¹ And such a decision seems to be quite rational on the part of the industrial capitalists, considering that the sector that is gradually increasing its share in NPD at a rate higher than that of the industrial sector, is the service sector. The consumer goods industry is just channelizing the flow of funds in the service sector to their coffers. The problem is, to really have a steady

growth in effective demand from the rural population; the rural population will have to be provided with some purchasing power. One way out is to control inflation. But that will have a negative impact on the generation of surplus. So some other alternative is to be devised. And the easy way out has been found out in using public funds to increase the purchasing power of the upper stratum of the rural population. Such an alternative will solve a number of purposes. Firstly, the pattern of the demand generated out of them will more or less be similar to that of the existing richer section which implies that industrial sector will hardly have to change its existing pattern of production. Secondly, as Rao has observed, the neo-rich will act as a cushion between the haves and the have nots to resist complete polarisation²². Thirdly, increasing the perception of the rural people about their rights will help destroy, atleast to some extent, the feudal symptoms of usury, bonded labour, which under a capitalistic regime are always treated as unproductive activities from the economic point of view.

And how to attain that objective? For a country like India, largely characterized by inegalitarian distribution of land in the rural areas, the best way out is to set up local bodies and provide public funds to them to decide for their own development. By the law of power, the local bodies will mainly be controlled by the existing upper class and some extent the neo rich and with law helping them to become decision-making agents, they will always strive for their own benefits. Simultaneously, in the process they will add to their own purchasing powers.

Thus we observe, ever since our independence, the importance laid on the concept of decentralised planning. Interestingly, from the very concept of Community Development Programme to the present IRDP, the schemes have been framed out of the capitalistic thought process. Community Development Programme being the brain child of an American Mr. Albert Mayer, the concept of IRDP has been put forward by FAO. The intermediate schemes of SFDA, CSRE were also framed by experts from World Bank or UN.

The reason that we have put forward behind the laying of emphasis on rural development through participatory democracy gets confirmed when we consider the following passage from the Draft Sixth Five Year Plan (1978 - 83): "The pattern of industrial development that has emerged obviously reflects the structure of effective demand, which is determined by the distribution of incomes. An unduly large share of resources is thus absorbed in production which relates directly or indirectly to maintaining or improving the living standards of the higher income groups..... This means that the further expansion of industry is limited by the narrowness of the market. As a result, further import substitution of consumer goods or capital goods cannot at current level of demand, afford any great impetus for continued industrial growth⁵³

Table:3.7 clearly relates the renewal of demand for providing decision making power at the grass-root level to the lowering of the industrial growth rate.

We have seen in the previous section that although devolution of power to the grass root level was mentioned ever

since the First Plan document, the concern to implement that started only in the sixties. In the Fourth Plan several development schemes for the rural poor were announced in the wake of a 2.6% growth during the plan holidays. Mrs. Gandhi came out with the slogan of 'Garibi Hatao' keeping the still poor 4 % growth during the Fourth Plan in the background. The Draft Sixth Plan was prepared highlighting IRDP and other projects when the annual growth rate of the previous year 1977 - 78 again fell to a low 3.9 % . Implementation of IRDP was extended all over the country in 1980 only when in 1979 - 80 there was registered a negative growth in industrial production (- 1.78 %) . The concept of decentralized planning got properly introduced in West Bengal and Karnataka in 1985 keeping in mind the low rate of industrial growth in the previous years. And again Mrs. Gandhi at the centre was showing interest in devolution of planning power when industrial growth slumped from 9.1 % in 1986 - 87 to 7.7 % in 1987 - 88.

Such is not the situation only in our country. This is a common feature relating to almost all the third world countries. As a consequence, it is not only the governments at the national level but also the world bodies of UN, World Bank, FAO, and others are prescribing the way out in the form of devolution of power.⁷⁴

The answer to the second question as to why the intention of enforcing social justice at the grass-root level failed is quite implicit in the answer provided for the first question. Still to make it explicit, it may be said that since the structure of all the third world economics including that of

India is built up to cater to the accumulation of surplus for the interest of "World Capitalism"⁵⁵, whatever measure is taken by the governments will aim at serving the interest of the owners of capital. Enforcement of social justice is never the objective to be attained in actuality under the present system, no matter to what extent that is spelt out in the governmental policy.

Thus to summarise, we have observed that the concept of grass-root planning is not at all new in the Indian development policy. Several times the proposal came to the limelight only to be shadowed down in the course of time. The reason behind the recurring emergence of the concept lies in serving the interest of national capital in particular and the world capital in general.⁵⁶ Moreover, under the present structure, such concepts will be never implemented really with an eye to do away with social injustice.⁵⁷

Table - 3.1**

Outlay and Investment During the Five Year Plans.
(Rupees in crores)

	First Plan (1951-56)	Second Plan (1956-61)	Third Plan (1961-66)
1. Public Sector			
Outlay	1960	4672	8577
2. Public Sector			
Investment	1560	3731	6300
3. Private Sector			
Investment	1800	3100	4100
Total Investment			
(2 + 3)	3360	6831	10400
Investment: Percentage Distribution.			
1. Public Sector	46.4	54.6	60.6
2. Private Sector	53.6	45.4	39.4
3. Total	100.0	100.0	100.0

Table - 3.1 (contd.)

Outlay and Investment During the Five Year Plans.
(Rupees in crores)

	Annual Plans (1966-69)	Fourth Plan (1969-74)	Fifth Plan (1974-79)*
1. Public Sector			
Outlay	6625	15779	39426
2. Public Sector			
Investment	N.A.	13655	36703
3. Private Sector			
Investment	N.A.	8980	27048
Total Investment (2 + 3)	N.A.	22635	63751
Investment: Percentage Distribution.			
1. Public Sector	N.A.	60.3	57.6
2. Private Sector	N.A.	39.7	42.4
3. Total	100.0	100.0	100.0

Table- 3.1 (contd.)

Outlay and Investment During the Five Year Plans.
(Rupees in crores)

	Annual Plans (1979-80)	Sixth Plan (1980-85)	Seventh Plan (1985 -90 ^a)
1. Public Sector			
Outlay	12177	97500	180000
2. Public Sector			
Investment	N.A.	84000	150000
3. Private Sector			
Investment	N.A.	74710	170000
Total Investment (2 + 3)	N.A.	158710	320000
Investment: Percentage Distribution.			
1. Public Sector	N.A.	52.9	46.9
2. Private Sector	N.A.	47.1	53.1
3. Total	100.0	100.0	100.0

* : For the period originally envisaged in the Plan

(a): As originally envisaged

N.A.: Not Available

** : Quoted from Jain (1986) P:90

Table :3.2

Distribution of Commercial Bank Branches According to Population
Groups*

Year	Total Bank Branches	Metropolitan	Urban	Semi-Urban	Rural
1969-70	8262	1661	1447	3322	1832
1970-71	11540	1894	1704	3945	3997
1971-72	12013	1904	1777	4017	4279
1972-73	13622	2100	2323	4385	4814
1973-74	15362	2505	2573	4723	5561
1974-75	18936	2783	2899	5089	8165
1975-76	18730	3088	3266	5570	6806
1976-77	21220	3407	3739	6387	
1977-78	27364	4019	4888	7527	11330
1978-79	29757	4228	4684	7801	12984
1979-80	31889	4372	4825	7993	14899
1980-81	34982	4486	5087	8368	17046
1981-82	48614	4631	5322	8721	19940
1982-83	41317	4751	5539	8981	22046
1983-84	44583	4912	5696	9205	24770
1984-85	50980	5234	6209	9700	29837
1985-86	53123	5774	7153	10552	29664
1986-87	53565	5813	7220	10612	29920
1987-88	55015	5821	7278	11135	30781

* : compiled from relevant issues of Report on Trend and Progress of Banking in India published by the Reserve Bank of India.

Table : 3.3

Distribution of deposit and advances by Commercial Banks in
14 Metros and Urban areas *
(as on the last Friday of December, 1972)

Metropolitan cities / Urban areas	% of Aggregate Deposits	% of Total Advances
Bombay	18.2	24.4
Calcutta	10.8	14.7
Delhi	8.4	6.7
Madras	3.0	5.9
Bangalore	1.8	3.5
Ahmedabad	1.8	3.0
Hyderabad	1.3	1.7
Dhanbad	1.2	* *
Chandigarh	* *	1.3
Poona	1.1	1.2
Coimbatore	* *	1.0
Kanpur	1.0	0.9
Lucknow	1.0	0.8
Baroda	0.9	0.8
Total :	50.5	65.9

* * : Negligible

* : quoted from Tyagarajan & Ramachandran (1972)

P:115

Table : 3.4

Credit - Deposit Ratios in Rural, Semi-Urban and Metropolitan/
Urban India.*

Year	Rural	Semi-Urban	Metropolitan/ Urban	Total
June 1972	41.4	40.9	80.3	71.1
June 1978	52.5	47.4	79.9	69.9
June 1979	54.4	47.2	79.4	69.5
Dec. 1980	57.2	48.9	75.2	66.9
June 1981	57.7	49.1	74.8	66.6
June 1982	58.7	50.0	75.1	67.0
June 1983	59.9	50.8	76.5	68.1
June 1984	62.5	50.9	77.0	69.3
June 1985	65.6	52.8	74.6	68.7
Dec. 1986	65.3	51.3	66.3	63.0

* : compiled from relevant issues of Report on Trend
and Progress of Banking in India.

Table : 3.5

Distribution of Bank Credit between Govt. & the Commercial Sector*

Year	Net Bank Credit to Government (Rs. in Crores)	Net Bank Credit to Commercial Sector (Rs. in Crores)	Net Bank Credit to Commercial Sector as percentage of that to Govt.
1960-61	2488	1503	60.41
1965-66	3809	2655	69.70
1969-70	4725	4786	101.29
1970-71	5264	6455	122.63
1971-72	6417	6523	101.65
1972-73	7741	7640	98.70
1973-74	8697	9383	107.89
1974-75	9102	10014	110.02
1975-76	10491	11242	107.16
1976-77	11020	18493	167.81
1977-78	13470	21222	157.55
1978-79	15391	25347	164.99
1979-80	19215	30649	159.51
1980-81	24731	32626	146.52
1981-82	30911	43048	139.26
1982-83	34748	51162	147.24
1983-84	40505	59992	148.11
1984-85	48950	70801	144.64
1985-86	58522	81852	139.87
1986-87	71298	93146	130.64
1987-88	84109	105535	125.47

* : compiled from relevant issues of the 'Indian Economy : Basic Statistics' published by the Reserve Bank of India as supplement to R.B.I. Bulletin.

Table :3.6

Investment of Commercial Banks in Govt. and Non-Govt. Securities.*

Year	Investment in Government Securities (Rs. in Crores)	Investment in Non-Government Securities (Rs. in Crores)	Investment in Non-Government Securities as percentage of that in Govt. Securities.
1979-80	7444	3181	
1980-81	9291	3967	43.03
1981-82	10157	4984	49.07
1982-83	12078	6356	51.80
1983-84	13473	7772	57.69
1984-85	18697	9441	50.49
1985-86	19013	11523	60.61
1986-87	24847	13735	55.28
1987-88	30517	15987	52.39

* : compiled from the relevant issues of the 'Indian Economy: Basic Statistics'

Table :3.7

Annual Growth Rates of Industrial Production (Percentage)*

1st. Plan	(1951 -56)	7.4
2nd. Plan	(1956 -61)	6.6
3rd. Plan	(1961 -66)	9.0
Annual Plans	(1966 -69)	2.6
4th. Plan	(1969 -70)	4.0
	(1974 -75)	2.6
	(1975 -76)	6.0
	(1976 -77)	9.5
	(1977 -78)	3.9
	(1978 -79)	7.6
	(1979 -80)	- 1.78
	(1980 -81)	3.2
	(1981 -82)	8.0
	(1982 -83)	3.2
	(1983 -84)	5.8
	(1984 -85)	6.4
	(1986 -87)	9.1
	(1987 -88)	7.7

* : Estimates upto 1984 - 85 based on index of industrial production with base 1970 -71. Estimates upto 1978 - 79 quoted from Bharadwaj, 1980, P,15. Estimates from 1979 - 80 to 1984 - 85 constructed from National Account Statistics 1987. Estimates for 1986 - 87 and 1987 - 88 quoted from Nayak, 1988, P73.

Notes

1. Singh (1989) P:220
2. A detailed discussion on what constitutes social justice follows later in Chap :5
3. Shetty ,1988, P:81
4. Ibid P:81
5. Dharmaraj (1988) P:1
6. Gandhi (1988) P:1
7. In Harijan, 18th. Jan. 1948. P:519
8. Krishnamachari,V.T. (1962) P:159-60.
9. Iyengar (1965) P:496-497
10. Ibid P:497
11. Ibid P:497
12. Quoted in Iyengar, op cit P:509
13. Quoted in Singh op cit P:229
14. Ibid P:230
15. See Sen and Roy (1966)
16. See Bardhan (1974)
17. See Ahluwalia (1985)
18. See Sarkar (1988)
19. See Iyengar op cit P:506
20. See Desai (1984) P:233
21. Singh op cit P:231
22. Quoted in Desai, op cit P:210
23. World Bank (1975)
24. More about it in detail in Chap.:4
25. World Bank op cit
26. Planning Commiission, 1978-83, P:86

27. See Bagchee (1987)
28. Singh op cit P:234-35
29. Ibid
30. See Roy (1987)
31. See Poduval (1988) P:18
32. Ibid
33. See Naidu (1988)
34. See Rao (1980)
35. See Shetty (1989)
36. See Pawar (1988) P:14
38. See Harris (1951) P:3
39. See Jain P:vii
40. See Krishnamachari (1962) P:35-38
41. See Bombay Plan document : A Plan for the Economic Development of India (1944) P:55
42. Ibid
43. See Planning Commission (1973) P:95
45. Ibid P:96
46. "Private property is first considered only in its objective aspect -- but nevertheless with labour as its essence . Its form of existence is therefore capital, which is to be annuled "as such" (Proudhon). Or a particular form of labour -- labour levelled down, fragmented, and therefore unfree -- is conceived as the source of private property's perniciousness and of its existence in estrangement from men. For instance, Fourier, who, like the Physiocrats, also conceives agricultural labour to be atleast the exemplary type, whereas Saint Simon declares in contrast that industrial labour as such is the essence, and

accordingly aspires to the exclusive rule of the industrialists and the improvement of the workers' condition. Finally, communism is the positive expression of annulled private property -- at first as universal private property ." Marx(1982) P:87-88

Further

"This material, immediately perceptible private property is the material expression of estranged human life. Its movement -- production and consumption -- is the perceptible revelation of the movement of all production until now, i.e., the realization or the reality of man. Religion, family, state, law, morality, science, art, etc. are only particular modes of production and fall under its general law. The positive transcendence of private property as the appropriation of human life, is therefore the positive estrangement -- that is to say, the return of man from religion, family, state etc., to his human, i.e., social, existence. Religious estrangement as such occurs only in the realm of consciousness, of man's inner life, but economic estrangement is that of real life; its transcendence therefore embraces both aspects. It is evident that the initial stage of the movement amongst the various peoples depends on whether the true recognized life of the people manifests itself more in consciousness or in the external world -- is more ideal or real. Communism begins from the outset (Owen), with atheism.ibid P:91

47. See Roy (1989) p:11

48. Ibid P:11
49. Ibid P:11
50. See Krishnamachari, V.T.(1962) P:35-36
51. "Rising disposable income among the new middle class--- variously estimated at some 75-150 million people depending on definition--- has created a market a market for all sorts of goods that until recently were unimaginable luxuries for all but a handful of people. Production and sales of many items like TVs, VCRs, motor scooters, refrigerators, and even washing machines have soared in the last several years.
"Production of colour TVs rose from 70,000 in 1982 to 1.3 million last year. Black and white TV production increased from 600,000 to 4.4 million over the same period, while refrigerator sales tripled to 963000 in 1989. VCRs went into mass production only two years ago. Despite a steep price tag of about 15,000 (US\$898) for a basic model, sales are expected to top 40,000 this year." Goldstein (1990) P:50.
52. See Rao (1987)
53. Quoted in Kuiren (1981) P:34
54. See CIRDAP (1987), FAO (1972) , (1977) , (1979), World Bank (1975)
55. See Frank (1978) P:9-15
56. Ibid
57. More about it in the next two chapters

4

What IRD is
all about.

We are now to take up the next hypothesis i.e., H2 that has to deal specifically with the questions related to IRDP. However, to have a clearer conception about its impact we got to know as what really IRDP is. Is it a novel concept derived by the Indian practitioners on rural development or a concept borrowed from some other sources. The present chapter will give us an idea to that direction.

The Second World War having come to an end by the mid-forties of this century, the world was observed to be virtually divided into two distinct camps. One representing the rich nations was termed as that of the developed countries and the other one was the conglomeration of the poor countries for whom the economic definition changed from 'underdeveloped countries' (UDC's) to 'less developed countries' (LDC's) to finally developing countries with a view not to hamper the social respectability of the poor countries.

