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Dr. H. K. MAHTAB

While I consider it a privilege to place my views before a class of elite which has been saturated with the study of economics either of the Capitalist or the Communist brand, I think you have perhaps made a mistake in inviting me to give a talk which might be jarring to the professional economists. As perhaps many of you may have known that I belong to the Gandhian School of economics which is different from both Capitalist and Communist Schools. Some of you may have seen my book, 'Gandhi, the Political Leader' published in 1965 which consisited of the extension lectures which I was to deliver by the Utkal University and the Anamalai University. Then subsequently I added a few more chapters explaining the Gandhian economic policy and comparing it with the Mao's policy in China. The consolidated book was published in 1973. A scientific book, 'Gandhi Today', written by J. D. Sethi published this year has discussed threadbare the economic theories, Capitalist, Marxist and Gandhian and has shown how Gandhian policy alone is the most suitable not only for India but for all newly independent countries which constitute the so called 'third world' now.

You must have known the present economic condition of India and also of Orissa from the official publications by the Statistical Organisations of both. Although these organisations are recently built on the advice of Prof. Mahalnobis, it is to be admitted that no dependable original sources have yet been created to present a correct consolidate picture. Besides statistics based on the geographical boundaries of States and calculating averages out of them are highly misleading. I think, my point will be clear if I compare the vast country

of India with the entire world from an economic point of view. As the world is divided into three categories, 1st, 2nd and 3rd, India too is divided economically into three categories, industrialised areas, agricultural areas, and areas which are inhabited by people of pre-agricultural civilisation as the tribal areas are.

'By calculating averages and percentages on the basis of geographical states is bound to be misleading. For instance, Orissa being a rural province having no industrial areas cannot be compared with West Bengal having a highly industrialised area round about Calcutta or Maharastra with Bombay or Tamil Nadu with Madras. Even going a little further, the economic condition of the whole of West Bengal, Maharastra or Tamil Nadu cannot be adequately judged if the industrial areas are not separated from the agricultural areas. In fact, the economic condition of Orissa is more or less the same as that in many districts of West Bengal, Maharastra and Tamil Nadu and large areas of Madhya Pradesh, Bihar and Assam. Similarly the economic condition of Punjab and Haryana where there are no large industries stands on a completely different footing. Punjab and Haryana are the existing parts of the old Punjab which has been the recruiting ground of the Indian army since about the middle of the 19 th century. Not only these States receive a substantial portion of the defence budget by way of salaries and pensions, but they have had the advantage of huge investment which the British made to keep the people contented for the purpose of recruitment. Similarly the British made huge investments over a period of a century and half to develop Calcutta, Bombay and Madras for the purpose of their trade. That kind of investment has not fallen to the lot of Orissa, Bihar, Madhya Pradesh and some other States.

In order to have a correct picture of the entire economy of the whole of India or of Orissa, for the matter of that, areas should be separated not geographically but economically, such as industrial, agricultural and pre-agricultural. Once I persued this suggestion with Mahalnobis for some time. He assured me that statistics on that line would be taken up after the organisation for general and overall statistics of the country as a whole was firmly built up. I say this in order that comparison between Orissa and other States or berween Cuttack and Koraput may not be made on a false basis. Having said all these about the statistical publications of Government of India and of Orissa.

I agree, we have to go by some statistics however incomplete or even wrong they may be. What is the present economic condition of India ? Government of India Survey of 1975-76 (the latest one is not readily available) says : "The agricultural performance in 1976-77 highlights the fact that apart from the remarkable performance in 1975-76 due to exceptionally favourable wether conditions, the growth rate in agricultural production in the seventies has been lower than in the sixties and there has been a deceleration in the rate of growth of acreage as well as yield. Without a substantial increase in the rate of growth of agricultural production, the problems of rural poverty, unemployment and underemployment will remain as formidable as before. It underlines once again the dependence of India's foodgrain production on satisfactory rainfall and the importance of irrigation as a means of reducing this dependence. With regard to trade and industry, the report says:-

"This improvement continued during 1976-77. Exports increased by 23·2 percent during the year and despite significant efforts at import liberalisation, imports actually declined by 6·8 percent. Inward remittances, however, continued to increase and the inflow of external assistance during 1976-77 amounted to Rs. 986 crores. India repaid Rs. 303 crores to the IMF during 1976-77 and as a result of all these transactions her foreign exchange reserves increased by Rs.1371 crores. Government policy has yet to find ways and means of utilising the external reserves for improving the growth performance of the economy." Further the report says:—

"The hope that the economy had shaken off the stagnation of the first four years of this decade and resumed the path of high growth did not materialise. The behaviour of prices was a matter of concern and the increase in the money supply was uncomfortably large."

The Statistical Survey of Orissa 1976 which is virtually a compilation of reports of the departments of Government, even then says: "Orissa like many other States has been making sustained efforts through her Five Year Plans to reduce the intensity of unemployment and underemployment in the State. Special efforts, such as, Rural Works Programme, Rural Industries Project and Crash Scheme for rural employment were undertaken by the Government.

Inspite of all these, the magnitude of the problem has not changed appreciably. The problem of educated unemployment is increasing in serious proportions day by day. There were 1.05 lakh educated unemployed in 1974-75 on the live registers of employment exchanges. This has increased to 1.12 lakhs in 1975-76 showing an increase of 6.67 per cent over the previous year.

Further the report says :

"The occupational distribution of a population is considered as an index of economic development. As areas gradually develop, there occurs a shift in the population from the primary to the secondary and tertiary activities. An analysis of the working population shows that more than 79 per cent of the population are still engaged in agriculture and only 21 per cent in manufacturing and tertiary occupations. During the decade 1961-71, the number of workers in agriculture increased (from 74 percent to 79 percent as employment generation in the non-agricultural sector could not keep pace with that of the growth of population in the State."

These excerpts are sufficient to comprehend the economic situation of the country and of Orissa. Many of you may have noticed in the press reports that some Senators of U. S. A. raised objection to giving any aid to India, on the ground that she has huge foreign exchange balance to her credit which she is not in a position to utilise. In his speech while presenting the budget before the Lok Sabha, this year the Finane Minister stated that it was a paradox that inspite of building a huge foreign exchange surplus, Indian economy was still stagnant. E. P. W. De Costa, an eminent economist has written in the Span of May, 1948 that India has not been able to prepare projects and expend Rs. 1600 crores of rupees which she has received out of the fund created by P. L. 480 of U. S. A. at the termination of that contract.

All these references will show that India's economy has not been and is not making that progress as was conceived twenty-five years ago when the 1st Five-Year Plan was started. In fact the mid-term appraisal report of the Planning Commission presented to Parliament in 1963-64 clearly stated that the plan had gone out of the track as they were benefitting only a few upper economic layers of the society and are not even touching many lower ones. But no step was taken to combat this

situation. That more than half the population are living below the poverty line has been the talk of all beginning from the Prime Minister down to the village workers. But there is no sign of any attempt to correct the situation. There has been a recent talk of going back to the Gandhian way after the successful 2nd political revolution of 1977. But there is no sign of retreat even today. Why is it so ? It is because not only India but all the countries of the third world have been caught in the trap which has been laid by the industrialised 1st and the 2nd world. Their advanced technology and their demand-oriented production much beyond their capacity of consumption thus requiring its sale and consumption elsewhere fascinated the underdeveloped countries as once the Western civilisation dazzled the eyes of the people of the colonies in the beginning of the 19th century.

Let us see what the technology of the 1st and the 2nd world as applied in India, has done so far and what are the problems created by it so far. Sethi says about the effect of importing technology of the Ist and the 2nd worlds : "Technology has a great bearing on policy and patterns of consumption. Gandhi insisted on putting restrictions on the production of those goods which the middle and upper classes consumed, unless the basic needs of all the people were fully met. Indeed, he went a step further and condemned all those economic systems which deprived the masses of their basic needs. He did so along with the socialists and talked approvingly of communist countries in so far as they attempted to provide the basic needs of the people. But beyond this his views totally conflicted with those of the communists on almost every other aspect. Gandhi was no utopian. He sought solutions to the questions and demands of his time. He also made some projections for the future. That is why he suggested the immediate adoption of all those technologies which gave people full employment and met their basic consumption needs.

The experiences of the developed communist and capitalist countries, which have gone through a long-drawn technological revolution tell us that (i) a special class of technologies, managers and men of knowledge has emerged as a large, privileged class; (ii) the rise of this elite class promotes a systematic change in the composition of consumption as well as production; (iii) the enhancement of needs or the pressure of consumerism dominates the ethics not merely of this class but influences classes below it which aspire to move up on the social and economic ladder.

The monster of consumerism has created havoc every where. Together, both technology and its reinforcement have turned man into a slave of machines as well as of his habits. Indeed, the inappropriateness of technology in the developing countries arises partly from the products for which these technologies have been developed. There are the basic human needs of food, clothing, shelter etc. for which even a very wide variety of goods and technologies would not create too many problems. But this too depends upon characteristics of the products and the distribution system. Products have many characteristics and may be wanted for one or more of these characteristics. But if more characteristics are added and demand for them is artificially stimulated, technology comes to play a perverse role, as does the law of demand and supply. Some products are indivisible. To stimulate demand for them, some of these characteristics for which people now have no need are artificially promoted- This is precisely the function of high-pressure sales campaigns advertisements, and public relations activities. The technologies developed in the developed world have such characteristics and, when imported into poor countries, create demand for these products for a section of the affluent population, thus causing misallocation of resources in developing countries. Poor countries cannot afford to expand consumer choices at the early stages of development but they become victims of this expansion when they rely on imported technologies. This is not merely true of consumer goods but also of producer goods. For example, in the Third World many collaboration agreements in technology have led to the multiplication of various designs 'and types of machines serving the same need. No wonder, most factories work at less than optimum capacity."

The craze for development with the help of imported technology has perverted India's policies on education which has resulted in disastrous consequences. On this Sethi says : "According to a recent U.N report there has been a massive flow of aid in reverse from the developing to the developed world by way of transfer of skilled manpower trained by the developing countries at a very high cost. The U.S. has received 30,000 million $ worth of such aid. Canada has received $ 60,000 million worth. West European countries have also been recipients of such aid. About 3,00,000 scientists doctors and engineers and other specialists have migrated from the developing countries during 1961-72." Further Sethi says :

"Attitude towards and policies on education in the de elo ing countries, designed to bring about economic de elopment, have produced

curious results. The number of trained personnel has run ahead of demand. A reverse transfer of manpower has taken place. A dualism of highly sophisticated technology coexisting with traditional technology has been created. Above all there is no identificable link between the broad objectives of education and development. The reason for this is that education, considered in its best economic sense as an investment in man—has been treated as no more than an input factor and all factors are treated as being on the same production function."

"The Government spends today more than Rs. 1,00,000 in the training of a scientist, engineer or a doctor, and this money comes from the surplus value generated by the masses. The irony is that these highly educated classes by and large refuse to go to work for the village masses. even when they are well paid. They prefer to emigrate abroad than live in villages Part of the blame lies with our planning strategies which have treated villages as slums of urban centres. It is not surprising if wrongly educated youth refuse to go to the 'wrong' places". Sethi makes harsh comments on the conduct of the education.

"Thirty years after Gandhiji's death we find the most frightened, cowardly, cynical and alienated class of educationalists in the country. The only battle they have fought in this period is the battle of higher salaries. But the story remains familiar. In this battle, the primary teacher in the village has been pushed behind. The gap between the highest paid professor and the lowest paid school teacher has not narrowed significantly. More important, the primary schoolteacher, the one in whose hands the child is given, is treated more like social scum than as a member of a learned society, even though we profess to laud his role and celebrate a Teacher's Day."

Failure of development programmes has seriously affected the administration also. This is what Sethi says about it. "All colonial administrations were for law and order. With decolonization the emphasis shifted from law and order to, quite naturally, development administration. But the unexpected has happened after a decade's experience in practically every country. The failure of development programmes as also of development administration has brought about the collapse of democratic politics throughout the Third World. One consequence of this has been a shift from development back to law and order administration. Leaders of these countries admit stability and order as the main objective before them. But paternalism and upper class aloofness of the

civil service, which were the characteristics of the postcolonial but fast-expanding bureaucracy, continue despite the lowering prestige of the development bureaucracy."

The model which India and other underdevelopped countries adopted for their develoment may be said as Marxist liberal model which is euphemistically called as democratic socialist. But the Gandhian approach to economics, politics and social development is completely different from that model. The frustrating experience of the development policies and programmes of India persued for the last three decades is that growth has come to standstill and the basic problems of the society, namely poverty and unemployment has not been solved. On the positive side, paradoxically the socialist programme has produced a privileged class which was not so significant before as now. India's attempt to follow both the Western and the Soviet models has resulted in the worst of models.