Just as there were identified two distinct categories of countries, it should be pointed out, there were also efforts on to consider a way out such that the so-called underdeveloped, less developed or developing countries could be brought out of the clutches of such structural impasse. A new branch developed in the economic literature bearing the nomenclature of 'Economics of Development'. The first such attempt may be credited to Colin Clark's analysis of the changes in use of labour with rising income in his 'The Conditions of Economic Progress' published in 1940¹. And from then on thousands of published materials have been added to the literature on the Economics of Development.

Upto the late sixties the main prescription that emerged out of the painstaking researches of hundreds of development economists was to try to follow a path of development generally described as that of modernisation based on rapid industrialization and urbanization. The Lewisian version² of development that argued in putting more emphasis on capital accumulation and thereby providing employment to the large army of unemployed but potential labour force in the developing countries was one of the strong pillars on which such an argument regarding the path of development rested. Moreover, the argument of big push or critical minimum effort also gained currency during this period³. Such an assessment regarding the causes of underdevelopment naturally put more emphasis on growth - to be specific - accelerated growth - of the gross domestic products of the poor countries. To put in other words, the decades of the fifties and the sixties were earmarked, rather proposed to be the decades of growth only. However, there also came the question of improving the living standard of the inhabitants of such countries in general and further that of the heavily downtrodden residents of the poor countries in particular. There can be no denial of the fact the literature on development economics put considerable emphasis on such problem. Unfortunately, the problem mentioned above met with little sympathy from the development economists and planners in general. It was argued that with a considerably small size of the national cake, it would not be prudent to attach much importance on an equal share of it. If such was attempted the average standard of living was feared to be declining to a pitifully low level with that of the

people in the poorest segment, of course, having improved materially⁵. Rather the argument was to put all efforts in registering a condition of accelerated growth with higher and higher emphasis on industrialization in the expectation that distribution would take care of itself. This is the flavour of the so-called 'trickle down' argument. The whole of the so-called 'Trickle-down' theory has been very interestingly exposed by a scholar in the following words:

" In the two decades upto the mid-sixties, most development economists agreed that growth in aggregate output should be the overriding economic objective in developing countries. The poor would be better off, the argument went, if they received a constant share of a rapidly growing pie than if they received a larger share of a slower growing one. Measures to actively redistribute income in favour of the poor were to be postponed until the GNP was larger."⁶

Unfortunately such an expectation was belied. A FAO document observed in 1979 :

"In the developing countries of the world, the period since 1965 has been marked by an impressive record of overall economic progress. Output of goods and services has risen at a rate of more than 5 percent a year, and food production has increased faster than population in most areas. Yet, these advances cannot mask underlying structural problems. Disparities in standards of living between urban and rural areas, and between rich and poor within the rural areas, have steadily increased."⁷

The document further clarified :

"By the mid-sixties almost all developing countries had established planning units and adopted development plans, usually of five years duration. The plans had various priorities, but the dominant goal was economic growth *per se*

with little, if any, direct planning for equitable distribution of benefits..... Despite these success (in terms of growth rates), the decade (of sixties) was marked by a growing awareness of poverty and unequal distribution of wealth. India's Fourth Five Year Plan reported that in 1967/68 the poorest 10 percent of the country's households shared only 3.2 percent of the private consumption of the country as a whole, while the richest 10 percent absorbed 23.9 percent. Similarly, Pakistan's Third Five Year Plan noted that 40 percent of the households in East Pakistan (Now Bangladesh) and 24 percent of those in West Pakistan had monthly incomes of less than 100 Pakistani rupees (US \$ 21) . . In Sri Lanka, 40 percent of the households had incomes of less than 200 Ceylonese rupees (US \$ 34) and 80 percent received less than 400 (US \$ 68) rupees per month in 1969-70. National data in thirteen Latin American countries for the late sixties showed the poorest 20 percent of the people receiving only 4.3 percent of the national income while the wealthiest 5 percent accounted for 32.8 percent of consumption. Fifteen African countries showed a similar pattern, overall the poorest one-fifth of the people received 5.6 percent of the national product while the 5 percent with the highest incomes absorbed 34.8 percent."8

The information provided above clearly indicate that the growth only strategy taken up during the sixties could not alleviate poverty rather increased the degree of the problem and thereby disproved the trickle-down theory. Interestingly, on the otherhand, the whole phenomenon led to the fear of some scholars that the trickling down effect may be outweighed by the opposite effect of 'trickling up' under the existing socio-economic structure prevailing in the developing countries. However, at this point of our exposition we do not have the liberty to go into the detail of detail portraying the existing socio-economic structure of the developing nations. Such will be undertaken at some later stages of this study.

The presentation of such a bleak picture portrayed during the sixties, interestingly leads us to our point of departure. The on going process of trickling up appeared so blatant to look at that by the middle of the seventies, everyone

at the helm of affairs got awe-struck facing such a reality. The United Nations Economic and Social Council endorsed the following statement of common goals in 1976 :

"A primary objective should be to improve the quality of life of the rural poor. This implies the involvement of the rural poor in the development process and requires their participation in the decision making process and the implementation of the decisions. It presupposes that the rural poor will gain increased economic opportunities through productive and remunerative employment, increased access to resources and an equitable distribution of income and wealth. The mobilization of the energies and resources of the rural poor themselves emerges as the key factor in increasing both their productivity and their self-reliance. Such mobilization requires the formation, adaptation and strengthening of community structures, including organizations of the rural poor."⁹

A study of which we have already mentioned noted that "the expansion of industrial manufacturing alone cannot be expected to solve the unemployment and underemployment problem in most developing countries. A manufacturing sector employing 20% of the labour force would need to increase employment by 15% per year merely to absorb the increment in a total work force growing at an annual rate of 3% . The required rate of increase of manufacturing output is even greater than 15% if increase in labour productivity are taken into account. In the light of these orders of magnitude, the contribution of the industrial sector to employment growth over the last decade has been disappointing in many developing economies. In a number of countries in Latin America and Africa, despite significant investments in manufacturing, employment in the sector grew less rapidly than population, and in some cases even declined in absolute terms."¹⁰

Thus there is observed a shift from the growth only

strategy to one of growth with (re) distribution for the development of the not well-to-do countries¹¹. Of course, the tendency towards such a shift could be observed to have emerged by the late sixties, although in the form of fragmented national policies. The Fourth Five Year Plan of India did refer to the concept of development with social justice. Perhaps the first concerted move to approve of such a strategy of development with social justice was initiated in 1972 when the FAO/SIDA Symposium on Agrarian Institution was held in Rome (from 21st. June to 28th. June). And from then on a number of seminars, symposia, conferences and workshops, be it at the regional, national or international levels were organised to chalk out the necessary strategy to combat the growing menace of poverty - the denial of social justice - in all the developing economies. The ECOSOC endorsement came as a routine affair in the midst of the steady and continuous change in the strategy considered necessary by all at the helm of the affairs with a view to wipe out poverty.

As a way out to help solve the problem of dire poverty, a new concept was coined by the experts - the concept of Integrated Rural Development (hereinafter referred to as IRD).

What is the underlying message of IRD? The experts are not unanimous in providing a single interpretation of the programme. Some think it to be an action scheme involving socio-psychological changes of the people albeit gradually¹². Another group considers IRD to usher in a social organisation approach towards development. To them it is a programme having contents and procedures for making changes in social

organisation¹³. There is another school of thought that regards IRD as a strategy for achieving the given objectives by synchronization of efforts, meaningful linkages - backward or forward - between activities and more effective co-ordination between various concerned agencies.¹⁴

The Recommendation of Expert Consultation on Policies and Institution for Integrated Rural Development held in Colombo (from 21st. to 30th. Oct. 1975) may give us some overview of the concepts behind IRD. It was argued therein that the concept of IRD was comparatively of a recent origin and was still in the process of evolution. Hence, they argued neither to conceive IRD in a very rigid manner, nor even to maintain a hazy idea about it. They intended the IRD to be properly distinguished from other programmes such as the community development programme.

They conceptualized IRD as having two facets. One as an end and other as means. In spite of these two facets being interrelated, it was argued that those two could be identified separately.

"As an end, IRD may be conceived as having an integrative character in two senses. Firstly, IRD seeks to integrate multiple objectives namely more production, more employment and more equitable distribution of income. Secondly, IRD aims at integration of the low income segments particularly small farmers, tenant and agricultural labour with the rest of the rural community by ensuring them a better participation in the production process, and a more equitable share in the benefits of development."

"As a means, IRD signifies integration in the operational strategy. Implicit in IRD is the recognition that a number of rural development programmes and rural institutions are mutually re-inforcing and have a high degree of complementarity. Hence their impact is likely to be manifold if their spatial layout and time sequences are properly arranged."¹⁵

Interestingly, whereas the above interpretation of IRD

put so much emphasis on the word 'integrated' there are other interpretations of it conceiving the whole programme as a philosophy of development. We may cite a typical example.

"The concept of IRD goes beyond redress of poverty of target group of rural population and requires conscious policy to : i) narrow the gap between urban-rural life and ii) reduce disparity between various income groups. The expectation is that those at the bottom of the ladder with limited opportunity and minimal share in the decision making process, makes substantial gains on both counts so that the stratification would be less vertical, more flexible with wider options for an ever increasing number and so that a more creative egalitarian society would emerge without the risk of violent eruption, which would be more productive by activating the dormant productivity of those who are by-passed to provide a wide base for a better quality of life for most people."¹⁴

This interpretation was further developed by the ESH Division Staff of FAO in June 1974.

"The essence of IRD approach may be summarized as i) adoption of a rural development philosophy which leads to modernization and integration of the rural masses into the society as whole, giving them more equal access to productive resources, employment and income, and ii) recognition by governments that strong political will on a continuing basis is a prerequisite to change. Without this 'quality' of integration there will be no meaningful improvement of the quality of life of the rural people."¹⁷

Thus we observe a further emphasis on 'integration' but not just on the integration of strategies or that of activities. Rather the emphasis was laid more on the quality of integration - the economic, social and the political philosophy lying behind such a necessity for integration. Such a holistic concept was, however, presented by L.B. Moore in 1973 where he argued :

"IRD is made up of many elements. These link together in an interrelated manner, in programmes of IRD. The sum of these elements constitutes a synthesis of the concept as a whole. Although the idea of IRD maybe approached from different sides, it is unitary in nature. The comprehensive approach of IRD grows out of the need to attack multiple causes of poverty and dualism found in rural areas.

These causes include high birth rates, under and unemployment, lack of access to agricultural inputs and know-how, lack of solid rural institutions and authentic participation and lack of education and health."¹⁸

However, on the whole IRD is to be thought as a device for "improving living standards of the mass of the low income population residing in rural areas and making the process of their development self-sustaining. It has the following implications:

First, improving living standards of the subsistence population involves mobilization and allocation of resources in order to reach a desirable balance over time between the welfare and productive services available to the subsistence rural sector.

Second, mass participation requires ensuring that resources are allocated to low income regions and classes and that the productive and social services actually reach the mass of subsistence population.

Third, making the process self-sustaining requires the development of the appropriate skills and implementing capacity and the presence of institutions at the local, regional and national level to ensure the effective use of existing resource, for continued development of the subsistence sector. Self-sustenance that means 'involving' as distinct from simply 'reaching' the subsistence population through development programmes."¹⁹

Mosher, like Lele does not use the prefix 'integrated.' Still his definition of 'Rural Development' appears more comprehensive when he argues that it is " a trend in the

technologies, organisations, activities and values of society that

1) increases the opportunities of all its rural people for vigorous health, broadening mental horizons, increasing knowledge and skills, and expanding opportunities to participate both constructively and pleasurably in the activities of their culture;

2) progressively provides more effective means for adjusting as peacefully as possible the conflicts and injustice that invariably arises as technological and other cultural changes take place;

3) maintains or progressively approaches an optimum balance between rural person's opportunities for freely chosen self expression and the corporate needs of the culture in which he lives; and

4) increasingly brings all present and potential farm land into its most effective use -

all without irreparable damage to the Earth's ecosystem."²⁰

To cite the recognition of the interaction between the social and economic factors, we may quote :IRD is a "concept and approach to planned changes in rural areas. It is based on the assumption that economic and social progress are mutually reinforcing, that all natural, technical, economic, social and institutional inter-relationships and their changes are taken into account and they are combined in such a way as to serve the well being of men and social integration as the ultimate goal."²¹

In fact Dr.E.M.Ojala, Ex-Assistant Director General Economic & Social Department, FAO in his opening speech to the

same session opined, "IRD is the principal if not the only conceptual and operational framework within which these twin objectives - production and participation - can be jointly attained at a high rate of production increase. It is not necessary to sacrifice participation to obtain high production gains. In some African countries, I have seen family output increases of 100 per cent in 3 - 5 years under well-adopted IRD programmes."²²

W.Haque and others went a bit further when they opted for fundamental humanistic values of development having the following five inseparable elements :

- i) man as the end of development, which is ;therefore to be judged by what it does to him ;
- ii) de-alienation of man in the sense that he feels at home with the process of development in which he becomes the subject and not the object ;
- iii) development of collective personality of man in which he finds his richest expression;
- iv) participation as the true form of democracy;
- v) self-reliance as the expression of man's faith in his own abilities."²³

Keeping these sorts of arguments in mind M.A. Zaman in 'Some Aspects of Intregrated Rural Development' raised certain pertinent questions, regarding the concept of IRD especially when it is the prefix 'integrated'.

"Is it a specific programme by itself, such as say minor irrigation schemes are, or is it an 'umbrella' name which has no specificity but consists of several multisectoral activities, their number and nature being indications of ;the direction and comprehensiveness of IRD

programmes in a country?

If IRD is only a 'collective noun' as against a 'proper noun' could it at all have any line of function in the sense of being the subject of an implementing agency? Or is it best understood as a coordinating mechanism, responsible for staff-work and for monitoring the various aspects of the programme?"²⁴

In the remaining part of the present chapter we shall attempt at searching for some satisfactory answers to the questions raised above. However, to be able to provide acceptable answers to the queries set to ourselves we should be aware of as to what has been conceived to be the operational framework regarding the implementation of IRD programmes.

To the proponents of IRD, the conception is a multifaceted one. From the point of view of implementation, it is a 'collective noun', integrating several programmes and policies, be they were differentiated earlier on the spatial count, or say, in the context of the implementing agencies. Whereas, from the point of view of internalization, it is very much a 'proper noun', if not an 'abstract noun'. The integration at the implementing level will lead to a result that is expected to give rise to a flavour having a different character from what would have been obtained by a mere integration of the results arrived at from disintegrated implementation of the same policies and programmes.

Klitgaard²⁵ provides an interesting framework for analysing IRD. Although our aim is not to go for analysing IRD using the framework provided by him, a detailed stint at it may open up certain ideas to tackle the question as to whether IRD is an 'abstract noun' or not. Klitgaard argues that if IRD is based on the assumption that some inputs in the rural production function are complementary and such necessitates to go for

integration at the level of implementation, the questions that automatically arise are :

"1. Which goods and services exhibit complementarity? To what extent and what levels of output ?

2. Why can't consumers themselves integrate the goods and services optimally ? (Is it due to) (a) externalities among consumers, (b) transaction costs and (c) consumer ignorance (?) How would the integration of supplies overcome these problems? Might other measures be preferable, such as adjusting prices or providing education and information ? "

He then sets the following arguments under the assumption that integrated agencies achieve economies of combined production which he refers to as a concept of super additivity:

"1. Does integration allow resources to be reallocated among agencies ? If so, with what gains and efficiency? (Is it due to) the 'comparative advantages' of the different agencies in planning, marketing, delivery etc. (?) Could the desired re-allocation or improvement be done with integration ? Are there also risks of misallocations if agencies are integrated ?

2. How large are the economies of scale from merging (parts of) different agencies ?

3. Do agencies produce collective goods (for each other) that will be under- provided if not supplied in an integrated fashion ?

4. To what extent do agencies affect each others' production via externalities ? (Have we to) consider especially lumpy investments in capital, space and time,

such as infrastructure (?) How well can independent agencies adjust to externalities without integrating ? Might better information exchange be a preferred solution ? "

Klitgaard proceeds further with the following hypotheses:

- a) Integration creates a sort of monopoly.
- b) Integration allows financial diversification (portfolio effect).
- c) Vertical integration permit agencies to overcome imperfect markets between them, including transactions costs.
- d) Integration entails direct financial costs.
- e) Integration involves indirect managerial costs.
- f) Integration is complex . It forgoes economies of specialization.

And then he raises a number of questions corresponding to every assumption. Regarding assumptions (a), the queries are:

- i) Would an administrative monopoly be beneficial ?
- ii) What negative consequences may be caused as a result of greater ease of co-optation by elites, corruption, politicization and excessive expansion, as well as resistance by regions without an integrated project and by line agencies ?

In the context of assumption (b), he questions :

- i) Can integrated agencies enjoy benefits of portfolio effect ?
- ii) Is it not so that same benefits can be achieved more effectively through financial markets, investments and so

forth ?

Coming to the assumption (c), Klitgaard argues :

- i) Do agencies engage in transactions with each other analogous to purchase of inputs and the sale of outputs ?
- ii) How would integration lower these transactions costs and to what extent ?

In consideration with the next one, the question is quite straight forward :

What are the direct financial costs of integration ? So far as the assumption (e) regarding indirect managerial costs is concerned the quirrries are :

- i) How large are the learning costs ?
- ii) How serious will the bureaucratic resistance be ?
- iii) Are the managerial tools available for inducing agencies to integrate ?