In these circumstances, thought of the leaders has turned to the Gandhian way which was unceremoniously given up soon after independence and Gandhiji's death. To appreciate the Gandhian way, it is necessary to know what it is not, for it has been variously misinterpreted not only by many foreign and indigenous scholars but also by those who claim to be true Gandhian, such as the Sarvoday workers. It is not correct to say that Gandhi was against all machines and all modern technologies. He is wrongly painted as an obscurantist. In fact, his way is the most modern in as much as it has been totally accepted by China after years of her experiment with the Soviet model. Curiously enough the Western economists, having observed the failure of the Western model in the underdeveloped countries are gradaully turning towards the Chinese model which in fact is the Gandhian model. Since India and China are the most populous countries with vast rural population and were neglected for centuries, the leaders of both the countries independently hit upon a remedy which is applicable to both although they did not know each other. The only difference is that Mao-tse-Tung had the opportunity to live long to give shape to his policy while Gandhi did not get an opportunity to push through his econmic policy in India as he died prematurely and his successors betrayed him subsequently. In my book, I have compared Gandhian plan with the Chinese plan.

Broadly speaking, Gandhian way is that the village should be treated as the unit as the Commune in China. The key industries

of national importance such as steel, electricity etc. should be in thc public sector and the help of the modern technology may be sought for development of these industries. But in all other industries the principle should be production for the masses by the masses. Consumer industries should be need-oriented and not demand-oriented. Modern technology produces goods and then creates demands for them which creates two classes of people, one the affluent and the other living below the poverty line. Production for the masses .by the masses should be based upon Swadeshi and self-reliance of various regions consisting of villages which are inter-connected traditionally. The traditional technology should be improved instead of being replaced by the modern technology which cannot be taken advantage of in the rural areas. For improvement of traditional technology, help even from outside India may be sought if local know-how is not available In this matter, the Indian scientists and engineers have signally failed as they have been brought up artificially in the lap of Western or Soviet technology. Take this simple example. Had not the Western Countries been bogged down in the rural areas of Burma and the South Eastern countries, land-rovers and jeeps would not have been invented to facilitate communication in the rural areas-a necessity which did not strike the Indian engineers, although more than three-fourth of India is rural. Tractors which will cost more or less as much as a pair of bullocks to plough about ten acres of land are badly required to improve the traditional technology. Since Indian Engineers do not see to it the help of Japan where small tractors are in use may be sought. Similarly for pressing oil-seeds, making yarn and cloth out of cotton grown on the field, manufacture of agricultural implements etc,, traditional technology should be improved upon as electricity is now made available in rural areas which was not the situation when Gandhiji was living, His Charakha was a symbol and not the be all and end-all of village industries, According to the Gandhian way, technology should develop from below from the rank of the peasants instead of imposing it from outside irrespective of the needs of the vast population. Sethi says : "In the Gandhian conceptual framework, technological choices and policies will not merely depend upon resource endowments, including cases where techoology itself is a substitute resource. These choices will depend also upon the structure of the economy or its major sectors and the short and the long term shifts desired in that structure. For example, should the developing countries with high population densities work towards a great and decisive shift of population and thus of the labour force from rural to urban areas or should they evolve a structure in which such a shift is limited by taking industry to the villages where the labour

force exists ? The balanced distribution of the labour force among big cities, small towns and villages will itself determine the technologcal choices, and these choices in turn can reinforce the structure. Neither the Western nor the Soviet model conforms to these requirements and in our attempts to follow both, we have ended up with the worst of both models. Now obviously, to satisfy these requirements, the choice is not between the most sophisticated technology and a primitive one which is highly labour -intensive A whole spectrum of choices from the lowest to the highest, both capital-saving and labour-saving, subject to the conditions of full employment, is open before us. Making the choice would require (i) either relying on technologies developed elsewhere, or (ii) optimizing old traditional technologies with continuous improvement or (iii) independently evolving technologies on the basis of accumulated scientific knowledge or adaptation on the basis of experience of direct application. It can, of course, be a mix of all three".

The policy and strategy for economic development of India and of Orissa as well should be to ask the big industries which have developed in course of time to concentrate on export. To meet the needs of the masses, rural electricity for village industries and irrigation for the land should be so expanded as to cover the entire rural area. Consumer goods of too many variations should not be allowed to be manufactured by large industries. As for instance, only two varieties of cloth, one for the urban areas and the other for the rural areas will solve the needs of the people.

As regards Orissa, I submitted a scheme to the planning Commission in 1956 which was highly spoken of by Mahalnobis but it got stuck up at the level of the Pime Minister. The scheme was to allow small machines like the haulers freely for the purpose of processing the agricultural products on the spot as far as possible. There should be repair and maintenance arrangement in each sub-division and machine making plants in every state. The key industries in the public sector are to supply materials to the manufacturing plants and the repair shops. In that way the scheme was to connect agriculture with industries and the rural areas with the urban area. Here agriculture includes animal husbandry also. Instead of howling for Amul supply ,from Bombay plan should be made to produce enough milk in the state. In this the district of Dhenkanal has shown the way. Except rice, all other requirements for food are imported to Orissa, Even the dried fish is supplied by Mangalore and Bombay. For Orissa, the plan of development should be industries based upon agriculture

Agriculture is to produce the needs and industries are to process the products on the spot as far as possible. If this plan is adopted Orissa will be an affluent State in a few years. Development of mines will of course bring substantial earning to the State and to the centre, but it will not help the economic growth of the masses. Rivers are the greatest assets of Orissa and they are to supply water to the field and electricity to the factory.

This should be the broad approach of the plan to develop India and Orissa.

REGIONAL DISPARITY IN ORISSA

Dr. D. C. MISRA

One of the objectives of planning in India has been to achieve a regional balance aiming at even distribution of the benefits of development. In practice, this objective has hardly been realised as the emphasis has been on overall growth with a view to achieve some measure of self-reliance in the economy. In the absence of specific programmes for distribution of assets among the weaker section of the society and conscious efforts to provide the weaker groups like the Adivasis, Harijans, landless agricultural labourers, and the rural poor with both physical capital and human capital, no real dent into the problem can be made. In this connection a model of decentralised planning may have to be evolved taking the block as the basic unit of planning after assessing the resources and needs of the area with a view to achieving full utilisation of the under-utilised labour force.

In the national context, a region usually denotes a State. However, in the context of the State, a region is usually taken to mean a district. However, an economic region within a State may not be co-terminus with a district which is an administrative division. For the sake of convenience of availability of statisical data, we have taken a district to mean a region. However the thirteen districts of the state may be divided into four natural divisions: (1) The Northern plateau consisting of the districts of Mayurbhanj, Keonjhar, a part of the district of Dhenkanal and Sundargarh (2) The Eastern ghat extended over the districts of Koraput, Phulbani, Kalahandi and Ganjam, (3) The Central tranct covers the districts of Bolangir, Sambalpur, part of Dhenkanal district and (4) The Coastal plains comprise of the districts of Cuttack, Puri, and Balasore. The physical features of the state broadly determine the availability of natural resources and the pattern of economic activity. While the coastal districts with their

fertile plains are suitable for intensive agricultural development, the hilly regions are mainly endowed with rich forest resources and mineral deposits.

The development of the various districts, however, do not depend only on resource availability but on the characteristics of the population, the level of technology and skill, the levels of capital investment and the development of infra-structure like transport communication, power and education. Therefore, the regional disparity in the economic growth may be ascribed to any combination of all these factors.

(1) Population characteristics :

The population of Orissa has grown by about 25 per cent over the decade 1961-71. This amounts to annual compound rate of growth in the population by 2.25 per cent. The growth of population in the various districts of Orissa has not been uniform.

Name of the District	Decadal variation. (percentage growth in 1971 over 1961)
(1) Mayurbhanj	19.10
Keonjhar	28.67
Sundargarh	35.84
(II) Koraput	36.38
Kalahandi	15.25
Phulbani	21.01
Ganjam	22.48
(III) Sambalpur	22.27
Bolangir	18.15
Dhenkanal	25.15
(IV) Cuttack	25.1
Puri	25.52
Balasore	29.31

All Orissa...25.05

Table-I shows that the highest percentage of increase was registered by Koraput, followed by Sundargarh, Balasore and Keonjhar. The lowest increase was registered by Kalahandi district. The increase in the district of Koraput, Sundargarh and Keonjhar can be explained by

the fact that in these districts some measures of industrial and mineral development have taken place during the period. The Scheduled Castes and Scheduled Tribes taken together account for 38 per cent of the population of Orissa in 1971. They are, however, not evenly distributed throughout the State. There is heavy concentration of these population in some districts. In the district of Koraput, Scheduled Tribe and Scheduled Castes taken together constitute 69 per cent of the population, in Mayurbhanj the percentage is 65, in Sundargarh it is 61, Keonjhar-58 and Phulbani-59, The districts which come next in order are Kalahandi(46),Sambalpur (43), Balangir (36),Dhenkanal(29), Ganjam(25), Balasore (25), Cuttack (20) and Puri (19). Similarly Orissa is mostly a a rural State and about 91.5i per cent of the total population lives in rural areas. The districts which have a percentage of rural population higher than the State average are Koraput (91.81), Kalahandi (95.14), Balangir (93.14), Phulbani (96.85), Cuttack (92.02), Balasore (94.53), Mayurbhanj (97.21), Keonjhar (92.95), Dhenkanal (96.00). The districts which have significantly a lower percentage than the State average are Sundargarh (76.75), Sambalpur (87.98) and Ganjam (88.67). Sambalpur and Sundargarh are more urbanised than others on account of the industrial development taking place in these districts. Significantly with the exception of Sundargarh district, the districts which have a concentration of Scheduled Tribes and Scheduled Castes population have also a high percentage of rural population. But with the growth of industrialisation in these backward districts, this picture may change as in the case of Sundargarh, but this would hardly affect the life pattern of adivasis and Scheduled Castes who would remain mostly in rural areas.

(2) Literacy :

Modern technology requires a highly literate population. Illiterate people cannot find employment in occupation requiring more skill or specialised technology. Table No. II indicates the literacy situation in various districts in Orissa. In Orissa the percentage of literacy was 21.65 in 1971 and it has increased to 26.16 in 1971 registering a growth of 20 percent. In the districts, the district which has the highest literacy percentage is Cuttack (36%) followed by Puri (35%) and Balasore (34%). The lowest rate of literacy is in Koraput district (10.58%), Kalahandi, Bolangir, Phulbani, Mayurbhanj and Keonjhar have literacy

percentage below the all Orissa figure. However, it is significant to note here that during the decade 1961-71, rate of growth of literacy has been higher in the relatively backward districts. As for example, in Bolangir the percentage growth is the highest i.e 36.53%. This is followed by Mayurbhanj-34.30%, Sundargarh-34.30%, Koraput-29.98%. The rate of growth of literacy is lower in advanced districts. Among the backward districts, only Phulbani shows a relatively lower rate of growth of literacy.

(3) Occupation Pattern :

One of the most important objectives of economic planning is employment. Gainful employment of all who are able and willing to work is not only the foundation of economic growth, but also is necessary for better distribution of incomes and general welfare of the people. It is difficult to estimate the rate of employment and unemployment in the various districts as reliable estimates are not available even for the State as a whole. Table No. III gives the percentage distribution of persons engaged in different economic activities by districts in Orissa in 1971. It is seen from the Table that for the State as a whole the percentage of non-workers is as high as 68.78%. The districts in which the percentage of non-workers is higher than the State average are Balasore (73), Cuttack (72.5) and Puri (70). Non-workers generally include (a) those totally unemployed, (b) some of the under-employed i.e. those who were not working for greater part of the working season and those who do not seek work i.e. pensioners, students and house wives, etc. Therefore, it is significant that the percentage of non-worker is higher in the coastal districts and lower in backward districts having a concentration of backward population-Sundargarh (64), Phulbani (64), Koraput (64) and Mayurbhanj (64). Among workers, cultivators predominate in all districts, and here also the percentage is lower than the State average of 15% in the coastal districts of Cuttack (13.7), Puri (13.7), Balasore (15.2), Ganjam (13.4). The percentage is higher in the hilly districts of Phulbani (19.4), Bolangir (18.5), Koraput (18.4), Kalahandi (17.5). This perhaps indicates the pressure of population leading to severe under employment and unemployment in coastal districts. In case of agricultural labourers, an opposite trend is indicated. Here districts, where there is heavy concentration of Scheduled Castes and Scheduled Tribes have a higher percentage of landless labourers than coastal districts (on the average 7 percent). The percentage is highest in Mayurbhanj (12)

followed by Koraput (10), Kalahandi (10), Ganjam, Phulbani and Sambalpur. Percentage of persons engaged in live stock, forestry, fishery etc. is not significant. Only in these districts Dhenkanal, Ganjam and Puri, persons engaged in these activities one per cent of total workers. Similarly Sundargarh and Keonjhar districts show some significant per cent of employment in Mining and Quarrying. Percentage of persons engaged in heavy industries, etc. is also quite small for the state as a whole as well as for the districts. Sambalpur and Sundargarh only have 3 per cent of the total workers engaged in these activities.

(4) Agricultural Development :

In the previous section, we have been discussing about the utilisation of workers. It may be mentioned that among non-workers there may be people who are either unemployed or severely under-employed who do not appear in the category of workers. According to an estimate of Bureau of Statistics and Economics, the total of such underemployed or unemployed workers would be around 13.46 lakhs in the agricultural sector. The district-wise break up of this figure is as follows.