And finally the question vis-a-vis the assumption (f) are :

- i) How different is the management of the integrated effort from that of the seperate agencies ?
- ii) How large are the returns to specialization ? To what extent is specialization sacrificed in the attempt to integrate ?

Testing of the hypothetical assumption in the light of the questions raised alongside will prove or disprove the efficacy of integration over separate-agency-programmes of development. Whatever may be the result obtained out of such a rigorous testing schedule, it is clear that even if 'integration' is successful, it has to cross over a number of serious obstacles each of which even individually are very much difficult to

overcome.

Although, the stage is set to find as to whether IRD is a 'proper' or a 'collective' noun following Klitgaard's framework of analysis, we may rather take a complete right turn even without going through such a rigorous testing to infer that IRD rather is an 'abstract' noun, in relation to the target group the reason being, such an achievement can really be attained in the abstract. One can never concretize the whole system of overcoming the number of difficult hurdles, already pointed out to attain the goal. Just as it is impossible to concretize 'truth', 'virtue' or 'wisdom', it is equally impossible to concretize IRD and the associated abstract concept of 'social justice' along with them. Further, we shall observe in the course of our analysis that in relation to the implementors of the programme, IRD has turned out to be a 'material noun'. Such an assertion, in a nutshell provides us with the answer to the second research question related to H2. However, we have to wait till we pass on to the next hypothesis in order, i.e., H3 which will substantiate our argument clearly in view of the Indian experience *vis-a-vis* IRD.

Notes

1. See Clark (1940)
2. See Lewis (1954) & (1958)
3. See Rosenstein-Rodan (1943)
4. Bose (1989) provides a sketchy survey of the 'Old Development Economics' where he argues (1) economic stagnation is to be broken through (2) rapid accumulation of *material resources* and (3) mobilization of *underemployed rural labour*, by (4) state *planning* directed by (5) an economically *activist state*, and underwritten by (6) a *world-wide commitment* to promote development in underdeveloped countries by *aid* and *trade*., while relying on (7) *trans-systemic features* of the development process which cut across differences in political and social systems." (P:5). For an exposition of the concepts see chapter I (P:5-13)
5. See Kurien (1978) P:12
6. See Morawetz (1974) P:499
7. See FAO (1979) P:1
8. Ibid P:15
9. See ECOSOC (1976) P:8
10. See Morawetz op cit P:441-496
11. "In more recent years, the list of main themes has been filled out or been added to, or modified by (8) considering explicitly the aspects of income distribution in favour of the poor, supply of basic

goods for them, their entitlements and capabilities in the process of growth, (9) discussing complications connected with the aid / trade / technological dimensions of growth, recognising (10) urban underemployment (in the reported or unreported 'informal' sectors) persisting side by side with rural underemployment stressing (11) the role of educational policy to raise productivity of unskilled labour and to increase the supply of 'human capital' embodied in skilled manpower. In addition, (12) the 'population problem' has remained under discussion in development economics though seldom as a central theme.....

" Bose (1989) P:5

12. See Lele (1974), Mosher (1976)
13. See Sheperd (1976), Moore (1973) and Haque (1975)
14. See IBRD (1974)
15. See FAO (1975) P:36
16. See Kotter (1974)
17. Quoted from FAO (1977) P:10-11
18. See Moore op cit P:55
19. See Lele op cit P:20
20. See Mosher op, cit P:11
21. See FAO (1975) P:4
22. Quoted in FAO (1977) P:13
23. See Haque op cit P:19-20
24. Quoted in FAO (1977) P:15
25. Klitgaard (1981) P:1-54.

5

Of Justice
and
Poverty

Since the early seventies, there is being observed the sudden emergence of a concept called 'Social Justice', being associated with the process of development. National Institute of Community Development (Presently known as National Institute of Rural Development) organised a seminar in November 1973, the theme being 'Development with Social Justice'¹. The Political Institute of Theology and Philosophy, Alwaye, in February 1975 arranged Father Zacharias Lectures focussing on 'Justice and Development in the Indian Context'². From the theoretical aspect John Rawls already published his book on 'Justice'³ in 1972 to be followed by Robert Nozick's one⁴ in 1974 where he dealt at length with his concept of justice in entitlement. Not only at the personal or at a broader perspective of national level a number of discussions, seminars and symposia were held at the international level with the focal point being 'Social Justice' by the different world bodies like FAO, ILO and World Bank.⁵

But what is 'Social Justice' ? May the term be used to denote a situation where the society ensures justice to all its members ? Or is it the connotation attached to the act of a flow of 'justice' from the top echelon of the society to the bottom ? Although the two alternatives seem to mean the same thing at first sight, the differences gets clarified if we delve a bit deep into them. Whereas the first implies a process where the 'society' may be taken to be the nominative case, the second alternative presumes the existence of a hierarchial set up in the society with no such 'justice' being enjoyed by those at the bottom of the pyramid still then when it was decided at the top to ensure that the bottom ones also enjoy justice. This in a

sense signifies a voluntary action on the part of those enjoying the fruits of a social relation in allowing a sizeable amount of that to go down.

✖ However, before we take up a detailed examination of these two alternative concepts of 'Social Justice', we should make our understanding clear as to what we mean by 'Justice'. Going through the pages of a dictionary, 'Justice' means righteousness, i.e., justice ensures that whatever is right is to be done. Philosophers, have tried to give so many definitions of justice. Thus to Plato, "The claim of justice as such, its essence as a moral virtue, is that every man and woman, every class in the State and every faculty in the soul should have their own special work to do. So far as that claim of justice goes, there is no room for dispute about the analogy of professions and arts to handicrafts, and all of them to the spiritual life of men and its organs."⁶

To David Hume, however, "justice is not the interest of the stronger, but the community of sentiment without which even a band of robbers would not hold together".⁷

✖ And to John Rawls, the philosopher of the current era, justice dictates that "all social values -- liberty and opportunity, income and wealth, and the bases of self-respect --- are to be distributed equally unless an unequal distribution of any, or all, of these values is to everyone's advantage. Injustice, then is simply inequalities that are not to the benefit of all".⁸

✖ In order to help an economist to deal with the concept of justice, it is not proper to have the abstract idea of justice.

in mind. An economic analysis is carried on smoothly once we can have a quantifiable idea of justice. That can be obtained following the Rawlsian definition of justice if we accept 'equality' to act as a proxy for 'justice'.

While we attempted to give out the definitions of 'Social Justice' we came upon two alternative propositions. If we consider the enforcement of social justice to be a kind of a social action, then the first definition corresponds to the "naturalist" school of thought that argues against the usefulness of an attempt in search for a motive behind such action. It is stated that "there is nothing about human conduct that would entitle us to conclude *a priori* that it was in any way less lawlike than any other sort of natural process".⁹ Skinner elaborates further giving a clear interpretation of Ayer's thesis, 'to cite either a motive or an intention to explain an action..... must always be ultimately to point likewise connections which are casual in form. The conclusion is that even if we can estimate an action in terms of its conforming to a rule, and even if we need to understand such actions in terms of their social context, these factors affect the agent only as part of his motivation, and give us no grounds for doubting that the action can be sufficiently explained by means of a casual law'.¹⁰ Thus quite clearly the second alternative which argues 'Social Justice' to be an action regarding flow of justice from the top to the bottom of the society-- an action not controlled by nature but by the motives of some individuals conforming to the then social context, corresponds to the anti-naturalist school of argument.

For the purpose of the present study, without going into the argument for accepting it, we take up the second definition of 'Social Justice' that maintains that it is a flow of justice from the top to the bottom of a hierarchical society only guided by the motive of the dominant group of the society conforming to the then social context. And if we are ready to manage with such a definition it simply implies that we also accept that the concept of social justice, or justice so to say, changed with the changes in the social situation over time.

However, the stage is not yet properly set to carry out our exercise. We have to overcome another sizeable obstacle before we can rally start with our search for such linkage. It has already been stated out that, keeping in mind the fancy for quantification on the part of a student of Economics, 'equality' has to be taken as a proxy for 'justice'. (In fact in Greek the word 'equality' means 'justice'.¹¹) Knowing fully well that they two are never identical, we have to accept such a limitation only to help advance the present study to its desired destination. And the irony is that still we have not been able to shrug off all the difficulties. We face the problem regarding the meaning of equality. It is hardly possible to formulate a single universally acceptable idea of equality. While it was required to interpret the American Declaration of Independence regarding the words, "all men are created equal.... they are endowed by their Creator with certain unalienable rights", during the conflict over slavery, Stephen A. Douglas asserted that such pronouncement on equality had been meant to apply only to white Europeans and not to the Negroes, Indians, or Immigrants from

Asia.¹² When Sir Erskine May in his 'History of Democracy' published in 1870 blamed the troubles of France on the agitation for social equality¹³, Mathew Arnold hit back to argue that the trouble with the English was due to the fact that they had subscribed to the 'religion of inequality'¹⁴. So 'equality' which is supposed to be the yardstick of 'justice' for the present study is also observed to be not invariant with respect to social context. Although it seems like posing a problem to the analysis in question, it helps on the other hand establish the linkage between the change in the concept of justice vis-av0s equality and that in the social structure.

So, we can now start with our attempt to trace the different concepts of justice over time in relation to the then social order. However, we have to make one more justification of the exercise that we are going to undertake in the following pages. The trend in the concept of equality vis-a-vis justice that we are going to trace in the context of the present study is confined within the boundary of western Political Philosophy. To justify such an action we may argue that although our area of study is truly Indian, the concept of 'development' that we are trying to apply to our country is completely alien, borrowed from Western Economic Ideals. Even though some may argue that the Gandhian philosophy of gramswaraj is intended to be implemented in India through democratic decentralization, which as a concept is not at all alien, rather purely Indian, considering the recent discussions in the policy prescriptions by the World bodies like FAO, ILO, World Bank and IMF favouring decentralized planning and distributive justice even at the grass root level, the Panchayati

Raj system in today's India can also be termed to be one cast out of the Western mould.

We have already stated out clearly that the aim of this chapter is to link the concept of 'Social Justice' to the then existing social system. Following Marx we can distinguish between three basic social systems that came to existing European soil over the last fifteen hundred years or so. They are: Slave Era, Feudalism and Capitalism. (We have deliberately left out the socialist system of society keeping in mind the domain of the study). To follow the Marxist terminology, the three social systems were different because of the differences in the production relations. "In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of the society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness .15

As a result, the concept of 'justice' in its application has also to be compatible with the existing social structure. In the present context we may follow an indirect way to such assertion. Accepting the synonymity between justice and equality we would like to trace the trend in the theory of poverty. However, it should be pointed out that our approach has not been that of a systematic understanding of the trend *viv-a-vis* the changes in production relation.

So far as the trends in the theory of poverty is concerned, Bandyopadhyaya (1988) provides a more or less comprehensive chronological review of them ¹⁶. Starting with the explanation of poverty and affluence in terms of the Hindu doctrine of *Karma* he went on to the Christian doctrine that visualized poverty as a part of the general calamity resulting from original sin. However, he argues :

" Like Hinduism and Buddhism, Christianity in the Middle Ages also considered wealth to be an ultimate obstacle to spiritual progress; and even the apparently radical equality of the Christians visualized by such reformers as Saint Francis of Assisi was equality in the midst of mass poverty, pending the salvation of humanity through Jesus Christ."¹⁷

Interestingly, the explanation of poverty in terms of sin is still persistent in the Christian theology, particularly among the Roman Catholic Church. A 1986 document from the Vatican City clearly points out:

" This poverty is the result and consequence of people's sin and natural frailty... . In its various forms, -- material deprivation, unjust oppression, physical and psychological illness, and finally death --- human misery is the obvious sign of the natural condition of weakness in which man finds himself since original sin and the sign of his need for salvation."¹⁷

Setting aside the divine sin Theories of poverty of their ignoring the social, historical and structural causes of poverty Bandyopadhyay takes up a variant of the sin theory in the form of the theory of personal responsibility to follow the chronology. With the spirit of capitalism already in action in Europe, poverty was started to be attributed to "indolence, laziness, unwillingness to work hard and general lack of personal responsibility towards oneself, one's family and society".¹⁷ Baron de Montesquieu understood : " a man is poor not because he has

nothing, but because he does not work " 20

Bandhyopadhyay further argues :

" This theory of fixing the responsibility for individual and collective poverty on a subjective bias of the individual, or in other words, on a personal kind of negative work ethic, also ignores, like the theory of sin which was its foster parent, the socio-historical causes of poverty altogether.....

" At this time, of course, the primary concern of economists and social thinkers, who shared the values generated by the new capitalist structures, was with the 'Wealth of Nations' (Adam Smith) and how this wealth grew through laissez faire and perfect competition. Their concern for pauperism was at best peripheral, prompted by the practical necessity of dealing with what was considered to be a social nuisance, and perhaps to some extent by Christian humanitarianism which paradoxically and hypocritically co-existed with capitalism." 21

But how then to explain the extent of poverty in the colonies, which were later after their liberation from colonialhood rechristened to be the developing countries? The widely accepted theory was in terms of racial superiority. In a bid to rationalize imperialism, just as the sin theory and the personal responsibility theory of poverty were ideological camouflages for the exploitative structures of feudalism and capitalism respectively in Europe, the Theory of Racial superiority was generated as an ideological camouflage.

Infact, the myth of racial superiority did not take much time to blow out in the face of the reality. The governments, politicians and academics in the rich countries of the West did realize the practical and diplomatic difficulties of openly propogating the racial theory of backwardness in the new international system of the post colonial period and a quest began for non-racial and predominantly economic explanations of mass poverty in the newly independent nations.

Ragnar Nurkse²² came out with his 'Vicious Circle'

theory to provide theoretical justification for 'foreign aid' and growth of the multinational corporations in the developing countries. Simultaneously, the theory gave rise to the concepts of 'trap', 'big push' and 'balanced growth'. The Rostovian theory²³ did provide the blue print of the future path to development for the developing nations. The Harrod - Domar model of growth²⁴ was prescribed to all concerned as a policy framework in general. Still the problem of poverty could not be done away with.

" The general acceptance of the Vicious Circle and the Stages of Growth Theories by the North-western decision-makers and academics in the 1950s and 1960s, particularly the idea that the LDCs must follow the same pattern of economic development as was experienced by Western Europe, North America and Japan resulted in a flood of literature during this period on the economics of underdevelopment. By and large, the vast literature emphasized capital formation, skill formation, technological progress, population growth, monetary and fiscal reforms and other factors which were responsible for the economic development of the contemporary capitalist DCs ; and Third World decision-makers and scholars, inspired and induced by material fringe benefits received from the North-West, swallowed the developmental models emerging out of this enterprise hook, line and sinker. But by the mid -- 1960s it had become evident that these North-Western theories and models were unlikely to make any significant differences to the mass poverty of the LDCs; and a new quest began in North-West for the discovery of the 'institutional' and cultural obstacles to the economic development of the LDCs."²⁵

Thus spoke Gunnar Myrdal in his 'Asian Drama'.

" The prevailing attitudes and pattern of individual performance and in life at work are from the development point of view deficient in various respects; low level of work discipline, punctuality, and orderliness; superstitious beliefs and irrational outlook; lack of alertness, adaptability, ambition and general readiness for change and experiment; contempt for manual work; submissiveness to authority and exploitation; low aptitude for co-operation; low standards for personal hygiene; and so on. To these attitude should be added unreadiness for deliberate and sustained birth control.....
The national community is also characterized by a number of institutional conditions unfavourable to economic

development: notably a land tenure system detrimental to agricultural advance; undeveloped institutions for enterprise, employment, trade and credit; deficiencies of national consolidation; imperfection in the authority of government agencies; instability and low effectiveness in the national politics; low standards of efficiency and integrity in public administration; ineffective organs for provincial and local self-government; and a weak infrastructure of voluntary organizations --- the institutional conditions which together constitutes these national communities as 'soft states' in our terminology. At the root of all these institutional debilities is a low degree of popular participation and a rigid, inegalitarian social system.

All these institutional deficiencies are closely inter-related. So are attitudes and institutions; attitudes generally support the institutions and at the same time are supported by them.²⁶

As the above argument tends to lead us to the proposition that the IRD approach to wipe out poverty is somewhat a practical application of the Myradalian concepts. There is a clear temptation to be led to such a proposition. Infact, as we shall argue now, that will be the dangerous trap to fall into considering the purely 'subjective tools' in use to arrive at an 'objective conclusion' in this scheme.

So far in our discussion on the theories of poverty we have deliberately kept out the Marxist and the Neo-Marxist dependence theories of poverty. We have also not considered the Lewisian model and its reformations. It is necessary we throw some lights on them. We shall first consider the Marxist theory as Marx conceived of it.

Undoubtedly, Marx was concerned primarily with the misery of the proletariat under industrial capitalism. The appropriation of surplus, their accumulation leading to growth of monopoly and consequent rise in the organic composition of capital followed by the creation of swelling reserve army of

labour were the main tenents of his theory that clearly pointed out the existence of disharmonious relationship between the owners of labour and those of capital. As the state was an instrument in the hands of the capital-controlling bourgeoisie for exploiting and oppressing the proletariat, the latter must not be expected to improve the economic conditions of the toiling masses and break the 'chains of the eternal misery'.

Such a primary concern of Marx for the misery of the proletariat under industrial capitalism does not altogether validate the assertion that he was not aware or conscious of the plights of the colonies. He observed

" These moments of prosperity are to the periods of crisis and stagnation in the correct proportion of 3 to 10. But perhaps also, in speaking of the improvement, the economists were thinking of the millions of workers who had to perish in the East Indies so as to procure for the million and a half workers employed in England in the same industry three years' prosperity out of ten ."27

For Marx, colonial drain was an external factor and the relation of production an internal factor behind the economic stagnation of the colonies. He was also aware of 'dominance' and 'dependence'. In the 'Manifesto of the Communist Party' he argued :

" Just as it has made the country dependent on the towns, so it has made barbarism and semi barbarism countries dependent on the civilized ones, nations of the peasants on nations of bourgeois, the East on the West."28

Marx considered the structural aspects of the pre-capitalist societies in his arguments regarding the Asiatic Mode of Production. He observed that the structure of the asiatic village economy was primarily responsible for the economic stagnation ---- A Marxian version of the vicious circle of

poverty. Unfortunately, the Marxian attempt at concretizing the concept of Asiatic Mode of Production was not very comprehensive and as a result it was not dealt very often by Marx himself. It was upto the later Marxists, popularly the Neo-Marxist to construct their theories of dominance and dependence. Notable among them are Paul Baran²⁹, Paul Sweezy³⁰, Harry Magdoff³¹, Andre Gunder Frank³², Samir Amin³³ and Arghiri Emmanuel³⁴.

The central theme of their scheme argues in terms of the decision of the international economic system in terms of a centre and a periphery: the developed capitalist and the developing pre-capitalist countries respectively. The centre appropriates surplus from the periphery and thus perpetuates poverty stagnation of the latter. This exploitative structure is necessary for the sustenance of the capitalist production relation in the centre.

Let us now drop on to the Lewisian formulation³⁵, an aspect not covered by Bandhyopadhyay quite obviously on the ground that it is not a theory of poverty, i.e., a theory to determine the causes of poverty. Rather it was a theoretical formulation of one among the models that can lead to the sources of capital formation and thereby go for an efficient utilization of the most scarce resource in the context of the developing countries. All the above non-divine theoretical approaches on poverty have in one way or the other pointed to the shortages of capital as the root cause of poverty. And Lewis' model in a unique way shows the way out. According to Lewis, "the extraction of agricultueal resources, i.e. transfer of resources

from agriculture in the traditional sector to industry in the modern urban enclaves, constitutes a necessary condition for the development of the undeveloped societies "34.

Mundale further argues :

" This thesis has been stated most forcefully as a more or less universally valid Law of economic development by Ranis and Fei. Ranis and Fei (1961) in their original model were mainly concerned with the inter-sectoral flow of labour and marketable surplus from agriculture. The internal surpluses generated within industry were recognised as principal sources of accumulation. However, in their later model (1964) they introduced the net transfer of real resources from agriculture to industry as a Central linkage of the development process. Infact they now agreed that it would be the savings of the agricultural sector that constituted the principal source of accumulation during the earlier stages of development, while the internal surpluses of the industrial sector were still very limited "(P 1-2).

However, Mundale hastens to add,

"It should be noted that Lewis himself was somewhat more cautious in this question. Starting from the position that 'the central problem of economic development is to understand the process by which a community which was PREVIOUSLY saving and investing 4 or 5 percent of its national income or less, converts itself into an economy where voluntary savings is running at about 12 to 15 percent of national income or more', Lewis went on to argue that 'the major source of savings is profit, and if we find that savings are increasing as a proportion of national income, we may take it for granted that this is because the share of profits in the national income is increasing' (Lewis, 1954).....

" What is important to note is in this model is that in the general scheme the only transfer from agriculture to industry which is important for the development process is the transfer of surplus labour and not either the transfer of marketed surplus or the net transfer of resources. And the principal source of accumulation is the internal surplus of the industrial surplus of the industrial sector itself. However, Lewis did note the possibility of a special case where the net transfer of resources might become crucial. This is the case where the industrial sector can neither produce its own food nor import it from the rest of the world. In this case the industrial sector would not only draw labour but also marketed surpluses of food from a stagnant agricultural sector. The increasing size of the industrial labour force would inevitably increase the demand for food in this sector and this might shift the terms of trade in favour of agriculture. This would entail a rising

industrial product wage, which would in turn involve a decline in the share of profits in the industry. Under these circumstances specific policy interventions may become necessary to bring about a net transfer of resources from agriculturæ to industry and thus keep the accumulation process going ".....

"[However, it is to be] noted that, except in this special case, Lewis emphasizes only the transfer of surplus labour and not the transfer of resources. There is also a whole class of alternative dualistic models deriving from the works of Jorgenson (1966) which emphasizes the importance of inter-sectoral differences in factor endowments, technology and behavioural parameters rather than the inter-sectoral flows themselves. And most of these models implicitly rule out the possibility of net resource transfers through the changes in the inter-sectoral terms of trade, in assuming balanced inter-sectoral trade.

" Nevertheless, it has to be recognized that the basic concept of development implicit in the entire range of dualistic models of both the Lewis-Ranis-Fei variety and the Jorgenson variety is the same. This is a concept which essentially identifies development with the process of industrialization, i.e. the development of industry proper as something distinct from agriculture. Here agriculture is only seen as playing the role of a facilitator making available to industry the necessary quantities of labour, marketable surplus, resources for financing investments, and possibly exports for financing the necessary imports (Mellor and Johnston, 1961). So long as we restrict our concept of development to this particular interpretation; i.e. development which is identical to industrialization, and also ignore the problem of demand, the Ranis-Fei emphasis on the importance of resource transfers from agriculture appears to be justified. For it is evident that in an underdeveloped society where the industrial sector is still very small compared to agriculture the accumulation of capital in the former may have to be heavily dependent on resources transfers from the latter in the absence of large scale inflows of capital from abroad." 38

Now the stage is somewhat set to have an objective basis for our study. All the non-divine theories of poverty and development that we have discussed above lead us to believe the lack of capital to be the root cause of poverty of a nation. As to why such happens, there remains the difference in opinion.

The theory of personal responsibility, just as a variant of neo-classical approach put the blame on the individuals as if the nation as a whole had nothing to do with

it. The theory of racial superiority put the blame on individual races as if the human race as a body did play no role in such an occurrence. Nurksian version of 'Vicious Circle Theory' did play a major role in rationalizing foreign investments in the developing nations. The theory was accepted and put to use but in to avail. The poor countries became poorer. The traps and pushes could not be reconciled. Rather the net outflow of resources was found to be a positive from the developing to the developed nations.³⁹

Such an observation leads one to accept the Marxist and its modification in the form of Neo-Marxist explanation of the poverty in terms of centre and periphery. The extraction of surplus by the centre in the form of the developed countries from the peripheral developing countries does explain well the poverty of a country. How then to explain the state of poverty alongwith luxurious livings of another group of people within a poor developing country? The same centre-periphery model in the form of Lewisian version comes into existence. The urban centres are exploiting and appropriating surplus from the rural periphery. Mundle provides an insight in his context out of Indian experience.

"... it is useful to divide the period (1951-71) ... into two sub-periods which we may call Period I and Period II. Period I, coming up to say 1965, coincides approximately with the years of the first Five Year Plans. Period II is the period of industrial stagnation from the mid-sixties and onwards. While the reference period for our empirical exercise comes up to 1970-71, the period of industrial stagnation itself actually extends beyond that year.

"During Period I the non-agricultural sector as a whole was growing much faster than agriculture and industrial production proper was actually growing at an increasing rate. Rapid industrial growth during this period was in the first instance facilitated on the demand side by clamping

down of protective trade barriers in the fifties. Protective trade policies now reserved a large part of the existing home market as a captive market for domestic production. The growth of home demand for industrial goods was subsequently restrained by expanding industrial investment itself, especially the large doses of investment in the public sector. The financing of this rapid industrial growth was obviously facilitated on the supply side by the increasing outflow of resources from agriculture, starting in the mid-fifties, which reached a peak of over one thousand crores in 1965-66.

" This drain of a part of the agricultural surplus in Period I, to the extent that it restricted capitalist growth within agriculture, set in motion the development of certain imbalances which were to force down the growth of industrial production in Period II. By 'capitalist growth' within agriculture we mean two distinct though related elements... One is the growth of a particular economic *relation* -- the relation between labour and capital, and the other is the physical growth of output.

" We may(state) that it is with 'differentiation' and the development of the capital-labour relationship in production that production relations are transformed into *commodity relations* mediated through the market. The appearance of commodity production of course precedes the development of *capitalist* production. But it is only with the development of capitalist production that commodity or market relations are generalized and consolidated. *It is thus the development of capitalist production, the capitalist -labour relationship, in agriculture which constitutes the development of a home market in agriculture.* Availability of the surplus products for capital accumulation in agriculture is obviously a necessary condition for this development of *capitalist* production -- and hence the growth of home market -- in agriculture.

"It is in this sense that the increasing drain of surplus from agriculture restricted the growth of a home market in agriculture in Period I. But this non-development of an adequate market in agriculture actually became manifest as a major constraint only in Period II when alternative sources of demand expansion started tapering off, thus resulting in a severe constraint which forced down the rate of industrial growth...."

" In the absence of a growing home market in agriculture, the tapering off of consumption and investment demand within non-agriculture amounted to a stagnation of aggregate demand for non-agricultural goods. Period II was thus characterized by a sharply declining rate on non-agricultural output growth."⁴⁰

That such a phenomenon is not particular to India is evident from a study we have already quoted from.⁴¹ The slowing down of the growth of employment is a clear indicator of the

disproportionality crisis encompassing almost the whole of the developing world leading to higher and higher incidence of poverty. And alongside the feeling of deprivation also started to fire up the discontenting attitudes among the poor in the developing countries. And then only came out economists like Myrdal with their healing touch of the institutional theory to provide the subjective analysis of a purely objective phenomenon. The IRD we talk of is also an off-shoot of such an approach to hide the reality.

Thematically IRD is supposed to have the following characteristics.

- 1) It is independent of the socio-economic system prevailing in the concerned country.
- 2) It necessitates the decentralization of decision making process to be achieved at the grass-root level and thereby give encouragement to direct participation of actual beneficiaries in deciding their own destiny.
- 3) It is supposed to usher in a changed socio-economic structure in the concerned country so as to increase manifold the existing and poor level of material productivity in the rural areas, once IRD is implemented and activated in the truest sense of the term. And
- 4) Man is to be the end of development. That is why the benefits are to be given at an individual and at the most at the family level.

A close analysis of the first three characteristics above really leads us to confusion. As per (2) under the existing socio-economic situation, in the absence of IRD it is not

possible to ensure democratic decentralization at the grass-root level. How can one then tag this observation to 'system' independence of IRD? To elaborate, it seems that the policy planners *vis-a-vis* imagined of a well existing independence between socio-economic system defined by the objective nature of the process of appropriation of surplus and socio-economic structure formulated by the existing institutional arrangements. And then assumed that the latter can be changed without disturbing the former at all. And it is this assumption in the mind that led them to dream of (3) also.

However, factually out of the Indian experience, such an assumption proves to be completely unrealistic. The evaluation of IRD programmes in India clearly points out (as we shall see in the next chapter) the structural impediments to proper implementation of IRD. That is why such a question has to be raised :

Has not development assistance had only a moderate effect at least in those countries which have remained poor?

Keeping these observations in mind one may argue that IRD was implemented not to alleviate mass poverty in particular. The fourth characteristic, on a careful scrutiny, leads us somewhat to such a conclusion. It clearly reveals the neo-classical doctrine of individual importance, a concept which treats everyone to be equal. Resting on such a premise is it feasible to go for an egalitarian society? To elaborate, can a theoretical methodology, which as one of its basic premises acknowledges equality among individuals and tries to treat them

equally, help built up a policy for egalitarianism ? The lamentations by the experts on different causes of failure of IRD to eradicate poverty, unfortunately overlooked such proposition.

If the intention was not to usher in egalitarianism, what then may be the real goal ? As we have already observed and shall be examining further, it was implemented probably to serve two basic purposes:

1. Increasing the efficiency in the 'marketing sense' of the rural economies.
2. Sort of appeasing the growing tendency of discontent among the poverty stricken masses.

Let us first take up a brief survey of IRD experiences in India. Such will provide us with the answer to the second research question posed in connection with H3.

Notes

1. See N.I.C.D. (1974)
2. See P.I.T.P. (1975)
3. See Rawls (1972)
4. See Nozick (1974)
5. See FAO and World Bank documents referred to in the references.
6. Quoted in Bonar (1967) P:16
7. Quoted in Bonar op.cit P:38
8. Rawls op. cit. P:62
9. See Ayer (1967) P:121
10. See Skinner (1972) P:139
11. See Vastos (1989)
12. Quoted in Lakoff (1968) P:2
13. Quoted in Lakoff op. cit P:3
14. Quoted in Lakoff op. cit P:3
15. See Marx (1978) P:20
16. See Bandyopadhyaya (1988) Chapter:7 P:235-75
17. Ibid P:235-6
18. "Instruction on Christian Freedom and Liberation",
Liberia Editrice Vaticana, March 1986, P:40, quoted in
Bandyopadhyaya op.cit. P:236
19. See Bandyopadhyaya op.cit. P:237
20. See Montesquieu (1900) Vol:I P:317
21. See Bandyopadhyaya op.cit. P:237-8
22. See Nurkse (1953)
23. See Rostow (1960)

24. See Domar (1967)
25. See Bandyopadhyaya op.cit. P:246
25. See Myrdal (1968) Vol:I P:26
27. See Marx (1978) P:94
28. See Marx and Engels (1955) P:36
29. See Baran (1957) and Baran and Sweezy (1966)
30. See Baran and Sweezy (1966)
31. See Magdoff (1966)
32. See Frank (1969a), (1969b) & (1979)
33. See Amin (1976)
34. See Emmanuel (1972)
35. See Lewis (1954) & (1958)
36. See Mundle (1981) P:1
37. Ibid P:1-2
38. Ibid P:2-5
39. " The public in the industrialized world believes that there is a net flow of money from rich to poor nations to help in the struggle against poverty. Ten years ago that was true - in 1979 a net \$40 billion flowed from the northern hemisphere to the developing nations of the south. Today that flow has been reversed. Taking together loans, aid, and repayments of interest and capital, the southern world is now transferring atleast \$20 billion a year to the northern hemisphere." Delamothe (1989) P:7
40. See Mundle op. cit. P:185-8
41. See Morawetz (1974)

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The Gainers

8

The Losers

A close look over the earlier chapter has somehow taken us to a position from where we can take stock of the actualities prevailing in rural India. As we all know, still 70 % of the population are residing in the countryside and most of them are dependent still on the yokes of traditional agricultural practices. The argument gets clarified from the following lines which more or less happens to portray the official outlook towards IRD.

" The concept of integrated rural development is based upon the integration of both functional and spatial dimensions of development within specified and manageable geographic units. It may be broadly defined as a people-oriented, agriculture-based strategy which emphasizes the optimal and wise utilization of all local resources. Through attitudinal, structural and institutional changes and the creation of improved social as well as economic infrastructure, integrated rural development can bring about the uplift of the poorest rural families " 1

To dissect the argument it comes out that IRD is supposed to usher in attitudinal, structural and institutional changes in the rural life and would help create an improved social and economic infrastructure and push the poorest rural families atleast to the level of sustenance. And that's what the Antyodaya² concept in implementation proposed to be taken up all over the country really wants to signify.

What have been the outcomes of the IRD programmes since its inception in 1979 in India ? We may spare some pages to take stock of the evaluation studies of IRD carried out in the Indian context. Methodologically speaking, the studies may be distinguished into three broad based categories:

- 1) Local level evaluation studies;
- 2) State level evaluation studies; and

3) National level evaluation studies.

In the course of our discussion we shall be considering studies under all the three categories mentioned above. Ofcourse, considering the huge magnitude of studies at all the levels taken up over the last twelve years or so we shall confine ourselves to some selected studies.

Let us first begin with the local level studies. Arguing that dairy financing is an important asset generating schemes under IRDP in India, a study³ carried out in the Basti Tehsil of Eastern U.P. tried to examine the economic flexibility of dairy financing schemes and also the repayment performance of the borrowers. The data obtained out of the survey revealed that 12.37% of the total beneficiaries misutilized their loans. In some cases the buffaloes were sold off. Interestingly in some other cases the benefits were enjoyed by the landlords. Such misutilization⁴ was maximum in the case of the landless agricultural labourers - at 18.18% whereas in the cases of marginal and small farmers the figures stood at 11.54% and 8.69 % respectively. The study observed that the scheme had been found helpful in raising the income level of the beneficiaries. Net return was however, highest for small farmers (Rs.2380.49), followed by the marginal farmers (Rs.1949.79) and landless agricultural labourers (Rs. 1704.33). Moreover, the pay back period fell within the prescribed period of loan repayment only for the small farmers. Regarding the repayment performance the study revealed an unsatisfactory picture. Overdues were found to be the highest in case of small farmers (90.98%)

followed by marginal farmers (86.24%) and agricultural labourers(84.34%). Regression analysis of the data concerning loan repayment further revealed that small farmers are the willful defaulters, as their net returns exceeded the loan amount in three year period Size of landholdings showed a positive regression coefficient and family size a negative regression coefficient, indicating a positive and a negative influence on the repayment .