	(Figures in thousands)
Balasore	121
Bolangir	98
Cuttack	214
Dhenkanal	56
Ganjam	170
Keonjhar	50
Kalahandi	49
Koraput	128
Mayurbhanj	117
Phulbani	49
Puri	150
Sambalpur	105
Sundargarh	39

The figure seems to be an on the high side. However this broadly indicates the magnitude of rural unemployment and underemployment. There can be further utilisation of labour if there is intensive agricultural development. This depends mostly on provision of irrigation facilities. The topographical feature of the State puts a severe limitation on flow irrigation. Even total irrigable area in various districts have not

TABLE-III

Percentage distribution of persons engaged in different economic activities by districts, Orissa, 1971

Districts	cultivators	Agricultural labourers.	Live-stock forestry, fishing, hunting, plantations. orchard and allied activities.	Mining & Quarrying	Manufacturing, sProcessing, ervicing and repairs at		Construction	Trade and Commerce	Transport, storage, and Communication	Other services	Non-workers,	Total
					H/H Industry	other than H/H Industry.						
1	2	3	4	5	6	7	8	9	10	11	12	13
Sambalpur	16.09	10.03	0.54	0.22	2.17	1.30	0.16	1.08	0.60	2.49	64.66	100 00
Sundargarh	13.58	5 24	0.58	1.26	0.87	3.39	0.19	1.45	1.16	3,88	68.57	100.00
Keonjhar	16.32	6.69	0.52	2.30	0.84	0.42	0.10	0.73	0.52	2.30	69.35	100 00
Mayurbhanj	15.41	12.48	0.77	0.07	1.60	0.21	0.07	0.42	0.21	2.09	66.67	100.00
Balasore	15.24	7.59	0.33	0.05	0.44	0.38	0.11	0.66	0.38	1.86	73.02	100.00
Cuttack	13.71	7.26	0.52	0.05	0.97	0.86	0.13	1.31	0.55	2.66	72.52	100.00
Dhenkanal	15.46	8.19	1.08	0.46	1.16	0.39	0.15	0.62	0.23	2.40	69.94	100.00
Phulbani	19.45	10.29	0.48	0.00	1.29	0.16	0.16	0.80	0.16	2.57	64.63	100.00
Bolangir	18.53	9.34	0.55	0.00	1.58	0.40	0.09	0.71	0.32	1.98	66.43	100.00
Kalahandi	17.53	10.48	0.43	0.00	0.95	0.34	0.09	0.60	0.17	2.15	67.27	100.00
Koraput	18.40	10.52	0.59	0.10	0.73	0.49	0.34	0.83	0.39	2.64	64.90	100.00
Ganjam	13.47	10.46	1.00	0.00	1.35	0.61	0.22	1.61	0.44	3.36	67.44	100.00
Puri	13.54	7.48	1.03	0.00	1.03	0.56	0.26	1.45	0.56	3.25	70.91	100.00
All Districts-	15.35	8.83	0.67	0.24	1.13	0 72	0.17	1.03	0.05	2.62	68.78	100.00

SOURCE: Compiled from the data presented in Census of India 1971, Series 16, Orissa. part II-A, General Population TABLES.

been fully utilised. The position at the end of the 5th Five Year Plan with regard to irrigation potential created would be as fololws :

Districts	Total irrigable area in acres. (Major and Minor Projects)	Cumulative potential created by the end of 5th Plan.	Percentage of the total irrigable area	Area sown more than once (thousand hectares)
1. Balasore	301	159	52	115
2. Bolangir	603	176	28	150
3, Cuttack	670	694	78	555
4. Dhenkanal	1009	170	17	64
5. Ganjam	660	197	30	224
6. Koraput	1232	162	13	134
7. Kalahandi	788	37	4	94
8. Keonjhar	328	112	33	51
9. Mayurbhanj	606	38	6	59
10. Puri	880	389	44	251
11. Phulbani	338	55	16	64
12. Sambalpur	792	299	37	137
13. Sundargarh	332	80	2	33

It is evident from the district figures that Sundargarh, Kalahandi Mayurbhanj, Koraput, Phulbani and Dhenkanal are the least irrigated districts There is a relationship between the availability of irrigation facilities and the extent of area sown more than once. The districts like Sundargarh, Keonjhar, Mayurbhanj, Phulbani. Dhenkanal where irrigation facilities are poor have very small areas where crops are sown more than once. This situation is also reflected in the difference in yield rates of rice in various districts especially in case of summer rice.

Districts	Yield in quintals		
	Autum rice	Winter rice	Summer rice
Balasore	5.63	9.45	22.3
Bolangir	5.67	9.59	21.1
Cuttack	5.95	8.26	25.2
Dhenkanal	5.91	10.53	19.3
Ganjam	9.72	10.25	30.4
Kalahandi	4.80	9.43	20.1
Keonjhar	4.36	9.43	30.8
Koraput	5.78	9.74	15.4
Mayurbhanj	3.85	9.45	43.3
Phulbani	4.70	9.20	12.0
Puri	6.64	10.60	25.7
Sambalpur	6.28	10.15	25.2
Sundargarh	35.5	8.84	15.2

Similarly in fertiliser consumption, the amount consumed is relatively heavy in the districts of Sambalpur (N-7023 tons P_2O_5-2454, K_2O-439, Cuttack (N-4596, P_2O_5-819, K_2O-434) and Ganjam (N-3738, P_2O_5-298 K_2O-158 tons) In all other districts, the consumption is less than 1000 tons in respect of all three kinds of fertilisers.

All these show that all out offorts should be made to increase all types of irrigation facilities including flow irrigation, lift irrigation and to utilise ground water potential by tube well and dug-well schemes.

(5) Development in non-agricultural sector:

It is not possible to utilise all non-utilised or under utilised labour in Agriculture and allied occupation. It is necessary to provide employment in non-agricultural sector in small industrial establishment, small repair shops, servicing units, processing industries etc.

The Economic Census conducted in Orissa in 1977 as a part of an All-India Schemes throws some light regarding the number of non-agricultural establishments in various districts in Orissa.

Districts	Establishments			
	Number	Percentage	Total	Percentage
1. Sambalpur	9,903	7.50	94,005	11.57
2. Sundargarh	7,948	6.02	1,09,133	13.44
3. Keonjhar	5,150	3.90	41,656	5.13
4. Mayurbhanj	7,797	5.90	37,683	4.64
5, Balasore	9,796	7.41	47,473	5.84
6. Cuttack	20,007	15.14	1,22,433	15.07
7, Dhenkanal	7,187	5.44	52,999	6.52
8. Boudh-Kandhmal	4,667	3.53	21,516	2.65
9. Bolangir	7,828	5.93	37,905	4.67
10. Kalahandi	5,533	4.19	28,182	3.47
11. Koraput	12,851	9.73	60,576	7.46
12. Ganjam	13,474	10.20	65,945	8.12
13. Puri	19,966	15.11	92,743	11.42
Orissa	1,32,107	100 percent	8, 12,249	100 Percent

The figures show that in Cuttack, Puri, Ganjam, Koraput, Balasore, and Sambalpur districts, the number of establishments are relatively more than other districts. In terms of employment Cuttack stands first followed by Sundargarh, Sambalpur, Puri, Ganjan and Koraput. In case of development of non-agricultural sectors the relatively backward districts which have rich mineral deposits and forest resources can make a better showing in future than the coastal districts provide there is commensurate development in infra-structure, power transport and communication, general and technical education.

(6) Infra-structure development:

With regard to power development in Orissa, no separate district figures are available. Similarly district-wise consumption of power is also not available. The position of Orissa vis-a-vis India with regard to electricity consumption in different sectors in 1971-72 is given below:

Proportion of electricity consumption in different sectors in 1971-72

	Orissa	India
Domestic	2.0	8.7
Commercial	3.6	6.3
Industries	88.1	67.2
Public lighting	0.3	1.1
Railway, etc.	3.5	3.5
Agriculture	0.3	10.6
Public water works & sewerge	1.1	0.5
Miscellaneous	1.1	2.1
	100	100

Though the consumption is heavily weightened in Orissa in favour of Industries and it has certain advantage but agriculture does not get its due share. This is perhaps due to the slow progress of rural electrification. Out of 51,639 villages in Orissa, 13,061 villages have been electrified by 31st March, 1977. This serves about 47 percent of the rural population of the state.

Upto March, 1977, 5428 pump sets/tube wells have also been energised.

(7) TRANSPORT:

(a) Railways; Compared to the country and the neighbouring States, Orissa is poorly served in the matter of length of railway lines The railway lines are only at the periphery and the major traffic generating centres remain unconnected with the ports. Similarly there is no direct rail-link between Eastern and Western districts of the State and between agricultural and mineral and industrial belts.

(b) **Road Transport;** In the absence of a good railway network, Orissa falls back upon road transport for the development of the interior districts. The district-wise P. W. D. Road length in relation to area is given below;

District-wise P. W. D. Road length in relation to the area in 1971

District	Road length in km. per 1000 sq. km. of area
Sambalpur.	96.34
Sundargarh	103.71
Keonjhar	99.64
Mayurbhanj	148.75
Balasore	139.85
Cuttack	157.91
Dhenkanal	125.18
Phulbani	98.92
Bolangir	98.99
Kalahandi	94.79
Koraput	140.71
Ganjam	145.60
Puri	135.10
Orissa State	115.8

The above figures show that the districts of Kalahandi, Sambalpur Phulbani, Bolangir and Keonjhar are relatively poorly served by roads. Intensive agricultural devolopment and development of small scale industries in these districts would only be possible if roads are there to connect producing centres with markets.

(8) Education;

Education both formal and non-formal is absolutely necessary for transition from unskilled jobs to skilled jobs and for agricultural and industrial development. With these ends in view one important objective has been to bring all the children in the age group of 6 to 11 to the school. As a first step, the aim has been universalisation of primary schooling facilities and covering all viable villages without schooling facilities. In this context, the backward districts have been benefited so far as establishment of new primary schools are concerned. But provision of schooling facilities have not been enough. The problem of enrolment and retention of students in schools in backward areas has proved to be a great obstacle. The percentage of enrolment to child population in the age group of 6 to 11 for various districts is given below which will indicate the position.

Districts	Percentage of enrolment to child population of the age group of 6 to 11	Rank
1. Sambalpur	72	6
2. Sundargarh	77	4
3. Keonjhar	70	7
4. Mayurbhanj	54	13
5. Ba'asore	98	1
6. Cuttack	88	2
7. Dhenkanal	67	9
8. Phulbani	72	5
9. Bolangir	64	11
10. Kalahandi	60	12
11. Ganjam	67	8
12. Koraput	65	10
13. Puri	80	3
	Total State 74	

The enrolment is below the State average in the districts of Mayurbhanj, Kalahandi, Bolangir, Koraput, Dhenkanal, Keonjhar and Sambalpur. The non-attending groups are scheduled castes and scheduled tribes children and girls. In the districts where these groups predominate or where poverty among the people is acute, the enrolment figures are low. It is also found that in these districts the drop-out rate is high for similar reasons. It is found that out of 100 pupils enrolled in Class I, only 22 continues till Class V. The position varies between districts. The rates for various districts are given below :

Sambalpur.....	19
Sundargarh.....	24
Keonjhar.....	16
Mayurbhanj.....	20
Balasore.....	38
Cuttack.....	35
Dhenkanal.....	19
Phulbani.....	10
Bolangir.....	12
Kalahandi.....	9
Ganjam.....	21
Koraput.....	7
Puri.....	33

It is clear from these figures that the drcp-out rate is alarming in the backward districts like Koraput, Ka'ahandi, Phulbani and Bolangir.

Eradication of adult illiteracy is another acute problem. In 1971, the total number of adult illiterate in Orissa stood at 11 million. Out of this about 3.8 millions are in the age group of 11-30. The programme for making these illiterate literate would be a matter of great urgency if the regional disparity in development is to be avoided. As a lot of industrial and mining activity will take place in future in districts with large Percentage of backward population, to make them fit to receive the benefits of development and to make them participate in the task of development, it is both necessary and desirable to try out both formal and non-formal methods of education in these areas.

TABLE—I

Population of Orissa by Districts

District	Population 1961 lakhs	Population 1971 lakhs	Decadal variation (per cent)	percentage of population) 1971	Density per rural sq.km. 1971	Percentage of S.C. & S.T. population 1971	
						SC	ST
1	2	3	4	5	6	7	8 9
Samtalpur	15.09	18.45	22.27	87.98	105	15.61	28.13
Sundargarh	7.59	10.31	35.84	76.75	107	8.05	53.35
Keonjhar	7.43	9.56	28.67	92.95	116	11.30	45.97
Mayurbhanj	12.04	14.34	19.10	97.21	138	7.25	58.58
Balasore	14.16	18.31	29.31	94.53	286	18.51	7.05
Cuttack	30.60	38.28	25.10	92.02	341	18.05	2.90
Dhenkanal	10.29	12.94	25.75	96.00	120	16.77	12.91
Phulbani	5.14	6.22	21.01	96.85	56	18.97	40.35
Bolangir	10.69	12.63	18.15	93.14	142	16.46	19.70
Kalahandi	10.10	11.64	15.25	95.14	98	17.10	29.30
Koraput	14.98	20.43	36.38	91.81	76	13.41	56.34
Ganjam	18.73	22.94	22.48	88.67	183	15.91	9.94
Puri	18.65	23.41	25.52	90.21	230	13.54	3.72
AllDistricts	175.49	219.45	25.03	91.59	141	15.09	23.11

Source; Census reports.

TABLE No.—II

Districtwise Literacy situation in Orissa

Name of District	Literacy rate (per cent)		Rate of growth of literacy in 61-71
	1961	1971	
1	2	3	4
1. Sambalpur	22.93	27.12	18.27
2. Sundargarh	19.71	26.47	34.30
3. Keonjhar	17.66	21.25	20.33
4. Mayurbhanj	14.18	18.05	27.29
5. Balasore	29.49	33.71	14.31
6. Cuttack	29.82	36.43	22.17
7. Dhenkanal	23.45	27.76	18.38
8. Phulbani	17.69	19.79	11.87
9. Bolangir	14.59	19.92	36.53
10. Kalahandi	11.51	13.85	20.33
11. Ganjam	21.32	24.42	14.54
12. Koraput	8.14	10.58	29.98
13. Puri	29.49	35.34	19.84
ORISSA	21.66	26.18	20.87

Source—1971 Census

THE NEW DEVELOPMENT STRATEGY IN INDIA

Dr. BAIDYANATH MISRA.

The Draft Five Year Plan, 1978-83 has pointed out that "the most important objectives of planning have not been achieved" and that "the most cherished goals seem to be almost as distant today as when we set out on the road to planned development". Some of the important reasons are given below : [1]

(1) Over a period of a quarter of a century a stagnant and dependent economy has been modernised and made more self-reliant, but the number of unemployed and underemployed are still very high and more than 40 per cent of the population today lives below the poverty line.

(2) Agricultural output has risen throughout the period, but per capita agricultural production has remained stagnant.

(3) India's industrial capacity has been expanded and diversified with capital goods production showing impressive increase and the country becoming self-sufficient in all consumer goods. Along with these the conecntration of economic power has increased more rapidly. Also the pattern of industrial development that has emerged reflects the structure of effective demand, which in turn is determined by the distribution of income. An unduly large share of resources is thus absorbed in production which re'ates directly or indirectly to maintaining or improving the living standards of the higher income groups.

(4) The development of agriculture and modern industry has stimulated the growth of banking, insurance and commerce. But the major beneficiaries, especially of the banking system, have been the wea'thier part of the population in both the urban and rural areas, and the vast majority have barely been touched.

(5) While the infrastructural facilities for production and in services like education and health have increased, much of the benefit fr6m these have accrued to the relatively affluent sections.

This implies that India's development programme has led to a lopsided narrow retarded growth. [2] The Indian economy can now be broadly divided into two water tight compartments-organised and unorganised. The organised sector constitutes about 30 percent of the economy whereas the rest is unorganised. Unlike in the country at large capital in the organised sector is relatively plentiful, labour productivity high, technology is improved, infrastructure is developed, and in fact resources are largely preempted by the organised sector. On the other hand, the unorganised sector is starved of capital, but has plenty of unskilled labour with low productivity and low wages and preponderance of disguised unemployment. It has either no linkage with the organised sector, or still worse, the relationship is exploitative. This dualistic nature of India's economic development suggests that growth *per se* will not be and cannot be the main aim of planning.

As has been explicitly recognised by the Draft plan," the concept of growth rates as a measure of economic development has considerable limitations.....While it is true that a more rapid expansion of the economy will generally make it easier to increase the welfare of the poor, it is not necessary that the allocation of resources required to reach the highest achievable rate of growth of the economy at any point of time will be optimal from the point of view of the desired distribution of income."

Against this background, the Planning Commission suggests that it will not be appropriate to formulate the objective of future plans merely in relation to a specified target rate of growth for the economy (or even less defensively in terms of targets of output of specific goods and services.) The task now is to utilies the human, material and financial resources for a new pattern of growth in furtherance of the goals of full employment and distributive justice. The specific objectives are spelled out as follows :

The principal objectives of planning should now be defined as achieving within a period of ten years :

(i) The removal of unemployment and significant under-employment;

(ii) An appreciable rise in the standard of living of the poorest sections of the population;

(iii) Provision by the State of some of the basic needs of the people in these income groups like clean drinking water, adult literacy, elementary education, health care, rural roads, rural housing for the landless and minimum services for the urban slums.

While the Five Year Plan (1978-83) will aim to achieve these objectives as far as possible, it is stated also that they should be obtained while achieving a higher rate of growth of the economy than in the past, moving towards a significant reduction in the present disparities of income and wealth and ensuring the country's continued progress towards self-reliance. This means that economic growth is not sacrificed. But economic growth has to be achieved in the context of full employment, eradication of poverty and creation of a more equal society.

We do not think there can be any quarrel with regard to these objectives. The experiences of the last two and half decades of planning suggest that there is need for a new orientation in planning. But the statement of goals can have no meaning without specifying definite strategy to attain these goals. The new strategy consists of four major shifts : from non-agricultural activity to agriculture; from large scale industry to village and small scale industry; from urban centres to rural areas; from the non-poor to the poor. These shifts are thought necessary because each one is desirbale in itself and also because over all they contribute to the main objectives of the plan, particularly to its thrust on employment generation. [3]

The shift from non-agriculture to agriculture is not unreasonable. There has been no structural change in agriculture inspite of heavy investment on industries. India has succeeded in becoming the eighth industrial power in the world, but it has not reduced the proportion of the labour force occupied in agriculture. In many Asian countries this ratio has recently declined to about half or less. But in India, it was about 74 per cent in 1911 and it is 74 per cent now. Since agriculture provides employment to an overwhelming majority of the working force, it has to be improved both for porviding fuller employment and increasing the economic wellbeing of the rural poor. It has been estimated that 81 per cent of the pvoerty and 80 per ccnt of the unemployment of India are located in rural areas. This implies that we cannot depend on large scale industries to reduce poverty and unemployment in India. Agriculture has to be diversified and modernised to bear the major brunt of the problem. [4]

The agricultural strategy which has been analysed in the Draft Plan has incorporated a number of suggestions for technological improvement, institutional changes and eeonomic incentives. But the major emphasis is on technological aspect, in particular on irrigation facilities and on mixed farming in an effort to create a viable economy of peasant farmers whose present economy is subsistence farming with marginal investment.

The shift from large scale to village and small industries is inevitable from the point of the objectives mentioned above i.e; removing unemployment and poverty and providing minimum needs. Large scale industries cannot generate sufficient employment opportunities to absorb the surplus working force. Further, the industrial policy of the Government of India oriented towards large scale industries has given rise to concentration of economic wealth. Agriculture and small scale and village industries combined together can assist each other for mutual development and create necessary facilities for increasing self-employment. The shift from large scale to village and small scale production is to be achieved by restricting the investment in the large, by reserving areas of production to the small, by the deliberate direction of science and technology into the service of small through a coordinated programme of fiscal and other measures.

The shift from urban to rural areas is a logical corollary of the emphasis on agriculture and village industries. Further, as we have already said, most of the poverty lies in rural areas which is again exported to urban areas and creating slums and poverty in the latter. If poverty and unemployment have to be removed, they have to be tackled at the source. The draft plan also envisages to create infrastructural facilities in the rural areas to stimulate additional economic activities.

The shift from non-poor to the poor is a drive towards the realisation of the objective of social justice in Indian economy. The 5-Year five plans have helped to enrich both urban and rural elites. The benefits of economic progress have been confined only to about 30 per cent of the population. The pattern of production has been distorted giving emphasis to the production of luxury and semi-luxury goods and catering to the needs of the richer section of the community. This change in the strategy is in conformity with the broad socio-economic philosophy which has been accepted bv the

government in the formulation of objectives. It has a'so been estimated in the Draft Plan that "every million rupees of consumption transferred from the non-poor to the poor will generate 20·2 additional person years of employment". It can therefore be concluded that there is no inconsistency between the objectives and the strategies laid down in the Draft Plan. They are supposed to mutually help and assist each other.

The following table shows the shift in emphasis between revised fifth plan and draft sixth plan in public sector outlays :

Public Sector Outlays

(Rs crores)

Head	Revised Fifth Plan	Draft Plan 1978/83	Percentage increase.
1. Agriculture, irrigation & allied activity.	8,528	18,250	114
2. Village & Small industry,	510	1,410	176
3. Large industry and minerals.	6,852	8,940	30
4. Energy	9,783	20,150	106
5. Transport and Communication.	6,917	10,562	53
6. Social Services	6,224	9,355	50
(of which MNP)	(1,200)	(3,130)	(161)
7. Science & Technology.	436	650	49
Total	39,322	69,380	76

The above table shows that there has been greater emphasis on village and small industry, minimum needs programme, agriculture and allied activity and energy to subserve objectives indicated in Draft Plan.

But the major question is : what are the policy instruments ? If the policy instruments are not effective, we cannot achieve the goals laid down in the Draft Plan. The objectives and strategies veer round the policy instruments for their success. If plans have not fulfilled their objectives in the past, it was mostly due to

the fact that the policy instruments were not effective. The present strategy may also face the same hurdles. The Draft Plan has clearly stated that fiscal policy in case of India is a weak instrument in achieving our goal. It is particularly ineffective to reduce disparities of income and wealth. It has therefore emphasised the role of (a) redistribution of agricultural land' urban real estate and corporate property, (b) public distribution of essential commodities, (c) improvement of infrastructural facilities and social services in favour of the poor, (d) supply of institutional credit, other inputs and technical marketing assistance to the small farmers and small industry enterprises, and (e) organisation of the rural and urban poor so as to ensure that the benefits of the schemes accrue to them.

This implies that benefits of economic progress cannot accrue to the small man unless property relations are changed and government enlarges its ativities in producing and distributing some essential private goods and most of the social goods. The following examples will clarify some of the issues in question.

(1) The production pattern in Indian economy is mainly guided by private enterprise and private enterprise is influenced by the existing demand structure which is mostly determined by the distribution of income. This is the main reason why expensive private goods like motor cars, refrigeratorss, air conditioners etc. are produced in the country whereas essential commodities which are required for the improvement of the econmic wellbeing of the poor are not adeqeately available. This is not only a gross misuse of scarce resources but also a distortion of plan priorities.

(2) The Draft Plan envisages labour-intensive technology for the proper use of surplus labour. But the technology mix question is closely related to product mix. An economy where the private accumul ation of non-human resources is the guiding principle, the techniques that yield the highest surplus to the owners of non-human resources will be adopted. Private accumluators can have no commitment to the national objective of the full utilisation of the labour force available in the country. This logic is manifested by the fact that between 1961 and 1976 investment in the modern factory sector increased by 139 per cent, output by 161 percent but employment only by 71 percent. [5]

(3) Another disturbing feature is the relative decline in the growth of the small scale sector as compared to the medium and large sector. The small scale sectors share in industrial production in terms of value added was 19·5 per cent in 1968, but came down to 16·1 percent in 1975-76. On the other hand, the big became bigger. For exemple twenty top Industrial Houses increased their wealth by more than 40 percent and net profit by more than 55 percent during the last 10 years. This haa been made possible inspite of Government's specific support and assistance to the small sector. Several factors are responsible for this. The licensing policy of the Government, the reservation of capital intensive industries to large companies on the grounds that the smaller entrepreneurs would not be able to raise the resources or possess the requisite managerial and technological competence to handle efficiently such large investments and the agencies created to supply institutional finance have all gone in favour of large industrial concerns.

The conclusions that we derive from this analysis is obvious. Unless we change the property relations in the country, urban and rural elites will take advantage of the institutions that are created even to cater to the needs of the poor and the poor will remain with us for all time to come. We may improve the productivity of agriculture (farmers' lobby is quite strong in India), and create some additional employment opportunities by establishing a few small and village industries, but we can hardly change the economic and social structure, the product mix or technology mix. And even vested interests may grow in the Government to perpetuate control : public distribution, rationing, price control, licensing, etc,— all designed to help the poor and improving the allocation of resources for achieving the declared objectives but may result in assisting the elite and distorting plan priorities. The forces in the economic system which offset plan priorities have to be corrected if we can achieve our declared objectives.

Further, we have also to change the administrative structure so as to make it plan and people oriented. The bureaucracy in India is unused to functioning as a team, believes in narrow departmentalism and is given to intrigue; it is also insensitive to the needs of the citizen and more concerned with its own interests than with those of the tax payer. It is cynical, bereft of idealism and mercenary in outlook.[6] Change in property relations may to some extent bring about a

change in the attitude of the administrator. But in the ultimate analysis, good administration will depend upon the strength of political will and organisation of a politically conscious electorate to press their demand for a good administration. Effective organisation and eternal vigilance on the part the poor are not only essential to ensure their rights and privileges, but also to change the political, social and administrative structure in the country.

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STATISTICAL REQUIREMENTS OF PLANNING.