To analyse the results mentioned above,one point emerges very distinctly. With the Autyodaya process in mind - the Indian version of trickle-down, so to say,- the result lead us to smell a process to trickle-up in actuality. However, such cannot be confirmedly asserted unless that is supported by some other studies.

We may take up the study of Rana^s. It was carried out in the Rohtak district of Harayana with the objectives to assess the impact of nationalized banks on the economic conditions of the beneficiaries of milch scheme and to examine the role played by these banks in the process of rural development. 74 beneficiary households under the milch scheme consisting of 31 cultivator households and 43 agricultural labour households were selected. Regarding the result, it was observed that 35 households i.e., 47.29 % of the sample population utilized the bank loans for the purpose for which it was sanctioned. The subsidy was given to only 67.56 % of the beneficiaries, although 89.18 % of the beneficiaries were qualified for the subsidy under the scheme. However, 6.7 % of the beneficiaries, having annual income of more than Rs. 4800 and not eligible for subsidy also

got it under this scheme. 74.32 % of the borrowers paid gratification fees to doctors whereas 32.46 % of them paid so to the bank officials to get their loans sanctioned. Limited size of the market to purchase buffaloes and absence of cash loans resulted in the purchase of costlier and inferior purchases. Due to high cost of quality buffalo and the fixed loan amount given by the banks, the borrowers were forced to borrow from moneylenders at higher interest rates. Majority of the beneficiaries also incurred expenditure due to transportation costs and labour charges. It was observed that only 54.06 % of the beneficiaries were benefitted from the scheme and the extent of benefits received by the individual beneficiary was very marginal. This was attributed to misutilization of loans and various costs of borrowing. The repayment of the bank loans was also not satisfactory. The overall poor performance of the scheme was attributed to various lacunae in the policies of banks in advancements of loans. The study in its concluding remark argued that the role played by the nationalized banks in the process of rural development was to a large extent unsatisfactory.

We may refer to another microstudy on IRDP carried out in Sawai Madhopur district in Rajasthan⁶. Selecting a sample of 803 beneficiaries from 77 out of 866 villages of the district the study revealed that the authorities at the district level had not prepared the five year perspective block plans but they had only prepared annual block plans.⁷ Gram Sabhas and Panchayats⁸ were involved actively in the identification and selection of beneficiaries under the programme. The total time

gap between submitting application and getting assistance was, on an average, two months, 88 % of the beneficiaries met the officials such as Gram Sevaks and Patwaris for getting the IRD assistance and two third of them stated that the attitude of the officials was sympathetic and co-operative. 83% of the beneficiaries met the managers of the banks and 55% of them reported that their attitudes were unsympathetic and indifferent towards them (beneficiaries). It was observed that 89% of the beneficiaries were associated with the programmes of primary sector and the rest with the programmes of tertiary sector. The programme had covered 32,124 households per annum per block. 23% of the households who were not eligible were identified under the programme. The average income of the beneficiaries increased by Rs. 1531 per annum and only in the cases under camel-cart scheme the increase was upto the expectations. Only 40% of the assisted families increased their incomes and crossed the poverty line. Regarding the suggestive remedial measures the study argued for preparation of exhaustive inventory of local resources, provision of adequate infrastructure and input facilities, proper representation of poor families in the Gram Shabas and Panchayats, co-ordination between the officials of various agencies etc.

To take account of Orissa experience, we may consider the studies of Parida⁹. Though a bit different in its approach towards the observation from the earlier examples, the studies referred to are really interesting in their considerations of the questions of disparity, i.e., inequality. The first study¹⁰ assesses the relative level of development of the community,

blocks in Orissa in terms of the selected indicators. 77 community blocks from Balasore, Mayaurbanja and Cuttak districts were selected for the study. Five indicators of rural development, viz. cropping intensity, the area under HYV paddy, fertilizer consumption, the area under crop other than food crops and number of workers in non-agricultural activities were selected and on the basis of them a composite index was constructed by using the principal components analysis method. While ranking the blocks according to the index, 31 of them in 1971 and 30 in 1981 were found to be in the advanced group. In 1971, 28 belonged to the Cuttack district and the rest three were from Mayurbhanja with not a single block from Balasore. In 1981, 29 of the advanced blocks were from Cuttack and a single one was from Balasore, this time Mayurbhanja having none to come onto the list. A further division of these blocks into quartile groups in the descending order of the value of the composite indices revealed that all the 19 blocks in the first quartile in 1971 and 1981 belonged to Cuttack. Giving all the details for the other quartiles, the study concluded that rural regions in Cuttack were more advanced than the other two districts.

The second study¹¹ is complementary to the previous one. Using the same methodology of principal component analysis with the indicators being slightly changed to a) cropping intensity, b) area under HYV paddy as percentage of the total area under paddy; c) fertilizer consumption per 10 hectares of gross cropped area; d) area under crop other than food crops and e) number of workers in non-agricultural activities as percentage of total main workers, the computed indices were observed to

explain 65% and 69.2% of the variations of the five selected indicators for the years 1971 and 1981 respectively. As to the contribution of the individual variables (a), (b), (c), (d), and (e) were found to account for 16.6%, 14.2%, 15.2%, 8% and 11% in 1971 and 15.8%, 12.2%, 12.8%, 7.2% and 11.2% in 1981 of the total variations respectively. This implies that multiple cropping appears to be most important factor in development. The analysis also revealed that the level of rural development had reflected the existence of wide inter-block disparity in the region in 1971 and 1981. The development index was observed to vary from as low as 1.6 and 1.4 in Chandrabati block in Balasore district to as high as 5.9 and 5.8 in Sadar block of Cuttack district in 1971 and 1981 respectively. So far as the reasons are concerned, Parida argues that slow agricultural modernization, absence of cash crops and relative dearth of non-farm activities were noted to be the reasons for the existing state of rural development.

Sharma's¹² study amply substantiates those of Parida. The study attempted to explore the impact of IRD in different districts of Rajasthan. Data for the discriminant analysis were taken from a sample of beneficiaries from the 5 advanced and 21 not so advanced districts, based on the performance statistics for the year 1981-82 and 1982-83. Districts were classified considering the total expenditure incurred, total credit mobilized and total members of families benefitted. Analysis revealed that the real difference between the two distinct groups lay in the total expenditure incurred on IRDP. Better programme performance was noticeable in the districts of Udaipur, Bhilwaer, Jaipur Koth and Chittargarh. Rural economies of these districts operate at a

higher level compared to the state average. So much so the benefits of IRDP were prone to be noticeable in places which are relatively advanced. As a remedy, the suggestion given was to divert a large chunk of bank credit to projects in less developed areas.

The studies¹³ cited above, although completely microlevel ones provide us with some interesting features vis-a-vis the basic structure of rural developmental schemes and planning. Although, they were studies to portray the spatial disparity effects of rural developmental schemes in general, we may cite studies that analysed the extent of intra region income disparity vis-vis IRDP. Undoubtedly, the micro-level studies referred to above did prove the disparate income effects of IRDP. However, still, they may be taken to be indirect substantiation of intra-region disparity hypothesis.

Let us now take up the state level studies to try substantiating such a hypothesis. First we shall consider the study by Rao¹⁴, that gives us an insight into the disparate income effect of IRDP at the state level. Using the Concurrent Evaluation of IRDP (of which we shall be discussing in detail later) in Karnataka, he found that the state intervention in the direction of rural economy did not find it possible to work exclusively for the rural poor. The IRDP beneficiaries were divided as labourers and cultivators. The evaluation revealed that reduction in poverty was the least among those taking up village industries and services compared to the beneficiaries taking up other activities. The programmes, Rao argues, would certainly go some way in improving the economic viability of the

small and medium cultivators by giving them remunerative subsidiary activities. But it is doubtful whether the programme would have much success in helping the labourers, i.e., the rural people without land, resources or skills -- to make the difficult transition towards becoming self-employed entrepreneurs. The abundance of IRDP schemes within the first two years of receiving the assistance was relatively higher among labourers. According to Rao, the effects of the development programmes have three features in common -- firstly, they indicate the possibility of some diminution on the hold of rural elite on the rural masses; secondly, the developmental programmes have the effect of making the rural groups more outward looking and also have enlarged their horizontal circle of contacts. Thirdly, the state intervention for rural development enhances and sharpens participation of rural groups in the political process at the village as well as the rural levels. The distinguishing feature of the scenario presented is that it is the emergence of numerically large, viable and development-respective middle class in the rural community which keeps in check the process of polarization.

An interesting macrolevel study was taken up by Tripathy and others¹⁵ regarding the evaluation of IRDP in the south Indian states of Andhra Pradesh, Tamil Nadu, Karnataka and Kerala.

The study defined certain concepts as follows:

1. Net family income without schemes (bench-mark income)
[NFIWOS] = Income due to land assets (ILDA) + Income due to live stock assets (IDLSA) + Income due to other assets (IDOA)

+ Income due from any other sources (IOAS).

2. Net family income with schemes [NFIWS] = NFIWOS + Scheme income (SI)

3. Gross income from scheme (GIS) = Income through main products (IMP) + Income through bye products (IBP).

4. Net income from scheme (NIS) = GIS - [Input income (INC) + Operational expences (OE) + Repayment of load (principal + interest) + Misc Expenditure (ME)].

Using these definitional structure they estimated the NIS's for different schemes in different states as they are given in Table 6:1

As per their study, in all the four states " the marginal and small farmers, those who possess bigger landholdings within the defitional ceiling do get more income from the schemes than others However, in case of landless labourers, livestocks owned by them (in the base year) play an important role in giving them better benefit from the scheme under IRDP. The income generation impact through livestock programmes may not be that high in the case of such beneficiaries who did not at all possess livestock when they were so identified as beneficiaries for IRD programme. In the case of landless labour families without any asset, 'number of' working persons in the family' has a significant positive impact in their income generation. The higher the number of persons employed, the higher is the total

family income....."16

It further asserted , " the total cost of scheme is important in so far as in a large number of cases the unit cost has been marked below the expected level of investment which can yield an annual income of Rs. 3500 . In order to achieve the target, sometimes, both subsidy and bank credit are given in such small amounts that the total unit cost falls below the critical minimum needed to generate the expected income."17

A slight digression of the tables(6.1) reveals certain interesting features. Schemes like energised dug wells, sericulture and irrigation pump sets (in the case of Andhra Pradesh only) could generate the maximum NIS. Thus the viability of and the degree of income generation from IRDP is found to be very much scheme dependant. Moreover, the schemes that tend to generate considerable income is highly asset, particularly , land dependant. Further, it is worthwhile to note that the average NIS of beneficiaries also varied according to the states of their origins. One average beneficiary from Andhra benifitted more from an IRDP scheme than his counterpart in Tamil Nadu, with those from Kerala and Karnataka coming in between in the order.

By now we have created ample ground to pass on to the observation obtained in some national level studies. We shall mainly discuss the 'Study of Implementation of IRDP 'by the National Bank for Agricultural and Rural Development (NABARD) and the Concurrent Evaluation Survey of IRDP 'undertaken by the Department of Rural Development of the government of India (CES).

It has been observed earlier in the present chapter in connection with the elaboration of the micro-level case studies

that a considerable number of beneficiaries were found to be not eligible for IRDP benefits so far as the government guidelines go. Both these studies provide an insight into this problem of wrong identification. As Kurian¹⁸ summarizing the CES observation argues, the poverty line of Rs.3500 per annum for an average family size of five was arrived on the basis of the 32nd. round of NSS (National Sample Survey Organisation) taken up during 1977-78 and continued to be the official cut-off level for IRDP assistance throughout the 6th. plan period. To bring out the extent of wrong identification the CES assessed the true pre-assistance incomes of the sample beneficiaries. The NABARD study also took account of the problem of wrong identification. The results of both the studies are provided in Table:6.2.

Although, the two estimates cannot be compared in toto, one may infer the existence of wrong identification to the extent of 15 to 20 percent on the national basis, indicating that one out of every five or six beneficiaries in the country were not to be provided with IRDP benefits. Moreover, in the context of certain states like Assam and Haryana both the studies reveal almost the same trend so far as wrong identification is concerned. However, regarding Punjab, Uttar Pradesh and West Bengal NABARD results are more generous than the CES results.

The table:6.3 showing the state-wise break-up of selection of potential beneficiaries places IRDP in relation to the concept of 'people's participation' in their own developmental planning.

It is quite amazing to note that even after so many of trumpeteering arguing the need for peoples' participation and

thereby going for an integration be it at the rural urban context or be it in the context of rich and poor in an attempt to bridge the growing gap between the two, has fallen flat so far as the Indian experiences are concerned. The Table:6.3 clearly reveals that 45% of the beneficiaries were selected for benefits by person other than people's representatives at the grass-root level. As a matter of a necessary diversion we may take stock sketchily in a nutshell of the Panchayati infrastructure that existed all over the country during the period of CES. The Table:6.4 has been quoted from the Annual Report of the Ministry of Agriculture, Government of India, Department of Rural Development for the year 1986-87.

With such a state of Panchayati Raj infrastructure, with quite a number of the states not ensuring even regular elections to such bodies as well as the states having no same type of the Panchayati structure also, it is quite obvious that a people's programme as conceived of by the initiators of IRDP can never be as successful as it is expected to be so far as the identification of the real beneficiaries by the local level bodies is concerned.

The microlevel studies cited earlier referred to one interesting aspect of the benefits being different according to the occupation of the beneficiaries. The NABARD study gives a clear statewise occupational break-up of the beneficiaries as quoted in Table:6.5.

The information clearly indicates land-dependence of IRD projects. 50% of the beneficiaries were directly related to land. Another 32.4%, though not directly owning any land are very

much related to agriculture as by profession their lives are very much controlled by the economics of land-based agriculture. Benefits were provided only to a few families who were not professionally attached to agriculture (17.3%). However at the beginning of this chapter we have made it clear that the IRD has been clearly visualized as an agriculture - based strategy. So such an outcome is arguably according to the strategic formulations. However, the second objective of trickle down - the process of 'Antyodaya' has surely been violated when it appears that landless agricultural labourers have received benefits in lesser proportions (32.4% on the whole) than those received by the landed peasantry (50.9%). There is no denial that the small and marginal farmers also require IRD benefits to be thrown out of the clutches of poverty. Still, if 'Antyodaya' is to be the policy and strategy of IRD, more and more benefits are to pour on to the landless agricultural labourers who have no asset at all to use as the means of production.

To clear our understanding further we shall focus our attention to other relevant observation of NABARD and CES. We take up the investments in IRD projects in the context of their adequacies in purchasing and maintaining the income earning assets. NABARD observed that in the farm sector for 34.34% of the beneficiaries the credit assistance and subsidies were not enough for them to purchase the designated assets. Out of 690 reporting beneficiaries 109 had to meet up the difference out of personal savings and furthermore, 128 had to face the worst possible. They had to take recourse to borrowing from other sources. In the industries-service-business (ISB) sector the proportion of such

unfortunate beneficiaries is ofcourse a bit less. 82 out of 292 (i.e., 28.08%) of the beneficiaries did obtain partial investment from IRD. A scheme wise detailed information may be had from Table:6.6.

That investment assistances under IRD were less than the requirement in a good many number of cases leads us to inquire about the income generation potential of the schemes under the programme. CES provides an indepth insight into the matter. In the context of repayment of loan amounts by the beneficiaries, it was observed that 55% of them had overdues with the banks. The detailed information may be gathered from Table:6.7.

So far as the reasons behind such over dues are concerned, on the national perspective 59% of them referred to the inadequate generation of the income from the assets to be the cause, whereas 30 % blamed the tight repayment schedule for their failure to repay the loans. Table:6.8 gives the state-wise break-up clearly.

Regarding the aspect of repayment, NABARD provides another side of it. Out of the total financing of some selected bank branches, it observed that quite a considerable amount (30.81% in 1982-83), though declining over the three year period (from 1980-81), of the loan amount remained overdue. One may examine Table:6.9 to get into the depth of the problem on a disaggregated level.

The study further elaborated on the defaulter profile. Table:6.10 portrays the observation. It was observed that 43.43 % of the beneficiaries (about 12 % less than CES estimate)

were defaulters considering samples from all over the country. NABARD, without going into the reasons behind the reasons, argues that 82.52% of the defaulters could not repay their loans inspite of willing to do so. The rest i.e. 17.48% were wilful defaulters.

Interestingly not all those who even repaid their loans did so completely out of the additional income generated from their assets. About 30% of the beneficiaries had to take recourse to income from other sources either partially or fully to pay off their dues with the banks. See Table:6.11

Another important aspect of IRD regarding income generation is related to the status of asset. CES observed that 29% of the beneficiaries were not in the possession of their assets. Of those who could not maintain their assets cited reasons ranging from inadequate generation of income, high cost of maintenance to bad quality of assets. Details are given in Tables : 6.12 and 6.13.

Table:6.14 provides the NABARD observation in the context referred to in the previous paragraph.