DR. CHAKRA DHAR MISHRA.

1. The Notion of Planning :

1.1 Usually the term" Plan" evokes 4 associated ideas, namely (i) setting up of goals desired to be atained, (ii) Provision and pre-arrangement, (iii) Taking proper account of the inter-connections and mutal repercussions of different elements of the composite body of action and (iv) a notion of optimisation or obtaining the best possible results with a given effort. Economic planning in its broadest possible sense may be taken to mean any scheme of co-ordinated action to be under taken by a Public Authority with a view to bringing about certain desired changes in a given economy. The scheme is to be drawn up sufficiently ahead of the time during which the actions are to be undertaken. It has to be drawn up in such a manner as to take account of interdependence of the various parts of the economy and the inter-connections between different movements in it. The scheme must also be such as to achieve the goal in an optimum fashion.

1.2 A scheme of co-ordinated action, drawn up ahead of time, with a view to bringing about certain desired changes in the economy with an optimum choice of means has, of necessity, to be of a statistical work. For this purpose, sometimes, a plan is defined as "an optimally balanced collection of statistical measures standing for a certain number of objectives and a larger number of means of action proposed to be taken to attain these objectives."

1.3 Balance as used in the above definition implies that statistical measures set in a plan for different economic performance are such that they can be reliased simultaneously. In other words, they

are not such that the realisation of one renders impossible the realisation of one or more of the rest. The notion of balance can be differentiated as between macroeconomic balance and inter-sectorial balance. Macro-economic balance refers to the consistence between such over-all economic variables as income, employment, investment savings and the changes in them. Sectorial balance ensures that the demand and supply conditions of the different seetors are such that all the supplies cancel out all the demands, there being no excess or short supply of anything. Sectorial balance may relate to sectorial activities at the same point of time or points of time with certain time lags. In the later situation the balance is called inter-temporal in addition to being called inter-sectorial. Regional disparities lead to special considerations coming under what are called spatial balances.

1.4 The Statistical measures constituting a plan are not only to be a balanced combination but to be an optimal combination as well.

1.5 The balance conditions impose certain restrictions on the values of the measures that are taken in to account in a plan. These conditions may enter into the planning exercise as a certain number of inqualities or equations. There will be either as many equations as the number of variables or fewer, so that in general there will be some degree of freedom. This will mean that there may be a very large number or combinations of the measures all satisfying equally well the balance conditions, In such a situation a choice of comination arises and this leads to the question-which particular combination to choose. Here we introduce what is known as the conditions of optimality. That combination which maximises the benefits is usually chosen as the desired set of measures.

2. The three Stages of the Planning Process :

2.1 In the above paragraphs, an unnecessarily lengthy enunciation have been made of the definition of planning. This has been done just to emphasize the fact that statistical measures of the socio-economic structure plays a vital role in any planning model and the more improved and reliable such measures are, the better results are expected out of the plan.

2. 2 As we have stated earlier the process of planning itself suggests new areas of investigation and these lead to more appropriate and reliable statistical measures which help in building of a better plan frame for the future.

2.3 It will not be out of place to mention here the three important stages in the planning process which help in improving uor. statistical base. It is unfortunate that not much emphasis is given to the requirement of these three stages as a result of which our pace of statistical development has been very slow indeed. It is therefore time that some specific actions are taken right now so that atleast for future plans, our thinking process gets a proper foundation and support in the balancing of our economic measures.

2.4 The three stages which contribute to the improvement of a sound knowledge of the balancing conditions and optimisation principle are the stages of (a) Plan formulation, (b) Plan implementation and (c) Plan evaluation. I would like to elaborate the last two stages first.

3. Progress Reporting.

3.1 At the time of formulation of a Plan Programme, certain phases of development are envisged. Sometimes, implementation proceeds along the lines stipulated in the beginning. This, however happens only if we have formulated the plan on scientific lines with full a priori knowledge of the statistical measures and the balance with our knowledge of development this usually does not happen. In addition, the process of Planning brings in certain changes, It therefore, becomes necessary to adjust our measures for realisation of our goals, during the phases of execution. Hence periodical appraisal of the progress and the problems associated with implementation become necessary. For this purpose, usually progress reporting at fixed time intervals is prescribed. These progress reports, when properly analysed, give us direction for course of action in the immediate future. They also serve as recorded evidence for building up of norms for the future. Unfortunately such a built-in procedure of evaluation is not taken very seriously at any level. The Plan executing authorities who are responsible for submission of progress reports usually consider this responsibility as an unnecessary burden. Quite a lot of efforts are expended in securing progress reports nad even at higher levels. Credit is given to implementation at the cost of progress reporting. After a good deal of efforts when progress reports are procured, they lose much of their importance in view of the time-lag and they hide a lot of intelligence as the macro-level having been analysed

in an aggregative fashion. No machinery is usually available for storing these progress reports for future use and an important source of very valuable information gets lost in the sea of departmental files.

3.2 Progress reporting should be made an in-built part of any plan programme. Executing authorities should be made to analyse their own progress reports for immediate operational purposes and should not consider it as an undue imposition on them. This should be achieved, if necessary, through penalties. A machinery should be built up to store these recorded set of experiences and continuous analysis should be made for immediate as well as future plan framing.

4. Evaluation.

4.1 Plan evaluation on scientific lines also generates a wealth of information which could be profitably used for future planning. Evaluation inter alia aims at assessing whether the objectives of programme have been realised. It also aims at sorting out the reasons for non-realisation or partial realisation of these objectives. Invariably such an assessment is made through quantitative measures on variables or attributes. These quantitative measures fill in quite a big gap in the measurable quantities required in plan framing. In the states we have to go a long way in developing an organisation capable enough to make scientific assessment by application of proper evaluation techniques. This important requirement of planning has to be met.

5. Plan Framing,

5.1 Having discussed the stages of implementation and evaluation, we now go back to the plan formulation stage. Actually this is not a going back. As has been made clear in an earlier paragraph, both implementation and evaluation supply necessary tools and measures for formulation of future plans.

5.2 At this stage it will be worth-while to enlist the statistical measures required for plan formulation on scientific basis. The Plan decuments in respect of previous Plans reveal that in the past we have not made much efforts in studying the intersectorial balances while allocating resources. Practically optimality conditions have rarely been

touched except in a subjective way. Our approach has been very incisively presented in the first paragraph of a draft of an Approach Document prepared by the Additional Development Commissioner, Orissa which begins like this :

"Every Sanskrit Epic used to begin with an invocation to a favourite diety. Every note on the development of our State has to begin with a delineation and analysis of our comparative poverty".

5.3 Our efforts so far, have gone in presenting a (not very clear) picture of the low level of our development. Very little work has been done in preparing a consolidated inventory of our resources and practically no work has been done in studying the functional relationships obtaining between various economic characteristics. In face of such limitations we have to be thankful that some progress has been achieved through the implementation of the plans. In this context, although nothing new, it will be profitable to spell out in some detail, what we need in terms of statistical measures for scientific plan formulation.

5.4 We might distinguish between two types of statistics required to make a plan. The first type consists of measures of various performances of the economy which feature explicitly in a plan. The second type consists of measures regarding the inter-relations between the various performances of the economy which feature only implicitly in aplan. We might designate the first type of Statistics as "Dimensional statistics" and the second type as "Functional statistics".

6. Dimensional Statistics.

6.1 In a good plan frame, the following types of Dimensional statistics must feature :-

(a) Statistics of Natural Resources-Estimate of reserves and potential of different types of raw-materials, fuel; power, etc.

(b) Statistics of Human Resources-Statistics relating to population, working force, skill categories, technical man-power and employment.

(c) Statistics of Capacity and Capital Stocks-Statistics regarding installed capacity and stock of capital of various categories in different sectors.

(d) Statistics of Production and Consumption-Statistics of production of different commodities and different modes of their consumption or disposal.

(e) Statistics of Prices for different commodities and commodity groups.

(f) State income Statistics-Values of output, values of input and value added in different sectors of the economy, distribution of income among different classes of income earners and flows of money from and to the House-holds, Government and Enterprises sectors

6.2 We have some information about the natural resources and the human resources but regarding the remaining 4 categories our intelligence is extremely rough and meagre. The limited information we have on natural resources suffers from special types of difficulties of their measurement. Extent of knowledge about allocation of the resources in space, extent of technical knowledge about the utilisation of material and energy for economic purposes and definition adopted for delimitation of a reserve or potential are some of the variable factors which lead to ambiguous quantification of natural resources. The States are yet to be properly mapped in regard to soil classifications. Flow and ground water resources are yet to be fully evaluated. Detailed information about our resources is not available. Several such limitations in regard to our knowledge about the natural resources can be pointed out. However, fortunately for the planners we have so far been able to utilise only a very insignificant fraction of our resources due to financial constraints and optimum allocation principle have so far not been given that much of importance in determining our plan priorities.

6.3 Decennial census provide some useful information about the magnitude of our human resources and some of its characteristics. We have, however, very limited information about work force, skill distribution, technically qualified man-power, etc. Estimates of unemployment and under-employment are still very controvesital figures. I am not touching, at this stage, input out-put matrices in relation to labour employment in man-power planning.

6.4 · In regard to capacity some information is available in respect of Registered Factories only. Un-registered small Industries and traditional cottage Industries which have tremendous potential for employment have so far not attracted our attention in regard to the economic structures operating in them. In the sectors of production, consumption and prices, we have some information but their reliability is always questioned. Even in an important sector like Agriculture, our producton estimates are based on at best intelligent guess works of V L.Ws and other Agriculture Department field staff. Consumption statistics are mainly derived form National Sample Survey Studies. Un reliability of these figures flows from the large sampling errors associated with such estimates at the State level because of the small size of the sample. In regard to consumer price statistics we have still to depend on the indices -constructed by the Labour Bureau, Simla, in respect of very few centres.

6.5 It will be clear from the adove account that we have to go a long way in filling in the Dimensional Statistics required in plan formulation.

7. Functional Statistics.

7.1 The other category of statistics which enter into plan formulation implicitly is the Functional Statistics. These are the quantitative expressions of relations obtaining between dimensional statistics. Functional Statistics require establishment of relationships in an algebric form between related economic characteristics. This requires a knowledge about the form of such relationship (linear, logistic, exponential etc.) and determination of the parameters or coefficients of variables entering into such functional relationships. Demand functions of specific consumer goods showing relationship with income of definite groups of consumers; production functions relating out-put with factors of inputs, demand elasticities, income distribution functions, concentration ratios, inter-industrial co-efficients, capital-output ratio, rates of savings and investment, are some illustrative examples of functional statistics that enter into a planning model.

7.2 Our efforts in building up of such Functional statistics have been, so far, almost insignificant. The importance of such statistics however, needs no emphasis. So far as Capital-output ratio is concerned we are depending mostly on some guesses and some times using the ratios built up at the National Level. An aggregative

capital-output ratio for the economy as a whole is meaningful only in a Macro-Economic sense but for planning at the micro level capital-output ratios for different sectors and for sub-sectors need to be precisely determined. All out attempts in investment projections whether for doubling the State Income or for reaching National per capita average or for crossing the poverty line will be largely misled unless the capital-output ratio used for this purpose s dependable and up-to-date. As technological changes are rapidly taking place, such ratios, need be revised atleast once every 5 years.

7.3 Capital-labour ratio is another important functional statistics badly needed in the context of making our plan programmes employment oriented. Some crude attempts have been made in the past to build up such norms and that too at the whole economy level. What is more important and helpful for planning is building up of such ratios for different sectors and sub-sectors.

7.4 Input-output tables for different goods and services produced or required in the States have never been attempted by anybody so far. We are lucky that we are a federating unit in the Indian Union and therefore, do not have a great deal of concern about balances between different sectors. However, the cry for removal of regional disparities is getting momentum and we cannot afford long to neglect atleast some of the balances like labour balance and price balances. Although a good scientific plan would need balance between capacity, capital stock and production, balance between output and input of different sectors in physical terms; balance between supply of and demand for consumer goods; balance between income, consumption and savings, etc., we can afford to wait for sometime in building up of the Functional Statistics required for such balances as the State Economy is inter-linked with the economy of the country as a whole and these balances are taken care of at the Macro-Economic Planning level.

7.5 We have, however to undertake functional statistical exercises for sectorial allocation of our resources for determination of supply of and demand for different commodities particularly in the context of the orientation of the plan to satisfy the minimum needs and for building up of minimum inter-sectorial balances at the micro level between input and output and between capital and la bour.

8. Concluding Observations.

8.1 Our planning authorities have used what ever information is available in formulation of the plan but have so far relied more on experiences and enlightened hunches because of lack of any sound statistical norms.

8.2 I have tried in the above paragraphs to present a somewhat theoretical picture of the statistical requirements for good planning at the State Level. Although we started planning with a very elementary knowledge about the structure of our economy, during the course of Four-Five-Year Plans we have built up a data bank which has helped in putting the plan on ralativly better footing than in the past. As the above paragraphs would show, we have yet to go a long way and I hope the above discussions would stimulate research and exercises in building up the statistics required for micro-planning.