Keeping in mind the information regarding repayment of loan and the status of assets we may now drop onto the question of income generation. Let us first take up the CES results. Tables:6.15 through 6.17 provide the necessary information. In a precise way it may be observed that 50% of the beneficiaries enjoyed an increased income of Rs. 1000/- or more out of the assets provided to them. However, such percentages varied with the changes in the states. Whereas for West Bengal it stood at 86%, for Meghalaya it was observed to be 9% only. On the

otherhand, on the national count 24% of the beneficiaries did not have any increased income at all out of their assets. On a state-wise breakup such occurrences were the minimum in Gujarat and maximum in Sikkim. Table:6.16 gives the figures in terms of percentile increase in income.

However, absolute increase in income does not necessarily imply the crossing of the poverty line. With respect to the revised poverty line of Rs.6400/- per annum per family fixed up according to price index of 1984 - 85, only 4.6% of the beneficiaries could cross the poverty line. In West Bengal where the largest percentage of beneficiaries were observed to be having increased income of Rs.1000/- or more out of their IRD assets, only 2.3% of them could cross the poverty line in actuality. Let's have a look at the concerned tables.

NABARD provides further dissected information on this count. Table:6.18 portrays the comparative pre- and post-development average incomes of the beneficiaries under a state-wise breakup. On an average the incremental income due to IRD assets were found to be 82.16% of the pre-development income. Table:6.19 gives the extent of incremental income from IRD assets. A little more than 46% of the beneficiaries could generate incremental incomes of Rs. 1500/- or more. There was no increase in income at all for 10.21% of them.

So far as the question of employment generation from the IRD assets is concerned, NABARD provides some interesting insights. It observed that 120 mandays were generated on an average per beneficiary from minor irrigation project, 109 from dairy, 163 from sheep and goat rearing, 134 from

shop/trade/business, 217 from tailoring, 51 for the artisans and 136 days from handloom. See Table:6.20

Again when to really to get into the question of poverty alleviation potential of IRD it was observed that 21.75% of the beneficiaries could really cross the poverty line of Rs. 4676/- at 1982-83 prices. (Table:6.21).

Thus to sum up the observation we may argue that:

1) Lack of people's participation, high handedness and corruption on the part of the bureaucracy and bank officials, as well as caste oppressions played as deterrents to the removal of poverty in spite of the implementation of IRDP.

2) Although IRDP was introduced to provide benefits of incremental incomes to the have nots, actually the benefits were mostly cornered by the haves and the disparity in income distribution increased instead of getting reduced over time.

3) The regional disparities also increased with relatively well-off areas grabbing most of the IRDP benefits.

Table :6.1

ANDHRA PRADESH

Schemes	Net Income from Scheme (In Rs)	Number of Beneficiaries
Energised Dugwells	2131	91
Plough Bullocks	470	19
Bullock carts	960	42
Irrigation pump sets	4413	9
Milch animals(2)	603	73
Sheep rearing(20+1)	428	10
Goat rearing	-	-
Poultry (500 for 20 beneficiaries)	9462	20
Sericulture (1 acre)	10877	6
Tailoring	-	-
Rickshaw	1972	8
Other Schemes	1241	122
All	1891	400

Table:6.1 (contd)

TAMIL NADU

Schemes	Net Income from Scheme (In Rs)	Number of Beneficiaries
Energised Dugwells	-	-
Plough Bullocks	591	45
Bullock carts	1124	27
Irrigation pump sets	-	-
Milch animals(2)	661	132
Sheep rearing(20+1)	873	93
Goat rearing	-	-
Poultry (500 for 20 beneficiaries)	-	-
Sericulture (1 acre)	-	-
Tailoring	-	-
Rickshaw	-	-
Other Schemes	349	103
All	653	400

Table : 6.1 (contd.)

KARNATAKA		
Schemes	Net Income from Scheme (In Rs)	Number of Beneficiaries
Energised Dugwells	-	-
Plough Bullocks	-	-
Bullock carts	1028	97
Irrigation pump sets	464	20
Milch animals(2)	483	158
Sheep rearing(20+1).	368	80
Goat rearing	-	-
Poultry (500 for 20 beneficiaries)	-	-
Sericulture (1 acre)	-	-
Tailoring	-	-
Rickshaw	-	-
Other Schemes	1123	45
All	663	400

Table : 6.1 (conclld.)

KERALA		
Schemes	Net Income from Scheme (In Rs)	Number of Beneficiaries
Energised Dugwells	-	-
Plough Bullocks	-	-
Bullock carts	-	-
Irrigation pump sets	787	78
Milch animals(2)	939	60
Sheep rearing(20+1)	-	-
Goat rearing	249	83
Poultry (500 for 20 beneficiaries)	-	-
Sericulture (1 acre)	-	-
Tailoring	1009	49
Rickshaw	-	-
Other Schemes	1422	130
All	932	400

Source: Tripathi et al (1985) P 158-159.

TABLE : 6.2

Number of Beneficiaries with Pre-assistance Income above Rs.3500 per annum. (in percentages of the total number of beneficiaries).

STATE	CES	NABARD
Andhra Pradesh	5.00	7.00
Assam	49.00	42.00
Bihar	14.00	0.00
Gujarat	1.00	47.00
Haryana	31.00	17.76
Himachal Pradesh	5.00	-
Jammu and Kashmir	10.00	-
Karnataka	9.00	10.81
Kerala	36.00	1.92
Madhya Pradesh	9.00	19.09
Maharashtra	18.00	13.13
Manipur	0.00	-
Meghalaya	48.00	-
Orissa	0.00	1.56
Punjab	49.00	35.29
Rajasthan	42.00	20.83
Sikkim	0.00	-
Tamil Nadu	14.00	11.00
Tripura	37.00	-
Uttar Pradesh	28.00	0.83
West Bengal	25.00	0.00
Union Territories	26.00	-
National average	20.00	14.83

Note: Union territories include Arunachal Pradesh and Mizoram which were UT's at the time of the survey.

Source : Table -18 of NABARD and Table-1 of Kurian (1987) P A-162.

Table:6.3

Statewise Breakup of Selection of Potential Beneficiaries.

State	Gram Sabha	Officials	Others	Total
Andhra				
Pradesh	87	11	2	100
Assam	0	100	0	100
Bihar	18	77	5	100
Gujarat	96	4	0	100
Himachal				
Pradesh	95	5	0	100
Jammu and				
Kashmir	80	20	0	100
Karnataka	95	5	0	100
Kerala	4	93	3	100
Madhya				
Pradesh	10	85	5	100
Maharashtra	39	52	9	100
Manipur	57	43	0	100
Meghalaya	75	20	5	100
Negaland	0	0	0	0
Orissa	85	11	4	100
Punjab	50	28	22	100
Rajasthan	79	4	17	100
Sikkim	100	0	0	100
Tamil Nadu	1	89	10	100
Tripura	98	2	0	100
Uttar Pradesh	79	19	2	100
West Bengal	100	0	0	100
Union Territories	65	26	9	100
National average	55	40	5	100

Source : Table - 2 Kurian (1987) P:A162.

Table : 6.4

Statewise Break-up of Panchayati Infrastructure in India:
Tiers with elected bodies, their turns in years and years of last
elections held (in parenthesis).

State	Zilla Parishad	Panchayat Samiti	Gram Panchayat	Present Status
Andhra Pradesh	5(1981)	5(1981)	5(1981)	Election was to be held in 1987
Assam	-	4(1979)	4(1979)	One more tier has been added at Block level
Bihar	5(1980)	5(1979)	5(1978)	Likely to be held in 1987
Gujarat	5(1985)	5(1981)	5(1981)	Due in 1987
Haryana	-	5(1985)	5(1983)	
Himachal Pradesh	5(1976)	5(1974)	5(1985)	
Jammu & Kashmir	-	-	5(1977)	
Karnataka	5(1987)	5(1987)	5(1987)	New Panchayati Raj Law held in 1987.
Kerala	-	-	5(1979)	Steps being taken to hold elections.
Madhya Pradesh	5(1984)	5(1984)	5(1983)	
Maharashtra	6(1979)	6(1979)	5(1983)	Election to GP held in due time. Extended upto Dec. 1988 due to draught
Orissa	-	(1984)	(1984)	
Punjab	5(1975)	5(1975)	5(1975)	Law and order situation.
Rajasthan	3(1982)	3(1982)	3(1981)	Terms extended upto Dec '87.
Tamil Nadu	5(1970)	3(1986)	3(1986)	
Tripura	-	-	5(1984)	
Uttar Pradesh	5(1983)	5(1983)	5(1982)	
West Bengal	5(1983)	5(1983)	5(1983)	

Source: Annual Report of the Ministry of Agriculture, Govt. of India, Dept. of Rural Development, 1986-87.

Table:6.5
Distribution of Identified Families by Occupational Status
in the Selected Districts during 1980-81 to 1983-84.

State	Selected districts	Small farmers	Marginal farmers	Landless agricultural labourers
Andhra	Nalgonda	14917	25982	33832
Pradesh	Krishna	(16.1)	(28.0)	(36.4)
Assam	Kamrup	2985	6570	9012
	N.C.Hills	(10.7)	(23.6)	(32.4)
Bihar	Madhubani	2027	26004	22447
		(3.1)	(40.2)	(34.7)
Gujarat	Junagarh	102245	181162	143612
	Valsad	(22.9)	(40.6)	(32.2)
Haryana	Ambala	10532	10271	24335
	Sonepat	(16.1)	(15.7)	(32.2)
Kerala	Malappuram	12303	37671	52174
		(8.39)	(25.69)	(35.58)
Karnataka	Bangalore	24715	30507	24113
	Gulbarga	(27.7)	(34.3)	(27.1)
Madhya Pradesh	Satna	12722	10353	8476
		(28.6)	(23.3)	(19.1)
Maha-rashtra	Pune	35378	39352	62370
	Sholapur	(13.1)	(14.6)	(23.1)
Orissa	Puri	24248	80922	65134
	Sundergarh	(13.4)	(45.0)	(36.2)
Punjab	Patiala	11808	20297	30797
		(18.5)	(31.8)	(48.2)
Rajasthan	Jodhpur	23139	48991	13979
		(25.9)	(54.7)	(15.6)
Tamil Nadu	Madurai	108576	34821	123454
	Ramnad	(34.3)	(11.0)	(39.0)
Uttar Pradesh	Deoria	31959	64291	52728
	Meerut	(19.8)	(39.9)	(32.7)
West Bengal	Howrah	-	-	-
	Burdwan	-	-	-
Total		417554 (20.9)	617194 (30.0)	666463 (32.4)

Table : 6.5(contd)

State	Selected Districts	Rural artisans	Others	Total
Andhra Pradesh	Nalgonda	14821	3333	92885
	Krishna	(16.0)	(3.5)	(100)
Assam	Kamrup	4636	4610	27813**
	N.C.Hills	(16.7)	(16.6)	(100)
Bihar	Madhubani	66530	7169	64750
		(10.3)	(11.8)	(100)
Gujarat	Junagarh	8452	10758	446229
	Valsad	(32.2)	(1.9)	(100)
Haryana	Ambala	3598	16682	65418
	Sonepat	(5.50)	(25.5)	(100)
Kerala	Malappuram	6320	38170	146638*
		(4.30)	(26.03)	(100)
Karnataka	Bangalore	7681	2033	89049
	Gulbarga	(8.60)	(2.30)	(100)
Madhya Pradesh	Satna	7663	5205	44428*
		(17.3)	(11.7)	(100)
Maharashtra	Pune	18917	113822	269839
	Sholapur	(7.0)	(42.2)	(100)
Orissa	Furi	1371	8316	79991
	Sundergarh	(0.8)	(4.60)	(100)
Punjab	Patiala	-	1000	68902*
		-	(1.50)	(100)
Rajasthan	Jodhpur	2853	539	89501*
		(8.20)	(0.60)	(100)
Tamil Nadu	Madurai	38619	11079	316548
	Ramnad	(39.0)	(3.50)	(100)
Uttar Pradesh	Deoria	9863	2464	161305
	Meerut	(6.10)	(1.50)	(100)
West Bengal	Howrah	-	-	11034**
	Burdwan	-	-	-
Total		131453 (6.40)	225630 (10.90)	2058296 (100.0) 2069330+

Table:6.5(contd)

State	Selected Districts	Of which SC/ST	% of SC /ST to total
Andhra Pradesh	Nalgonda	35753	38.5
	Krishna		
Assam	Kamrup	10126	36.4
	N.C.Hills		
Bihar	Madhubani	6402	9.90
Gujarat	Junagarh	255300	57.2
	Valsad		
Haryana	Ambala	24267	42.6
	Sonepat		
Kerala	Malappuram	4978	17.2**
Karnataka	Bangalore	29520	33.2
	Gulbarga		
Madhya Pradesh	Satna	17055	38.4
Maharashtra	Pune	57544	21.3
	Sholapur		
Orissa	Puri	166571	92.5
	Sundergarh		
Punjab	Patiala	50227	78.6
Rajasthan	Jodhpur	30539*	34.1
Tamil Nadu	Madurai	142447	45.0
	Ramnad		
Uttar Pradesh	Deoria	57446	35.6
	Meerut		
West Bengal	Howrah	2820	25.6
	Burdwan		
Total		890995	43.1

* Details pertain to only one selected districts for the other district break up is not available for the assisted families.

** This relates to only one district for the other district information is not available.

@@ Break up available for No. of families assisted.

+ Inclusive of West Bengal.

Source: Table- 7 of NABARD

Table:6.6
Adequacy of loan and subsidy in relation to
the investment cost of major investments.

Type of investment	No. of sample beneficiaries	No. of reporting beneficiaries	No. of cases for which sum of loan and subsidy was		No. of cases in which difference in actual cost of investment & sum of loan & subsidy was met by	
			Equal to cost of investment	Lower than cost of investment	Personal savings.	Borrowings.
<u>Farm Sector</u>						
Minor						
Irrigation	158	152	72	80	40	40
Dairy	397	387	248	119	47	72
Sheep/Goats	171	171	133	38	22	16
Sub-Total :	726	690	453	237	109	128
<u>ISB Sector</u>						
Business/Shop/						
Trade	162	146	91	55	30	25
Tailoring, Embroidary, etc.	38	38	30	8	5	3
Rural Artisans	46	46	40	6	1	5
Handlooms	62	62	49	13	12	1
Sub - Total:	308	292	210	82	48	34
TOTAL :	1034	982	663	319	157	162

Source : Table : 14 of NABARD.

Table : 6.7

Amount of Overdues

(Percentage in different ranges in Rs.)

State	0	1-250	251-1000	1001-2000	>2000
Andhra Pradesh	46	11	24	13	6
Assam	18	10	35	25	12
Bihar	27	7	34	24	8
Gujarat	58	8	21	11	2
Haryana	55	2	20	16	7
Himachal Pradesh	59	8	22	8	3
Jammu & Kashmir	83	2	5	5	5
Karnataka	29	5	37	21	8
Kerala	34	16	33	13	4
Madhya Pradesh	37	10	30	17	6
Maharashtra	38	8	29	18	7
Manipur	79	2	4	14	1
Meghalaya	0	0	0	0	0
Nagaland	0	0	0	0	0
Orissa	29	18	33	18	2
Punjab	61	5	17	15	2
Rajasthan	46	12	26	11	5
Sikkim	100	0	0	0	0
Tamil Nadu	56	7	17	14	6
Tripura	14	19	34	13	20
Uttar Pradesh	45	5	23	19	8
West Bengal	35	18	35	8	4
Union Territories	80	2	7	6	5
National average	45	8	25	16	6

Source : Table - 9 Kurian (1987) P:A169.

Table : 6.8

Reasons for Overdues

(percentages)

State	Inadequate Income	Unforeseen Calamity	Tight Repay- ment Schedule	Others	Total
Andhra Pradesh	57	15	25	3	100
Assam	80	4	15	1	100
Bihar	43	11	46	0	100
Gujarat	52	5	39	5	100
Haryana	28	13	58	1	100
Himachal Pradesh	65	7	25	3	100
Jammu & Kashmir	81	6	13	0	100
Karnataka	53	14	30	3	100
Kerala	60	9	25	6	100
Madhya Pradesh	64	6	30	0	100
Maharashtra	58	4	36	2	100
Manipur	25	25	40	10	100
Meghalaya	0	0	0	0	0
Nagaland	0	0	0	0	0
Orissa	71	6	22	1	100
Punjab	69	10	21	0	100
Rajasthan	62	7	19	12	100
Sikkim	0	0	0	0	0
Tamil Nadu	57	7	36	0	100
Tripura	41	8	29	22	100
Uttar Pradesh	70	9	18	3	100
West Bengal	46	12	40	2	100
Union Territories	59	12	29	0	100
National average	59	8	30	3	100

Source : Table -10 Kurian (1987) P:A169.