INDUSTRIAL DEVELOPMENT OF ORISSA.

DR. KHETRA MOHAN PATNAIK

The economic picture of Orissa is a bleak and dismal one. The abject poverty of the State is very prominently revealed by any economic test one likes to apply. Orissa has a population of 21.94 million, with a growth rate of 2.5 per cent per annum. This high annual rate of growth of population partly accounts for its poverty. For, although during the period 1951-71, the State income (at constant prices) went up by 103.7 per cent, its per capita income rose only by 34·9 per cent. In other words, a rapid rise in population prevented a much larger rise in the per capita income in the State.

According to the 1971 census, 91·6 per cent of Orissa's population live in villages and 80 per cent of its total working force are engaged in agricultural and allied activities. In other words, its economy still remains overwhelmingly rural. Out of the 22 million people in the State, 14 million or 64 per cent in the minimum are below the poverty line. The per capita income of the State at constant (1960-61) prices, was Rs. 253.40 in 1971-72. Assuming in annual growth of 3 per cent in this for six years, the per capita income of Orissa in 1977-78 would be roughly Rs. 299 at constant prices compared to the all India average of Rs. 365. A little more than 60 per cent of the state income comes from agricultur and allied activities and 15 per cent from mining, manufacturing and small enterprises. If follows from this that the industrial sector still remains a very insignificant one in the State. This conclusion is reinforced by the data relating to the distribution of workers by occupations in the State, as revealed by the 1971 census. The latter shows that compared to 49.2% cultivators, 28.3% agricultural labourers, the number of workers engaged in industry constitutes only

5.9 percent of the total. Against this, the manufacturing sector in India contributes only 12 per cent towards GDP and employs 9.5 per cent of the economically active popultion. A highly industrialised country like Japan employs as much as 26 per cent of the economically active population in the manufacturing sector. which contributes nearly 36 per cent towards its Gross Domestic Product,

In this bleak situation of abject poverty, the industrial development of Orissa is a sad story of disappointments. The contribution of Orissa to the total industrial production in India was about 2·5 per cent in 1965-66 compared to 2 per cent in 1960-61 and 0.26 per cent in 1950-51. In terms of gross per capita output in industry, Orissa is far behind the all-India average as well as the other States. Its gross output per capita is only Rs.69 as against the all-India average of Rs.179, Rs.451 for Maharashtra, Rs.399 for West Bengal and Rs. 310 for Gujrat. The low level of industrialisation in the State is also reflected in terms of factory employment which shows that average daily employment of factory workers per thousand of population is only 3·4 for Orissa as against 9.5 at the all-India level. Maharashtra has the distinction of being the most industrialised State in India. There are more than 10,663 factory establishments in Maharashtra providing average daily employment to 10·4 lakh workers. Maharashtra accounts for 35 per cent of the gross output of the entire factory sector in India 33 per cent of the factory employment and 38 per cent of the value added by manufacture. Thus, Maharashtra occupies an outstanding position on the industrial map of India. The only element of consolation in the dismal picture of the industrial development of our State is that no heroic effort has been made in the previous five plans for a break-through in the situation. This would be clear from Table I which shows a comparative picture of the sectoral outlays in the previous five plans of Orissa. The sectoral allocation of investment on industries in all the previous plans of the State have ranged between 3·5 to 8 per cent of the total. In absolute terms it underlines the important fact that over the last 25 years, the plan-investments in industries in Orissa have hardly exceeded Rs. 80 crores.

Table. I

Pattern of Investments fn different Plans of Orissa.

Sectors	First Plan (%)	Second Plan (%)	Third Plan (%)	Fourth Plan (%)	Fifth Plan (%)
1. Agricultural	28·0	9·2	9·7	10·0	14·2
2. Irrigation & Power	26·1	46·9	36·1	42·0	41·4
3. Co-operation and Community Development	0·9	12·6	9·2	3·6	4·0
4. Industries and Mining	5·9	4·5	3·5	8·1	4·0
5. Transport and Communication	14·7	7·0	17·3	7·0	8·5
6. Social Service	24·2	17·2	17·2	19·8	27·0
7. Miscellaneous	0·2	3·6	2·0	0·5	0·9
Total	100·0	100·0	100·0	100·0	100·0
Total investment in Rs. crores	18·41	86·59	223·27	222·60	836·09

[Source : Govt. of Orissa Publications.]

Indnstrial development during the plan periods :

The facts mentioned adove show that, inspite of the vast industrial potential in terms of forests, mines and other natural resources, Orissa continues to remain very backward industrially. The various steps taken to lay the foundations of industrial development during the plan periods may now be analysed. The First Five Year Plan did not aim at any significant change in the industrial structure of the State. It actually laid the foundation for it by developing the infrastructure for setting up industries. The setting up of a Ferromanganese Plant at Joda and Rayagada, a Cement factory at Rajgangpur, a Tube factory and Paper Mill at Choudwar and an Aluminium and Cable factory at Hirakud were planned during this period. But most of these factories were act ually set up and started functioning during the Second Plan Period.

During the Second plan period, the Hirakud and Machkund Hydroelectric projects were ready for supply of power. State highways had been expanded and the National Highways had been developed. With the development of this infrastructure, intensified efforts were made for establishing an industrial base and a beginning was made with about 800 registered factories and a total capital investment of about Rs. 290 crores in the factory sector.[1]

The Third Plan continued the work already started in this sphere during the previous plan-period. In 1962, the Industrial Development Corporation of Orissa was set up with the objective of promoting industries in the private and public sectors. It was expected to play the role of a pace-setter and path finder for the industrialisation of the state. It has set up seven units in the public sector (Table 2)

Table 2

I.D.C. Units

Name of the unit	Year in which production Started	Capital investment (Rs. crores)	Annual Production.	Employment (in Nos.)	Capital employment ratio
1.	2.	3.	4.	5.	6.
1, Kalinga Iron Works, Barbil	1963	10.2	1,00,000	1,588	70,000
2. Hira Cement works, Baragrh	1968	9.26	3,96,000	1,612	55,835
3. Ferro-Chrome Plant, Jajpur road	1969	7·23	10,000	1,110	63,070
4. Tile factory, Choudwar	1966	0.25	48.00,000 Roofing tiles	324	7,716
5. Hirakud Industrial works, Hirakud	1962	0.74	—	960	7,708
6. Hira Cable works, Hirakud	1967	2.28	3000 mt.	690	33,043
7. Re-rolling Mil, Hirakud	1968	1.19	15,000 m.t M.S. Rods	544	22,000

Source: The Economic Times, April 1, 1978.

1. *"Econmic Base of Orissa" Bureau of Statistics and Economics, P. 30*

Under the Fourth Plan, the ontlay on industries was Rs. 11.24 crores, out of which Rs. 9·43 crores were spent on the I. D. C. alone. Right from the Fourth Plan period, the I. D. C. units have shown an actual production less than their total potential production (Table.3)

Table. 3.

Capactiy utilisation in I.D.C. units.

Name of the Unit	Annual Capacity	Actual Utilisation	%age of (3) to (2)
(1)	(2)	(3)	(4)
1. Kalinga Iron works, Barbil	1,00,000 mt.	80.260 m.t.	80
2. Hira Cement works, Baragarh	3,96,000 m.t.	3,55,000 m.t.	90
3. Hira Cables, Hirakud	3,000 tonnes	2,250 tonnes	75
4. Tile factory, Choudwar	48,00,000 Roofing tiles	...	66
5. Ferro-chrome plant, Jajpur Road	10,000 m.t.	less	

Source: "Fifth Five Year plan of Orissa (Draft)". P.338-339.

The ratio between the two measures capacity utilisation. This yardstick has been used by the Reserve Bank of India to measure capacity utilisation in Indian industries since the beginning of the Third plan, The Researve Bank study shows that capacity utilistion in Indian industries was about 88 per cent during the Third Plans it declined to 81 per cent during the period of the annual Plans and further declined to 79 per cent during the Fourth Plan[2] Table 3 shows that the capacity utilisation of the important industries in Orissa during the Fourth Plan period was more or less of the same order as in the case of India. In other words, it can be safely assumed that it is possible to raise production of the important large-scale industries in Orissa by 15-20 per cent by making full capacity utilisation. The Fifth Plan proposed an outlay of Rs. 16.60 crores on large and medium industries, Rs. 10.76 crores

2- *Ruddar Dutt, Industrialisation and Employment", The Economic. Times, August 23,1977.*

on mineral development. and Rs. 7·22 crores on village and small industries. This works out to a total of Rs 34.58 crores or 4 per cent of the fifth plan outlay. The industrial development programmes during the years 1974-79 aimed at (i) diversification of the industrial base by promotion of industries for the manufacture of new products in public, private and joint sectors; (ii) decentralisation of the location of industries through the promotion of new industrial units in the identified growth centres and backward regions of the State; (iii) Creation of increased opportunities of employment in the industrial and related sectors; (iv) promotion of industrial projects with the aim of utilising the natural resources available in Orissa.

These objectives were sought to be translated into actuality through a number of measures which included physical and financial assistance to entrepreneurs for setting up industries in Orissa. Apart from direct services to be provided by the directorate and Department of Industries, three special institutions, viz. the Industrial Development Corporation of Orissa (I. D. C.), the Industrial Promotion and Investment Corporation (IPICOL), and the Orissa State Finance Corporation (OSFC) were also required to implement various programmes and provide financial and other assistance to the industrialists desiring to set up new industries in the State. Measures were sought to be implemented to put an end to the underutilisation of capacities of the I.D.C. units. A number of new units were expected to be established in the joint sector through the I.D.C. It was hoped that the Government of India would establish nine major projects in the Central sector at a total cost of Rs. 489·34 crores. These included a fertiliser plant at Paradip (Rs. 24 crores), Talcher Fertiliser Plant (Rs. 47·4 crores), Sukinda Nickel Project (Rs. 38 crores). Heavy Water Plant at Talcher (Rs. 31 crores), Indian Rare Earth Project at Chatrapur (Rs. 15 crores) and the like.

As a part of the policy of rapid industrialisation, the State Government have identified many potential growth-centres for industrial concentration. These centres include Sambalpur, Jhhrsuguda, Hirakud complex, Rourkela complex, Talcher complex, Cuttck-Choudwar complex, Paradeep complex. Rayagada Thiruvalli complex, Berhampur Gopalpur Ganjam complex and Sunabeda complex.

Features of Industrial Develompent in Orissa :

In the process of deliberate industrialisation of Orissa, as outlined above, certain features are worth noticing. The mining, metallurgical and metal based industries have received greater emphasis in the process. Table 4 shows that in 1969, Iron and Steel constituted a little more than (52percent) half the total industrial output of the State. This table revals that heavy industries such as iron and steel, chemical fertilisers, electric light and power, paper and paper products have a high capital-output ratio. These are the most capital intensive industries as the total productive capital shared by these few in dustries is about 89 per cent of the total in Orissa[3]. Table 4 shows these capital-

Table 4

Percentage of output of different Industries (1969)

Industries	Percentage of output to total industrial output of Orissa	Fixed capital employed per employee Rs	Value added per unit of productive capital invested
1. Iron and Steel	52·04	65,972	0·08
2. Paper & paper product	8·15	15,641	0·34
3. Electric light & power	5·02	68,995	0·07
4. Industrial chemical fertiliser	4·57	76,289	0·09
5. Grain mill products	3·84	4,421	0·28
6. Cotton textiles	3·75	5,746	0·34
7. Structural clay products	3·53	10,770	0·30
8. Electrical machinary	1·38	55,221	0·14
9. Saw milling	1·16	1,832	0·40
10. Other Industries	16·56	—	—
All Industries	100·00	0·57	0·11

Source : Annual Survey of Industries in Orissa, Bureau of Statistics & Economics, P.39,49, & 50

3. *"Annual Survey of Industries in Orissa", Bureau of Statistics & Economics, p.49,*

Table 5

Growth of Output & Employment in Industries in Orissa

Year	Output index	Employment Index	Employment output ratio (E/o)
1961-62	100	100	1·00
1964-65	157	129	0·82
1968-69	272	175	0·64

Source : Compilid from data taken from Table No.8 (Growth of Factory Sector Industries in Orissa) in "The Economic Base of Orissa" Bureau of Statistics & Economics, P.59

intensive industries in the State have a very small ratio of value added per unit of productive capital invested in these industries. Table 5 shows that output in the manufacturing sector has grown at a faster rate than employment in this line of activity. It follows that the heavy industries in which the bulk of the additional capital investment was made, being more capital-intensive, provide much less scope for expansion of employment than light industries. Consequently the industrial pattern followed has not brought about an enlargement of employment commensurate with the growth of output.

Highest capital intentity :

It may be conceded that certain industries like steel, fertilisers though capital intensive, cannot be ignored, as their development is probably necessary for the growth process and for supplying basic inputs for agriculture and small engineering units. However, efforts should be made to curb the growing capital intensity in these industries in order to promote employment.

Table 6 shows in descending order the capital employment ratio in manufacturing industries in a few States of our country. It is noticed that the capital employment ratio is highest in Orissa, being of the order of Rs. 62,100 to employ a person in the large-scale manufacturing sector. Table 7 shows that Orissa is followed by Madhya Pradesh, Bihar and Rajstan. Maharashtra, West Bengal and Gujurat

do not have a high capital-employment ratio. This shows that the industrially advanced States have a large number of manufacturing units, which are more employment-intensive compared to the industrially backward States which have a few but highly capital-intensive manufacturing establisments. (4)

Table 6.

Capital-Employment Ratio in Manufacturing Industries.

States	Capital-employment Ratio
1. Orissa	62,095·6
2. Madhya Pradesh	38,137·4
3. Bihar	37,755·1
4. Rajasthan	36,941·8
5. Uttar Pradesh	35,628·2
6. Punjab	34,449·2
7. Assam	32,723·2
8. Haryana	30,204·0
9. Maharashtra	23,977·8
10. West Bangal	20.007·4
11. Gujurat	18,638·1

Source : J.P. Saxena, "Employment Intensity : Inter-Industry Variations", The Economic Times, Sept.30, 1977.

Under devoloped Private Sector :

One of the important features of the industrial growth of Orissa is that the private sector has not developed adequately. This can be seen from the relative contributions of the public and private sector undertakings to the State income, as shown in Table 7. In 1964-65, i.e., during the period of the Third Plan, the private sector contributed about 50 per cent to the total value added by the organised factory sector. But in 1969, the contribution of the public sector

4. J.P. Saxena's artiele in the Economic Times, Sept.30,1977

Table 7.

Value added percentage-wise by manufacturing industries according to their ownerships.

Type of ownership.	Value added (Per cent in 1964)	Value added (per cent) in 1969.
1. Wholly owned by Central Govt.	33·95	42·39
2. Wholly owned by State Govt.	14·78	25·69
3. Joint Enterprise (Govt. & Private)	0·43	0·64
4. Wholly Private Enterprises	50·48	31·28
Total	100·00	100·00

Source : Annual Survey of Industries (1965-69)
Bureau of Statistics and Economics, Orissa, p.44

industries went up to 68 per cent and the private sector's share came down to 31 per cent. This shows that the public sector has taken the lead in the process of development of industries, as it should be. But the lead of the pioneering sector is expected normally to have a healthy effect, on the private sector. This is not borne out by facts as adequate investments are not forthcoming in the private sector. W. A. Lewis points out : "The fundamental task of development planning is to release the energies of the people so that they may do what needs doing to raise the rate of economic growth. The things to be done are productive decisions to be made by a very large proportion of the country's inhabitants. Industrialists are to build factories, farmers are to adopt new technologies; labour is to move to new jobs; research workers are to find new solutions..... if the rate of growth is to move from 3 to 5 per cent. The planner's job is to find out what stands in the way of these productive decisions, and to introduce measures which make such decisions more likely [5].

5. *W.A. Lewis, "Development Planning, P 269-270.*

Suitable measures are required in order to pull up the private sector in Orissa which is lagging. The lagging private sector probably explains why manufacturing has not been the key to rapid economic development of the State. The State domestic product from the manufacturing sector does not show any significant rise so as to generate ever increasing surpluses for purposes of reinvestment. This can be seen from Table 8. Table 8 is a sad commentary on the industrial development of Orissa in view of the fact that the rate of economic growth depends primarily on the rate of growth of commodity output. The contribution of the manufactring sector to growth in the state income has been consistently lower. The private sector can flourish if there is a greater extent of freedom from administrative control and brighter opportunities for making profits. As W.A.Lewis points out : "Economic growth cannot be produced by legilation, administrative regulation or exhortation, without the accompaniment high material incentives. Hence the crucial

Table.8

Percentage of State Domestic Product derived from Manufacturing Industries (at 1960-61 prices)

Year	State product from manufacturing Industries (Registered) %	Domestic Product derived from Manufacturing (unregistered) %
1964-65	5.3	4.2
1965-66	6.0	4,9
1966-67	3.9	5.0
1967-68	2.6	5.7
1968-69	3-9	4.8
1969-70	5.0	4.6
1970-71	4.9	4.2
1971-72	5.1	5.0

Source : "Estimates of State Domestic product, (1960-61 to 1971-72), Bureau of Statistics and Economics, Orissa P.48-49

test of the quality of development planning, in that part of the economy, which is left to private initiative, is how effective are the incentives offered to the population to make decisions which will result in econmic growth"[6].

An appraisal

Deficiency in demand, poor infrastructure and transportation facilities, have limited the basis for diversification of industry in Orissa by reducing the incentives to invest on the part of private entrepreneurs. It is not so much the grant of subsidies and easy availability of loans that encourage the producers to launch industrial projects. It is the pull of a steadily growing market that would attract the entreprenurial class to take up risky ventures by investment of capital. Private producers, guided by profit-motive, would generally prefer consumption goods industries with a low gestation period, assuming that there is a steady and adequate stream of cash incomes flowing into the hands of the vast sections of the rural and urban population. When the teeming millions do not have purchasing power on account of an ill-developed agricultural sector, the stimulus to start consumption goods industries cannot be strong. In the absence of consumption goods industries, the market for capital and intermediate goods industries is absent. If the process of industrialisation is of the reverse order, as has been the case in our country as well as Orissa, one can easily understand why the process cannot be a self-sustaining one. As prof. A.K. Dasgupta writes, "the choice as to where we should begin and how we would proceed would be simple: agriculture first, and then industry, light industry and then heavy; production for home, and then exports"[7]. The path travelled by us in our process of planning has been just the reverse of what Adam Smith had said, the "natural progress of opulence" As the principle of "natural order" has been violated by our planned investments, the inevitable consequences which we now confront are excess capacity, inflation, unemployment and a rate of growth falling far short of the targets. In other words, since the development of heavy industry did not rely on progress in othe sectors of the economy, industrialisation itself, contrary to expectations, failed to

6. *W. A. Lewis, "Development Planning", P. 269-270.*

7. *A. K. Dasgupta, "Plan priorities: Some basic Issues", Yojna", Annual number, 1978, P. 16.*

exercise a significant modernising impact on the basic low productive structures. The darkness and disappointments which now engulf our economy at the present time are largely the by-product of the unnatural differentiated approach in our plans to the various sectors and structures of the national economy which has an essential unity and interlocked elements. Lack of sufficient consideration or ignoring of individual links in the national economy and social life inevitably engenders disproportions and impedes the general process of development.

It follows, therefore, that poor progress in the sphere of industrial development of the State is more due to inappropriate management of the problem of economic development. The appropriate direction of policy in this matter is to follow the natural course by strengthening the vital links of the economy. This is what Prof W.A. Lewis means when he writes : "If we one were asked to pick a single factor as the most common cause of a low rate of economic growth it would have to be the absence of a vigorous agricultural policy. As we have seen before, agricultural stagnation is the main constraint on the rate of growth. It keeps down the living standards of the great majority of the people, and in restric-ting their purchasing power, restricts also the scope for industrialisation."

INDUSTRIAL SCENE OF ORISSA

DR. H. P. MISRA

1. The Industrial Scene of our country presents great diversity and each area has history of its own. The areas like Bombay, Madras, Calcutta and Delhi have been exposed to industrial influence for a long time. This is largely due to their long association with foreign-trade-interest and subsequent development of industrial infrastructure. The States like Punjab and Haryana have developed industrially because of the excellent infrastructure development and sustained efforts of the human beings. Other areas like Bangalore, Hyderabad, Baroda, etc. are developing fast industrially in the recent years on acount of several planned activities of the Central Government in these areas. In the midst of these industrial prosperities, the State of Orissa, although generously endowed with valuable natural resources,. suffers from abject poverty.

2. Orissa may be considered as an extensive plateau slopping gently into the coastal plain along with Bay of Bengal. The State can be divided into four well-marked physical units. The Northern plateau, eastern ghats. the central table (land watered by many important rivers) and the coastal plains. The river Mahanadi flowing West to East divides the State into minerally rich northern part, and the Southern part covered by eastern ghats and coastal plains. The three main rivers-Mahanadi, Brahmani and Baitarani-running almost parallel to one another from north-west to south-west form a very important industrial link of the mineral belt. The State has the advantage of having the country's biggest deep draft port at Paradeep. Orissa enjoys unique position with regard to power supply. For electro-chemical or electro-metallurgical industries, which require a stable low power tariff, Orissa has been an ideal place for

location. The State Electricity Board encourages such industries by prescribing a fairly low tariff in comparision with other States. Apart from this, the Board also holds out special considerations like remission of minimum charges during the initial period of development. Orissa has got hydro and thermal generating stations at Machkund, Hirakud, Chiplima, Talcher and Balimela. Talcher Thermal expansion and Rengali Hydro projects are nearing completion. The hydro generating stations at Upper Kolab, Upper Indravati are entering construction stage and Bhimkund, Lower Kolab and Budhabalang have been planned. Communication facilities have been developed through out the State and all the major industrial areas are well served with rail and road.

3. Orissa is fortunate in having a host of major economic minerals which contribute greatly for the industrial development of the State. These include iron ore in Keonjhar and Sundargarh districts; coal from Talcher; manganese in Keonjhar district; chromite in Cuttack district; Limestone in Sundargarh and Koraput districts; Dolmite in Sundargarh district; nickel in Cuttack district; Vanadium in Mayurbhanj district; Graphite in Kalahandi and Bolangir districts; Bauxite in Koraput district; Fire-clay in Dhenkanal district; Quartzite in Koraput and Mayurbhanj district; China-clay in Mayurbhanj district and Heavy sand in Ganjam district. The State is also endowed with natural resources like dense forest growth representing 42% of the total area; water and long coast-line of more than 400 Kms and has the biggest lake in India, i. e. Chilka. The forest resources include bamboo, hard-wood, kendu-leaf, sal-seed, mohua-seed, etc. Based on this, several industries like rayon grade pulp-plant, paper mill including news-print, sal-seed oil extraction plant; plywood industry based on timber, wood-chips board; veneer particle board, etc. can be set up. Rice-bran and other oil extraction units can be planned in various parts of the State. Tremendous scope exists for the establishment of caustic chlorine and magnecite recovery units based on the salt harvesting in the coastal area. Marine based fishing industries can also be planned.

4. Based on the potentials of raw materials, especially forest, agriculture and minerals; the State can have most important industrial belts like-

(i) industrial belt running from Rourkela-Bonai-Talcher-Cuttack-Paradeep; and

(ii) Industrial belt connecting Banspani-Nayagarh-Gandhamardan-Jakhpura-Cuttack-Paradeep.

Besides, industrial areas can be developed in Koraput and Mayurbhanj districts, based on the vast forest and mineral resourecs.

5. To accelerate the industrialisation of the State, the Government has created Industrial Development Corporation as early as in 1962. It has established Cement plant in Bargarh; Kalinga Iron Works at Barbil;Hira Cable works, Hirakud Industrial works; and a Rerolling Mill at Hirakud; Ferro-Chrome plant at Jajpur Road; Salt Factory at Sumandi and a Tile Factory at Choudwar. Besides, it has got diversification programmes and also involves in the joint-sector projects like Jute Mill at Dhanmandal and a Dichromate plant near Talcher.

The State has also set up "Orissa Small Industries Corporation" "Orissa Agro Industries Corporation", etc. for promotion of industries in the small sector. However, in view of the slow pace of industrialisation, it was felt to create a special agency, which would stimulate and catalyse the pace of industrial development in the State by assuming an important role in promoting and sponsoring industries. In the Year 1973 the State Government has created IPICOL, with the main objective to promote industries in medium and large sectors. The main objectives include promotion of industries. especially in joint-sector and private sector and also development of infrastructural facilities. It renders technical assistance to entrepreneurs in the matter of project identification, planning and formulation and also in arranging land, water and power at concessional rates. It operates various incentive schemes of the State Government; provides financial assistance in the form of subscription to equity capital, grant of term-loans and under-writing of shares; offers consultancy services; undertakes merchant. banking, on behalf of the entrepreneurs, market surveys, etc. It undertakes feasibility studies, entrusts preparation of detailed project reports to reputed consultants, in which case bears 75% of the preparation cost of the detailed project report; helps entrepreneurs to secure letters of intent/industrial licence; extends IDBI's refinance and seed capital facilities to entrepreneurs. IPICOL arranges land at 1/3 of the market rate for the industries, arranges industrial sheds in industrial estates at Rourkela, Cuttack and

Jharsuguda on lease basis, secures exemption of sales tax/purchase tax on raw materials purchased during the first five years; exemption of octroi duty for first 5 years on machinery for setting up of new industries/expansion/renovation of existing units.

6. IPICOL develops infrastructure facilities for industries in potential growth centres. 14 such centres have been selected for development. They are : Bhubaneswar, Dhenkanal, Rairangpur, Jagatpur, Choudwar area, Talcher, Paradeep, Cuttack, Jajpur Road, Chatrapur-Gopalpur-Berhampur area, Sunabeda, Barbil-Joda area, Rourkela, Kansbahal-Rajgangpur area and Sambalpur-Hirakud area, Infrastructure development in the first 6 centres has been taken up at an estimated cost of Rs. 185·50 lakhs.