Table : 6.9

Percentage overdues of the selected bank
branches under IRDP financing

1980-81					
State		Commercial Banks	Co-operative Banks	Regional Rural Banks	Total
Andhra Pradesh	(5)@	17.39	59.21	-	58.43
Assam	(5)	98.81	-	-	98.81
Bihar	*	-	-	-	-
Gujarat	(3)	1.00	-	-	1.00
Haryana	*	-	-	-	-
Kerala	(6)	66.67	23.91	14.71	49.53
Karnataka	(6)	-	-	78.38	78.38
Madhya Pradesh	(4)	-	-	-	-
Maharashtra	(6)	55.35	-	-	55.35
Orissa	(3)	57.74	-	-	57.74
Punjab	(1)	62.73	-	-	62.73
Rajasthan	(6)	19.44	-	-	19.44
Tamil Nadu	(8)	15.73	38.60	25.64	27.72
Uttar Pradesh	(8)	39.62	27.04	-	34.88
West Bengal	(1)	66.67	-	-	66.67
Total	(62)	36.22	47.85	53.33	43.03

Table : 6.9(contd)

Percentage overdues of the selected bank
branches under IRDP financing

1981-82					
State		Commercial Banks	Co-operative Banks	Regional Rural Banks	Total
Andhra Pradesh	(5)@	11.36	60.43	-	59.52
Assam	(5)	93.93	-	28.82	52.79
Bihar	*	-	-	-	-
Gujarat	(3)	10.29	-	-	10.29
Haryana	*	-	-	-	-
Kerala	(6)	33.33	19.80	50.00	28.00
Karnataka	(6)	56.28	-	71.31	60.56
Madhya Pradesh	(4)	-	77.59	-	77.59
Maharashtra	(6)	32.09	nil	-	18.19
Orissa	(3)	50.22	nil	-	34.93
Punjab	(1)	52.67	-	-	52.67
Rajasthan	(6)	17.03	-	100.00	19.93
Tamil Nadu	(8)	11.80	22.64	13.04	14.31
Uttar Pradesh	(8)	41.27	78.70	12.50	51.55
West Bengal	(1)	80.77	-	-	80.77
Total	(62)	32.21	50.61	46.41	40.70

Table : 6.9(concl'd.)

Percentage overdues of the selected bank
branches under IRDP financing

1982-83					
State		Commercial Banks	Co-operative Banks	Regional Rural Banks	Total
Andhra Pradesh	(5) [@]	13.75	54.10	-	38.12
Assam	(5)	61.18	-	30.43	35.14
Bihar	*	-	-	-	-
Gujarat	(3)	39.18	-	-	39.18
Haryana	*	-	-	-	-
Kerala	(6)	46.34	47.88	28.95	41.79
Karnataka	(6)	45.75	-	69.77	55.92
Madhya Pradesh	(4)	46.51	70.36	59.62	65.40
Maharashtra	(6)	43.81	nil	-	26.22
Orissa	(3)	55.53	24.00	-	51.24
Punjab	(1)	67.87	-	-	67.87
Rajasthan	(6)	24.55	43.59	100.00	27.79
Tamil Nadu	(8)	7.17	25.65	1.75	8.81
Uttar Pradesh	(8)	36.06	36.00	19.60	33.58
West Bengal	(1)	43.33	-	-	43.33
Total	(62)	26.18	36.89	37.88	30.81

[@] Bracketed figures indicate the number of branches for which data could be obtained.

* None of the selected bank branches in Bihar and Haryana were maintaining data on D C B for IRDP advances.

Source : Table 30 of NABARD.

Table : 6.10
Repayment performance of sample beneficiaries

State	No. of beneficiaries for whom details obtained	No. of beneficiaries repaying regularly	No. of defaulters		
			Wilful	Non-wilful	Total
Andhra Pradesh	86 (100.00)	50 (58.14)	11 (30.55)	25 (69.45)	36 (41.86)
Assam	80 (100.00)	44 (55.00)	18 (50.00)	18 (50.00)	36 (45.00)
Bihar	50 (100.00)	33 (66.00)	-	-	17 * (34.00)
Gujarat	96 (100.00)	74 (77.08)	3 (13.64)	19 (86.36)	22 (22.92)
Haryana	107 (100.00)	84 (78.50)	3 (13.04)	20 (86.96)	23 (21.50)
Kerala	104 (100.00)	54 (51.92)	2 (4.00)	48 (96.00)	50 (48.08)
Karnataka	105 (100.00)	54 (51.43)	7 (13.73)	44 (86.27)	51 (48.57)
Madhya Pradesh	90 (100.00)	36 (40.00)	13 (24.07)	41 (75.93)	54 (60.00)
Maharashtra	88 (100.00)	62 (70.45)	-	26 (100.00)	26 (29.55)
Orissa	64 (100.00)	3 (4.69)	-	61 (100.00)	61 ** (95.61)
Punjab	36 (100.00)	22 (61.11)	2 (14.29)	12 (85.71)	14 (38.89)
Rajasthan	102 (100.00)	48 (47.06)	3 (5.56)	51 (94.44)	54 (52.94)
Tamil Nadu	100 (100.00)	89 (89.00)	-	11 (100.00)	11 (11.00)
Uttar Pradesh	98 (100.00)	48 (48.98)	4 (8.00)	46 (92.00)	50 (51.02)
West Bengal	58 (100.00)	14 (24.14)	27 (61.36)	17 (38.64)	44 (75.86)
Total	1264* (100.00)	715 (56.57)	93 (17.48)	439 (82.52)	532* (100.00) 549** (43.43)

Table : 6.10 (contd.)

Repayment performance of sample beneficiaries

State	No. of beneficiaries for whom complete details obtained	Total amount defaulted (Rs.)	Average amount of default (Rs.)
Andhra Pradesh	36	31374	872
Assam	24	14262	594
Bihar	17	13923	819
Gujarat	22	18601	846
Haryana	23	38332	1667
Kerala	46	33018	717
Karnataka	51	35508	696
Madhya Pradesh	54	25715	476
Maharashtra	26	21245	817
Orissa	61***	73727	1208
Punjab	14	10000	714
Rajasthan	18	11118	617
Tamil Nadu	11	14030	1275
Uttar Pradesh	19	21147	1113
West Bengal	44	20950	476
Total :	466	382950	822

* This includes some beneficiaries who were wrongly identified.

** Out of these 61 defaulters, 28 were partial defaulters and the remaining 33 defaulted the entire amount fallen due for repayment. The average default works out to Rs. 893 and Rs. 1476 respectively.

@ Excluding the beneficiaries in Bihar.

@@ Including the beneficiaries in Bihar.

Source: Table - 31 of NABARD.

Table : 6.11
Sources of Funds for Repayment*

State	Source			Total number of cases
	Wholly from incremental income	Partly from incremental income and partly from other sources	Wholly from other sources*	
Andhra Pradesh	33 (66.00)	16 (32.00)	1 (2.00)	50 (100.00)
Assam	23 (56.10)	16 (39.02)	2 (4.88)	41 (100.00)
Bihar	-	-	-	-
Gujarat	68 (91.89)	4 (5.41)	2 (2.70)	74 (100.00)
Haryana	61 (76.25)	19 (23.75)	-	80 (100.00)
Kerala	30 (65.22)	16 (34.78)	-	46 (100.00)
Karnataka	12** (52.17)	10** (43.48)	1** (4.35)	23** (100.00)
Madhya Pradesh	11 ^{@@} (100.00)	-	-	11 ^{@@} (100.00)
Maharashtra	49 (79.03)	12 (19.35)	1 (1.62)	62 (100.00)
Orissa	3 (100.00)	-	-	3 (100.00)
Punjab	15 (93.75)	1 (6.25)	-	16 (100.00)
Rajasthan	12 (25.00)	36 (75.00)	-	48 (100.00)
Tamil Nadu	46 (51.69)	43 (48.31)	-	89 (100.00)
Uttar Pradesh	45 (93.75)	3 (6.25)	-	48 (100.00)
West Bengal	14 (100.00)	-	-	14 (100.00)
Total :	422 (69.75)	176 (29.09)	7 (1.16)	605 (100.00)

@ This table pertains to only those cases whose repayment was regular.

* Major other source resorted were: (i) wages, (ii) sale of assets, (iii) private borrowings, etc.

** Data available for only one district.

@@ Source-wise details could be obtained only for 11 out of the 36 beneficiaries regularly repaying.

Source: Table - 32 of NABARD.

Table : 6.12

Status of Asset : Intact or Not Intact

State	(percentage)	
	Intact	Not Intact
Andhra Pradesh	80	20
Assam	58	42
Bihar	78	22
Gujarat	89	11
Haryana	58	42
Himachal Pradesh	79	21
Jammu & Kashmir	87	13
Karnataka	77	23
Kerala	61	39
Madhya Pradesh	76	24
Maharashtra	70	30
Manipur	56	44
Meghalaya	33	67
Nagaland	0	0
Orissa	65	35
Punjab	68	32
Rajasthan	44	56
Sikkim	100	0
Tamil Nadu	70	30
Tripura	88	12
Uttar Pradesh	79	21
West Bengal	86	14
Union Territories	52	48
National average	71	29

Source : Table -5 Kurian (1987) P:A166.

Table 6.13
Reason for Asset Being Not Intact
(Percentage share)

State	Unexpected Event	Not Enough Income	Mainten- ance Cost	Defective	Other Reasons	Total
Andhra Pradesh	30	17	19	15	19	100
Assam	44	10	2	3	41	100
Bihar	25	13	6	23	33	100
Gujarat	32	7	19	19	23	100
Haryana	15	19	15	13	38	100
Himachal Pradesh	50	25	6	8	11	100
Jammu & Kashmir	0	6	12	70	12	100
Karnataka	8	10	11	38	33	100
Kerala	25	22	11	19	23	100
Madhya Pradesh	16	32	4	2	44	100
Maharashtra	2	28	10	18	42	100
Manipur	5	10	3	64	18	100
Meghalaya	48	2	0	25	25	100
Nagaland	0	0	0	0	0	0
Orissa	3	12	4	16	65	100
Punjab	6	51	4	22	17	100
Rajasthan	39	17	8	5	31	100
Sikkim	0	0	0	0	0	0
Tamil Nadu	10	25	11	15	39	100
Tripura	20	20	0	60	0	100
Uttar Pradesh	16	21	7	16	40	100
West Bengal	4	37	7	37	15	100
Union Territories	24	4	5	20	47	100
National average	22	19	8	16	35	100

Source : Table -6 Kurian (1987) P:A168.

Table : 6.14

Condition of Assets of Sample Beneficiaries and the Extent of Leakages.

Type of investment	No. of Sample beneficiaries	Condition of assets		Leakages		
		Functional	Non-Functional	Loan utilised	mis-Assets sold	Death of animals
<u>A. Farm Sector</u>						
Minor irrigation	158	149	9	-	9	-
Dairy	397	273+	60	3	31	26
Sheep and Goats	171	98+	59	9	9	41
Bullocks, Camels etc.	58	45	13	-	13	-
Bullocks, Bullockcarts other animal husbandry investments	137	92	45	8	19	18
Inland fisheries	40	27	13	3	-	10
Agriculture	57	52	5	3	-	2
Sub-total :	1018	736	204	26	81	97
<u>B. ISB Sector</u>						
Small scale industries	18	18	-	-	-	-
Weaving	62	59	3	-	3	-
Other services	22	21	1	1	-	-
Tailoring	38	30	8	-	8	-
Transport	24	22	2	-	2	-
Business shop/Trade	162	128+	12	8	4	-
Rural artisans	46	41	5	4	1	-
Others	39	30	9	9	-	-
Sub total :	411	349	40	20	18	-
Total :	1429	1085	244	46	99	97

+ Details not available in all cases.

Source: Table - 17 of NABARD.

Table:6.15

Income from Asset (Different Ranges in Rs.)

State	0	1-500	501-1000	1001-2000	>2000
Andhra Pradesh	11	2	14	33	40
Assam	40	12	12	16	20
Bihar	24	9	13	28	26
Gujarat	2	31	36	8	23
Haryana	42	2	13	21	22
Himachal Pradesh	20	14	17	30	19
Jammu & Kashmir	4	8	19	33	36
Karnataka	26	13	22	25	14
Kerala	36	13	17	20	14
Madhya Pradesh	20	5	11	29	35
Maharashtra	21	13	21	22	23
Manipur	41	15	15	22	7
Meghalaya	39	50	2	7	2
Nagaland	0	0	0	0	0
Orissa	28	8	15	34	15
Punjab	33	1	11	17	38
Rajasthan	43	16	14	15	12
Sikkim	50	5	0	5	40
Tamil Nadu	23	18	17	17	25
Tripura	3	12	2	32	51
Uttar Pradesh	16	9	16	31	28
West Bengal	7	4	3	16	70
Union Territories	45	15	13	12	15
National average	24	11	15	24	26

Source : Table -11 Kurian (1987) P:A170.

Table:6.16

Percentage Increase in Family Income.

State	0	1-25	26-50	51-100	>100
Andhra Pradesh	6	11	15	41	27
Assam	14	35	26	15	10
Bihar	15	23	23	23	16
Gujarat	2	37	36	18	7
Haryana	40	21	17	15	7
Himachal Pradesh	8	19	20	22	31
Jammu & Kashmir	14	15	22	26	21
Karnataka	21	17	13	22	27
Kerala	22	34	22	15	7
Madhya Pradesh	12	31	27	22	8
Maharashtra	16	19	22	23	20
Manipur	26	15	21	15	23
Meghalaya	25	25	50	0	0
Nagaland	0	0	0	0	0
Orissa	8	25	22	27	18
Punjab	15	15	17	24	29
Rajasthan	20	21	19	23	17
Sikkim	10	40	20	10	20
Tamil Nadu	12	17	21	26	24
Tripura	6	23	13	41	17
Uttar Pradesh	24	25	24	18	9
West Bengal	10	33	22	27	8
Union Territories	23	22	20	21	14
National average	18	24	22	23	15

Source : Table -12 Kurian (1987) P:A171.

Table : 6.17

Percentage of Persons with Initial
Income less than Rs.3500/-
Crossing the Poverty Line.

State	Poverty	Poverty
	Line Rs.3500	Line Rs.6400
Andhra Pradesh	57.04	7.16
Assam	53.46	11.32
Bihar	42.18	4.08
Gujarat	38.67	4.42
Haryana	19.39	0.00
Himachal Pradesh	52.70	6.31
Jammu & Kashmir	50.57	8.05
Karnataka	33.53	3.59
Kerala	29.55	2.27
Madhya Pradesh	35.15	1.98
Maharashtra	40.78	6.72
Manipur	14.02	0.00
Meghalaya	20.00	2.22
Nagaland	0.00	0.00
Orissa	16.21	1.19
Punjab	84.87	15.97
Rajasthan	46.20	7.26
Sikkim	40.00	5.00
Tamil Nadu	31.61	3.23
Tripura	45.95	8.11
Uttar Pradesh	49.69	4.63
West Bengal	47.42	2.35
Union Territories	33.46	4.56
National average	40.99	4.60

Source : Table -13 Kurian (1987) P:A171.

Table : 6.19
Extent of incremental income from IRDP assets.

State	No incre- mental income	Upto Rs.500	501- 1500	1501- 3000	Above 3000	Total No. of bene- ficiaries.
Andhra Pradesh	5 (5.38)	12 (12.90)	36 (38.71)	26 (27.96)	14 (15.05)	93 (100.00)
Assam	19 (32.76)	19 (32.76)	11 (18.97)	4 (6.89)	5 (8.62)	58 (100.00)
Gujarat	3 (5.66)	1 (1.67)	28 (52.84)	10 (18.87)	11 (20.76)	53 (100.00)
Haryana	4 (4.55)	1 (1.14)	22 (25.00)	28 (31.81)	33 (37.50)	88 (100.00)
Kerala	13 (12.74)	14 (13.73)	23 (22.54)	33 (32.36)	19 (18.63)	102 (100.00)
Karnataka	13 (13.13)	12 (12.12)	44 (44.45)	21 (21.21)	9 (9.09)	99 (100.00)
Madhya Pradesh	26 (29.21)	6 (6.74)	23 (25.85)	17 (19.10)	17 (19.10)	17 (100.00)
Maharashtra	5 (5.81)	7 (8.14)	18 (20.93)	31 (33.75)	25 (29.07)	86 (100.00)
Orissa	10 (15.87)	4 (6.35)	23 (36.51)	20 (31.75)	6 (9.52)	63 (100.00)
Punjab	3 (13.64)	-	5 (22.73)	9 (40.91)	5 (22.72)	22 (100.00)
Rajasthan	11 (14.47)	16 (21.05)	25 (32.90)	14 (18.42)	10 (13.16)	76 (100.00)
Tamil Nadu	5 (5.62)	20 (22.47)	38 (42.70)	19 (21.35)	7 (7.86)	89 (100.00)
Uttar Pradesh	4 (3.36)	-	20 (16.80)	49 (41.18)	46 (38.66)	119 (100.00)
West Bengal	1 (1.72)	-	20 (34.45)	37 (63.81)	-	58 (100.00)
Total :	122 (10.21)	159 (13.30)	358 (29.96)	329 (27.53)	227 (19.00)	1195 (100.00)

Source: Table 22 NABARD.

Table :6.20

Additional Employment to beneficiary families due to major investments 1982-83

(Figures in Mandays)

State	Minor Irrigation			Dairy			Sheep/Goats		
	No. of beneficiaries	Total	Average per beneficiary	No. of beneficiaries	Total	Average per beneficiary	No. of beneficiaries	Total	Average per beneficiary
Andhra Pradesh	29	3630	125	3	300	100	27	1890	70
Assam	-	-	-	10	576	58	16	307	19
Madhya Pradesh	22	1000	45	25	2500	100	2	70	35
Maharashtra	25	4010	160	30	4270	142	12	790	66
Orissa	8	725	91	13	846	65	10	280	28
Punjab	-	-	-	13	1230	95	-	-	-
Rajasthan	5	625	125	9	780	87	46	15120	329
West Bengal	24	3600	150	9	1650	183	-	-	-
Total :	113	13590	120	112	12152	109	113	18457	163

Note: In case of the sample beneficiaries in Haryana, those assisted for minor irrigation and small business activities were reportedly employed throughout the year in the activity financed and those for dairy and sheep/goat units reported additional employment of three hours per day and four hours per day respectively.

Table : 6.20(contd.)

Additional Employment to beneficiary families due to major investments 1982-83

(Figures in Mandays)

State	Shop/Trade/Business			Tailoring		
	No. of beneficiaries	Total	Average per beneficiary	No. of beneficiaries	Total	Average per beneficiary
Andhra Pradesh	3	90	30	1	300	300
Assam	-	-	-	-	-	-
Madhya Pradesh	22	2215	101	2	300	150
Maharashtra	12	2033	169	1	100	100
Orissa	7	2020	289	-	-	-
Punjab	11	1320	120	-	-	-
Rajasthan	-	-	-	-	-	-
West Bengal	10	1000	100	5	1250	250
Total :	65	8678	134	9	1950	217

Table : 6.20 (concl'd.)

Additional Employment to beneficiary families due to major investments 1982-83

State	(Figures in Mandays)					
	Rural Artisans			Handlooms		
	No. of beneficiaries	Total	Average per beneficiary	No. of beneficiaries	Total	Average per beneficiary
Andhra Pradesh	-	-	-	-	-	-
Assam	-	-	-	16	2048	128
Madhya Pradesh	9	891	99	1	150	150
Maharashtra	5	775	155	-	-	-
Orissa	-	-	-	10	900	90
Punjab	-	-	-	-	-	-
Rajasthan	14	1582	113	4	900	225
West Bengal	10	2500	250	14	2100	150
Total :	38	5748	151	45	6098	136

Source: Table 23 NABARD.

Table:6.21

Number of beneficiaries crossing the poverty line
when the cut-off point is refixed at 1982-83 prices.

State	Total No. of eligible beneficiaries	No of beneficiaries with post-development income exceeding Rs. 4676/- at 1982-83 prices.	As percentage
Andhra Pradesh	93	10	10.75
Assam	58	8	13.79
Bihar	100	18	18.00
Gujarat	53	14	26.42
Haryana	88	36	40.90
Kerala	102	13	12.75
Karnataka	99	15	15.15
Madhya Pradesh	89	20	22.47
Maharashtra	86	36	41.86
Orissa	63	16	25.40
Punjab	22	13	59.09
Rajasthan	76	4	5.26
Tamil Nadu	89	8	8.99
Uttar Pradesh	119	49	41.18
West Bengal	58	nil	nil
Total	1195	260	21.75

Source: Table 28 NABARD.

Notes

1. See Swindale (1982) P:2-3
2. Antlyodaya means a process of initiating the poverty alleviation thrust at the lowest level such that the resultant is the benefit percolating to the economically weakest section of the society on a priority basis.
3. See Misra & Pandey (1986)
4. However, it remains to be asked whether we would really call it misutilization considering the several difficulties the poorest of the beneficiaries have to face in general and in relation to getting an IRDP benefit in particular.
5. See Rana (1987)
6. See Sodhi (1987)
7. Block level planning as we have noted earlier, is a step towards decentralized planning.
8. Gram Sabha and Panchayats are the lowest tiers of the grass-root level decision making system.
9. See Parida (1986) and (1988)
10. See Parida (1986)
11. See Parida (1988)
12. See Sharma (1984)
13. Parida op. cit. & Sharma op.cit.
14. See Rao (1987)
15. See Tripathy et al (1985)
16. Ibid P:280
17. Ibid P:281
18. See Kurian (1987)



Looking Back

We started the study with a basic question as to whether 'development' as we talk of it is consistent with 'social justice'. Having traversed a host of arguments, it is now necessary to bind the loose ends up into a concrete shape.

The study began with the problematics of methodology. Then it went on to take up a historical perspective of the changing structure of India as an economic as well as a political unit. The case for 'decentralized planning' and 'rural development' in general and 'IRDP' in particular were also taken up at length. In between, we have digressed a bit on the concept of 'social justice' and 'poverty'.

In this concluding chapter, we shall mainly take up the last research question related to h3 that asks whether the objective behind placing importance on 'development with justice' has failed or not. To provide an answer to the query we shall first look back to summarize the observation we have made so far.

Firstly, regarding the methodological question, we observed that the neo-classical approach is not suitable in the context of analyzing the the concept of 'development with justice' and the impact of such developmental policy on the society.

Secondly, we found that India is still now a peculiar mixture of a fractured compromise with there being the nexus between agriculture and State and simultaneously so between industrial-trading bourgeoisie and State with direct collusion between agriculture and bourgeoisie taking years to mature. Infact, the first such attempt may be traced into the

introduction of the new agricultural strategy that resulted into the 'Green Revolution' and the subsequent nationalization of the major commercial banks.

Thirdly, 'decentralized planning' and 'rural development' are never any new concept in the Indian context. Indian socialism in the form of exclusive State ownership in certain industrial and financial enterprises and the corresponding concepts centralized planning notwithstanding, attempts to decentralize planning machinery can be traced to have been made ever since the beginning of planning era in India. Interestingly, even during the British Raj such an action was contemplated. To come on to the reasons we observed that the decisions were timed in such a fashion that they always tallied with the onset of short term industrial recession in the country.

Fourthly, During the period of 1970s the Indian economy started experiencing a 'structural retrogression' in the sense that the materially unproductive tertiary sector gradually started occupying a more important position compared to the manufacturing sector with the largest chunk of the Indian society still being engaged in activities related to the primary sector. On the other hand, the index of labour intensity in Indian industry dropped down considerably from 100 in 1960 to 66 in 1980 (see Table : 7.1). The composition of the industrial sector also changed as is evident from Table : 7.2, where we find that the weights of different industries by use based classification underwent a structural change. In 1956, basic goods industries were assigned a weight of 22.13 with the consumer goods industries being assigned 48.37. The situation changed abruptly in 1980 with

the weights being 39.42 and 23.69 respectively. Such a complete reversal of emphasis may, have among various other reasons, resulted from the bottle-necks on the demand side. The consumer goods industries have failed to expand their market beyond a certain periphery. Just as the industrial sector produces goods, in a developing country it is also expected to create employment potential which will lead to the siphoning out of the surplus labour out of agriculture. The larger emphasis on basic goods industries clearly spells out the role of the State, as it controls the majority of such industries, firstly as a friend of the private sector through providing infrastructural and raw material support, and secondly as a means of reducing the burden of surplus labour from the agricultural sector and alongside reducing the level of unemployment to a more or less tolerable level. Table :7.3 gives a comparative idea about the employment generation potential of both the public and the private sector. Table : 7.4 gives the idea about the per capita emoluments of public sector employees which may be compared with Table :7.5 that gives an idea about the trend in real per capita NNP for the country as a whole that includes both the private sector and the public sector employees along with the self-employed and the unemployed. The ratio remained at about 10:1 in 1979-80. Further there were also observed a trend of increasing fluctuations in the workings of the economy.

Fifthly, there emerged a considerable tension in the rural India by the late 1960s which, in some cases, burst out into the open.

It should have been noted that through out this study

we have not taken up the problems relating to the agricultural sector in as greater a detail as we have shown our interests in the problems of the industrial sector, although the developmental policy that we are talking of are related mainly to those who are almost directly related to agriculture. On the face of it such an approach may seem queer. However, if we go a bit inside the story, we observe that the policies we are concerned with are the brain children of experts from the industrialized nations. The bureaucratic domination over the decision making process as well as their implementations has been taken today for granted by all, even by learned scholars on rural development¹. The whole developmental thrust, as it is felt, has a distinct urban and as a result industrial bias. And herein lies the irony. Although we are to analyze the impacts of the new developmental policy that has to be done through the eyes of the urban-industrial interests. Thus in fact to understand the problems of rural India we have to relate them to the difficulties for the urban people that might result from such phenomena. This points towards the existence of duality in the Indian socio-economic-political structure. And once this duality is understood we may now pass on to our concluding observation in relation to the question we have already repeated at the beginning of this chapter.

What has the policy we are dealing with achieved? Considering Table 7:2 again we observe that the developmental strategy pursued in general led to further decline in the importance of the consumer goods industries at the expense of the basic goods industries by 1987. The data for real NNP and its annual compound growth rate, however, shows that there was a

significant growth during the last decade (see Tables 7.6 & 7.7). Unfortunately, if we carry out the analysis on a disaggregated basis, the results are not that satisfactory. There were fluctuations in annual growth rates for the agricultural sector,² leading to that in the total NNP as well. So the economic stability could not be obtained. There may be so many reasons behind such a phenomena. But what we are to note in the present context is that the developmental policies that we talk of could not change the basic structure and the trends in the direction of the Indian economy. It may be pointed out in this context that there has been observed a casual approach on the part of the powers that be towards decentralized planning. There has been set up no agency to prepare information data-base or monitor the updating of the existing ones even at the block level. The present author observed that regarding the information about the population or number of villages different agencies quote different figures.³

Is it then so that the so-called development-with-justice policy could not serve its objectives at all? For the sake of recapitulation it is better we restate the objectives.

They are:

- a) preparing a cushioning pad between the haves and the have nots;
- b) expand the market for the consumer good industries, mostly run under the private sector management, into the rural areas;
- c) inculcating a sense of modernity into the village life, thereby cementing the agriculture-State-bourgeoisie

collusion a bit more strongly; and thereby

d) keeping the existing power relations unaffected.

We may now go into the question that we have raised. The answer is a big NO. The present author has shown elsewhere that in some places where people do not enjoy any participatory democracy at the local level, and hence do not get the benefits of IRDP tensions take little time to burst out into flames. Taking the case of the recent agitation in Darjeeling with the demand for a separate state for the ethnic Gorkhas, it was observed that there was a stiff resistance to such a movement from the Gorkhas from one region in the hills. Interestingly, most of the Darjeeling inhabitants being residents of the non-revenue villages, such as tea gardens, forest lands etc., do not have the right to panchayat raj and benefits from IRDP. On the other hand, the Bijanbari region being a cluster of revenue villages, its residents do enjoy such rights and benefits. It may be plausible that this was one of the reasons behind the decision on the part of the residents of Bijanbari in spite of them being mostly Gorkhas, not to participate, rather fight tooth and nail the demand for Gorkhaland. The ultimate peace accord in exchange for a Gorkha Hill Council, no more than a glorified Zilla Parishad, (the district level organ of decentralized planning) lends support to the contention.⁴

Regarding the expansion of consumerism in the rural areas, the impact has been positive as is observed through the need for expanding TV network into the rural areas. There are residents even in distant rural pockets in India who can afford buying a television along with the other durables. And

parallelly, most of the rural residents are finding it harder day by day to live a decent life as a result of rising inflation on the one hand and reduced scope of employment on the other. We have already observed that the IRD actually helped the group of people lying low amongst the landed aristocracy to move up the economic ladder. The extent of corruption in implementing IRDP may have to a large extent, helped expand the degree of consumerism in rural India.

The policy of 'development' with 'justice' has also made a significant dent on the removal of traditionalities from the village India. With the flowing of money from the State coffers into the hands of a privileged few village level leaders, who in most of the cases do not represent the interests of the common villagers, the leaders now find it easier to go for luxuries for themselves. Further they can now provide better education to their wards a facility that still now evades the children of most of the village folks. However, the flow of 'so-called' education into some of the village families is really opening up the whole world in front of the village people as a whole. The impact of the television to that end is also to be taken into account. Thus a group of neo-elites are coming up to occupy the positions which still now in most part of the country are occupied or have been till very recent times occupied by people owing allegiance to the old customs, not 'liberal' in the existing sense of the term.

So it's again a gradual and peaceful transfer of power from one group of the society to another, following the neo-classical tenet of not disturbing the existing institutions. The

process may seem to be bringing in institutional changes, but on closer scrutiny it comes out to be change in the method, not in the structural reality.

What about 'social justice' ? Such is also with an eye to maintaining the status quo. We draw the finishing line having borrowed from Plato:

"Listen then, Thrasymachus began. What I say is that 'just' or 'right' means nothing but what is to the interest of the stronger party.....

..... in every case the laws are made by the ruling party in its own interest; a democracy makes democratic laws, a despot autocratic ones, and so on. By making these laws they define as 'right' for their subjects whatever is for their own interest, and they call any one who breaks them a 'wrong doer' and punish him accordingly. That is what I mean : in all states alike 'right' has the same meaning, namely what is for the interest of the party established in power, and that is the strongest. So the sound conclusion is that what is 'right' is the same everywhere ; the interest of the stronger party." 5

Table :7.1

Index of Labour Intensity in Indian Industry*

Year	Labour Intensity Index	Year	Labour Intensity Index
1960	100	1970	68
1961	93	1971	69
1962	90	1973	65
1963	85	1974	68
1964	83	1975	73
1965	81	1976	68
1966	81	1977	68
1967	81	1978	52
1968	78	1979	65
1969	70	1980	66

* : Quoted from Mundle (1991)

Table : 7.2

Changes in Weights by Use Based Classification*

	Basic Goods Industries	Capital Goods Industries	Intermediate Goods Industries	Consumer Goods Industries
1956	22.13	4.71	24.59	48.37
1960	25.11	11.76	25.88	37.25
1970	26.84	18.67	23.60	30.89
1980	39.42	16.43	20.51	23.69
1987	40.72	19.01	18.22	22.42

* : Quoted from Mundle (1991)

Table :7.3

Employment in the Public & Private Sector Industries*

(as on March 31)

(In Lakhs)

Year	Public Sector	Private Sector
1977	137.66	68.67
1978	142.00	70.43
1979	146.76	72.08
1980	150.78	72.27
1981	154.84	73.95
1983	164.56	75.52
1984	168.69	73.45
1985	172.69	73.09
1986	176.83	73.73
1987	180.25	73.64
1988	183.20	73.91
1989	185.16	74.70

* : Compiled from Economic Survey 1990-1991 published
by the Government of India P:S-50-51

Table : 7.4

Per Capita Emoluments of Public Sector Employees*

Year	Per capita emoluments (Rs)	% increase over 1971-72
1971-72	5920	---
1972-73	5805	-1.94
1973-74	5573	-5.86
1974-75	7402	25.03
1975-76	8983	51.74
1976-77	8940	51.01
1977-78	10048	69.73
1978-79	11210	89.36
1979-80	12468	110.61
1980-81	14239	140.52
1981-82	16158	172.94
1982-83	18029	204.54
1983-84	21549	264.00
1984-85	24328	310.95
1985-86	25887	337.28
1986-87	28820	386.82
1987-88	32537	449.61
1988-89	39415	565.79
1989-90	43665	637.58

* : Compiled from Economic Survey 1990-91 P:S-52

Table : 7.5

Per Capita NNP at Current Prices*

Year	Per capita NNP (Rs)
1971-72	696.4
1972-73	747.5
1973-73	900.7
1974-75	1031.9
1975-76	1063.1
1976-77	1119.5
1977-78	1256.6
1978-79	1315.7
1979-80	1390.3
1980-81	1630.1
1981-82	1855.9
1982-83	2001.1
1983-84	2300.4
1984-85	2504.2
1985-86	2726.0
1986-87	2953.6
1987-88	3286.1
1988-89	3875.2
1989-90	4252.4

* : Compiled from Economic Survey 1990-91 P:S-3

Table : 7.6

Net National Product at Factor Costs (annual growth rates)*

Year	At current prices	At 1980-81 prices
1980-81	19.9	7.5
1981-82	16.4	5.8
1982-83	10.2	2.2
1983-84	17.4	8.1
1984-85	11.1	3.4
1985-86	11.2	3.9
1986-87	10.5	3.3
1987-88	13.4	4.0
1988-89	20.2	11.2
1989-90	11.9	5.2

* : Compiled From Economic Survey 1990-91 P:S-4

Table : 7.7

Annual Compound Growth Rates of NNP at Factor Costs*

	At current prices	At 1980-81 prices
FIRST PLAN (1951-56)	1.3	3.6
SECOND PLAN (1956-61)	9.2	3.9
THIRD PLAN (1961-66)	9.3	2.3
THREE ANNUAL PLANS (1966-69)	11.7	2.2
FOURTH PLAN (1969-74)	10.9	3.3
FIFTH PLAN (1974-79)	10.3	4.9
ANNUAL PLAN (1979-80)	8.3	-6.0
SIXTH PLAN (1980-85)	14.9	5.4
SEVENTH PLAN (1985-90)	13.4	5.5

* : Compiled from Economic Survey 1990-91 P:S-4

Notes

1. See Kurian (1990)
2. See Mitra (1990)
3. See Chakrabarti (1989) and Chakrabarti & Mukherjee (1991)
4. See Chakrabarti (1990)
5. See Plato (1972)

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