7. During the last four years, IPICOL has obtained letters of intent to set up industries in the field of engineering, chemical, metallurgical, mechanical, electrical, etc. under joint-sector and private sector. In the joint-sector, IPICOL has got projects ranging from Refractory, Electrolytic Manganese Dioxide, Synthetic Detergent, Tool Room, Watch Assembly Unit, Sponge Iron project, Oil Expeller and Refining, HT Fasteners, Myrobalan Extraction Unit; Calcium Carbide & Acetylene Black; China-clay Washery Unit; Caustic Soda & Chlorine, etc. with a total investment of nearly Rs. 100 crores. In the private sector, so far the following 11 projects have gone into commercial production with the assistance of IPICOL, providing employment opportunities to nearly 1700 persons.

1. Jute Twine Project at Rupsa;
2. Ferro-Alloys project at Rairangpur;
3. Alloy Casting unit at Talcher;
4. Machinery Manufacturing Unit of M/s. Hariyantra Udyog at Rajgangpur.
5. Soft Drinks Project at Rourkela;
6. Sacharine project at Bhubaneswar;
7. Prachi Resorts at Bhubaneswar;
8. Coke Oven manufacturing unit at Rourkela (Expansion project)
9. Expansion project of Orissa Industries Ltd. at Lathikata;
10. Paper project of Prasanti Papers (P) Ltd. at Dhenkanal; and
11. Spinning Mill at Rajgangpur.

The projects which are under construction, with IPICOL's assistance are ;

1. Asbestos Unit (Rs. 133 lakhs) at Dhenkanal;
2. Zinc Refinery (Rs. 74 lakhs) at Rairangpur;
3. Paper project of M/s, Mamata Papers (Rs. 70 lakhs) at Jagatpur;
4. Carbon Paste project (Rs. 26 lakhs) at Bhubaneswar.
5. H.Acid project (Rs. 50 lakhs) at Baripada;
6. Orissa Vegetable Oil Complex (Rs. 70 lakhs) at Kesinga;
7. Freezing & Processing plant (Rs. 59·16 lakhs) at Paradeep &
8. Freezing & Fish Processing Project of M/s. Paradeep Marine Ltd. (Rs. 31·90 lakhs).

IPICOL has got letters of intent for the following projects and these can be implemented as and when the joint-sector collaborators are identified :

1. Maleic Anhydride (Rs. 3·3 crores):
2. Acetic Acid (Rs. 2·0 crores);
3. Conveyor belt & Transmission belt (Rs. 4·0crores);
4. Sulphuric Acid (Rs. 1·5 crores); &
5. Fibreglass (Rs. 10 crores)

In the public sector IPICOL is also assisting promotion of projects like Ferro-Vanadium at Rairangpur with a total capital outlay of Rs. 25 crores; Indian Rare Earths Complex at Chatrpur with a total investment of more than Rs. 85 crores. Besides, IPICOL is now engaged to assist BALCO for the establishment of an Alumina Complex in Koraput District with a total investment of Rs. 400 crores initially, with a provision to produce aluminium subsequently. In the public sector at Talcher, a Fertilizer Plant, Heavy Water Complex and a Formed Coke Plant are nearing completion this year for commercial production.

8. Compared to the rich mineral resources, availability of abundant power, water, industrial infrastructure and incentives offered by the State Government, the pace of industrialisation of the State is still lagging behind. One of our major drawbacks has been the lack of enterprise. It is not that there is dearth of suitable entreprenerial talent in the State. This talent is, however, without adequate financial

resources and resources for developing viable projects. Financial institutions, especially development banks have to take some tangible steps in this respect, in the context of their meagre investment in the underdeveloped States of the Eastern region, particularly in Orissa. Bert Hoeslitz, a famous Sociologist has said, "Enterpreneurship development can only dovelop in a society in which cultural norms permit variability in choice of path of life and in which relevant process of socialisation of the individuals are not so completely standardised and demanding conformity to prescribed pattern that the bases for the appropriate personality development leading to productive orientation is absent." Therefore, the human skill also plays a prominent role in the industrialisation of the State. In Orissa, skilled, semi-skilled labourers are plentiful to undertake any type of job in this direction. Emphasis should be given to develop new methods which can be deployed to make the use of natural resources.

With the continuous offort of IPICOL, the industrial scene of Orissa is very fast changing. Coming years will witness commissioning of many more industries creating avenues for utilisation of resources and opportunities for employment.

ACHIEVEMENTS IN SMALL SCALE SECTOR

B.K. MOHAPATRA

The small sector industries have made an impressive progress since 1956 when the Industrial policy Resolution was adopted and the Second Five Year Plan was launched. The growth has been not only in numbers, employment and production, but more important, in sophistication and quality. The number of units has increased from 1·05 lakhs in 1965 to 5·27 lakhs in 1976. Total fixed capital invested in the sector during the year 1975-76 was nearly 13,085 crores with an employment of 24 lakhs and a gross output of Rs.7,758 crores (these figures, of course, do not include ancillary units with investment in machinery and equipment from Rs.10 lakhs to 15 lakhs).

Over 8,400 products are being manufactured by the small scale industrial units (SIDO industries) under the purview of the Development Commissioner (SSI). The small scale industries account for about 40% of the total combined industrial production Small scale factory establishments account for 10% of the total fixed capital of all factories, provide employment to 38% of the total, have a share of 26% of the total output and contribute to 21% of the value added by manufacture (ASI-1975-76). The employment generated in small scale factory is five times that of large establishments for an investment of one lakh in fixed assets. The small scale indussries (SIDO industries) accounted for 16.2% of the total value of exports from the country in 1975-76, non-traditional items reported 84.7% of the exports.

The major features of the small industries development in the country and also at the State level are as follows :

(1) Rise of a new class of entrepreneurs.
(2) Concentration of the industries in metropolitan towns and urban centres.
(3) Growth of ancillary industries.
(4) Rise in the share of exports.
(5) Low progress of Backward area Development.

The major problems of the s.s. sector are lack of adequate finance, lack of marketing, lack of infrastructure, lack of proper entrepreneurship, lack of techno-economic consultancy services, etc. The different schemes adopted by the Govt. of India specifically for the s.s. sector were establishmatof industrial estates, rural industries projects, backward areas development programme, Rural Artisans Programme and the new programme of District Industries Centres. A lot of protective and promotional policies have been taken by the govt. of India to achieve rapid growth of small scale industries. (New Industrial policy).

In Orissa, the rate of growth of small scale industries development is very low. In Orissa, the major factors responsible for stunted growth of small scale industries have been lack of infrastructure, entrepreneurship, lack of market and other usual problems of the small scale industries.

Some data relating to the small scale industries in the country and at the State level are indicated below :

PLAN EXPENDITURE ON SMALL INDUSTRY DEVELOPMENT

Plan	Small scale industries	*Expenditures on Industrial estates	Rural industries projects	Total
1. First Plan (1951-56)	5·20	N.A.	—	5·20
2. Second Plan (1956-61)	44·40	11·60	—	56·00
3. Third Plan (1961-66)	86·12	22·15	4·79	113·06
4. Annual Plans (1966-69)	39·35	7·58	6·55	53·48
5. Fourth Plan (1969-74)	70·33	15·73	10·13	96·19
6. Fifth Plan (1974-79 outlay)	178·60	21·06	21·13	220·79
(i) Small scale industries :				
(a) Centre	70·80	—	—	70·80
(b) States	107·80	—	—	107·80
(ii) Industrial Estates :				
(a) Centre	—	—	—	—
(b) States	—	21·06	—	21·06
(iii) Rural Industries Projects				
(a) Centre	—	—	21·13	21·13
(b) States	—	—	—	—

Progress of the Small Scale sector

The term "Small Scale Sector" in a limited sense is used to denote small scale industries within the purview of the Development Commissioner (Small Scale Industries) SIDO Industries. The State Directorate of Industries use the term in a broader sense i.e. including small scale industries outside the purview of the DC(SSI). The progress of the sector, in a way, reflected in the registration made by the State Directorates of Industries as most of the small scale units need development assistance even in the formative stages and such register themselves. The progress in registration from year to year is as follows :

As at the end of	No.of units (in lakhs)
1965	1·05
1970	2·38
1971	2·83
1972	3·17
1973	4·09
1974	4·83*
1975	5·02**
1976	5·27

Note : (i) The cumulative registration figures are likely to include closed units, units at the proposal stages, units with more than one registration number depending on the number of products manufactured etc.

(ii The additions in 1976 relate to permanent registrations only as per the revised procedure.

iii) *Revised
**Provisional

Another source of information about the progress of the small scale sector is the Annual Survey of Industries (ASI). The Annual Survey of Industries is, however, confined only to factories registered

under the Factories Act, 1948. The figures available through the ASI are as follows :

Year	No.of small scale inds.	Fixed capital (Rs in crores)	No.of employ -ees (in lakh nos)	Gross output (Rs.in crores)	Value added (Rs.in crores)
1966	45,443	449.63	17.04	2593.39	455.85
1975-76	65,539	1384.19	24.05	7747.48	1328.13

Note: Does not include ancillary units with investment in machinery and equipment from Rs. 10 lakhs to 15 lakhs.

The progress of the small scale sector only SIDO industries is reflected in the estimates of production worked out by the DC(SSI) with the Census data (1972) as the base. The estimates which relate to only units registered with the State Directorates of Iudustries are as follows:-

Year	Production (Rs. in crores)
1972	2900
1973	3420
1974	4932
1975	5742
1976	6700
1977	7570 (Anticipated)

If the contribution of small scale units not registered with the State Directorates of Industries is included, the estimated production in 1976 was Rs. 12,400 crores.

Progress of Small Industry Development Schemes

(i) Industrial Estates :

At the end of	No. of Estates completed	No. of sheds occupied	Employment Provided (lakh nos.)	Value of output (Rs. in crores)
March 1970	385	7585	1·04	138·6
,, 1971	427	8267	1·05	154·1
,, 1972	465	8816	1·06	197·4
,, 1973	496	10127	1·31	252·8
,, 1974	520	11010	1·76	352·2
,, 1975	573	11375	1·85	500·2

(ii) Rural Industries Projects :

(a) No. of RIP areas 112 (whole dists.)
(b) Progress in RIP areas (for 97 dists.)

Period/type of units	No. of working units	Total investment (Rs. crores)	Employ-ment (lakh nos.)	Production (Rs. crores)
As on 31.3.75 :				
i) Artisan oriented units	1,24,18	27·138	2·41	45.34
ii) SSI units	29,494	207·05	2.10	260·65
iii) Other indl. units	3,200	12·79	0·16	14·29
Total	1,56,832	247·22	4·67	320.28
As on 31.3.76 :				
i) Artisan oriented units	1,34,746	32·27	2·69	57·09
ii) SSI units	35,270	253·82	2·51	309·17
iii) Other indl. units	4·28	16·95	0·20	19·00
Total	1,74,444	303·04	5·40	385·29

(iii) Backward areas Developmet :

(a) No. of districts/Areas identified for :

(i) Concessaional finance	247
(ii) 15% central subsidy on fixed investment	101

(b) Subsidy :

Year	Amount given (Rs. in lakhs)
1972-73	11·77
1973-74	58·91
1974-75	400·25
1975-76	599·72
1976-77	1117·00

(c) Loans by State Finance Corporation :

Year	No. of units	Amt. sanctioned (Rs. in crores)
1973-74	2,229	40.89
1974-75	2,559	65.28
1975-76	3.884	74.47

(b) Value of machines supplied by NSIC on Hire Purchase basis :

Year	No. of units	Value of machines supplied to Backward Areas (Rs. in lakhs)	% to total machines supplied
1970-71	83	34·49	—
1971-72	112	34·28	3·2
1972-73	69	45·08	4·9
1973-74	68	70·10	11·8
1974-75	83	58·69	5·9
1975-76	69	117·47	13·0

(iv) Rural Artisans Programme;

Year	No. of artisans provided training	No. of uni ts set up by trained artisans
1974-75	3,003	1,153
1975-76	5,360	2,114

Assistance to Small Scale Industries

(i) Long-term loans by State Finance Corporations to small scale industries :

Year	No. of units	Amount sanctioned (Rs. in crores)
1973-74	5,101	65·78
1974-75	5,721	80·42
1975-76	7,234	91·79

Source : IDBI Annual Report 1975-76

(ii) Short term loans by Commercial banks :

At the end of	No. of units	Credit limits sanct-ioned	Balance outstand-ing (Rs. in crores)
June 1972	1,25,069	959·16	598·38
,, 1973	1,68,041	1169·90	723·50
,, 1974	2,10,258	1425·79	979·69
,, 1975	2,39,997	1586·38	1050·55
,, 1976	3,01,061	1813·96	1221·82

Source : Reserve Bank of India Bulletin—Feb. 1977.

iii) Value of import licences and release orders issued to small scale industrial units for raw materials, components and spares:

Year	Value of import licences (Rs. in crores)	Value of release orders for canalised items (Rs. in crores)	Total (Rs. in crores)
1973-74	82.88	107.82	190.70
1974-75	58.80	70.11	128.91
1975-76	87.50	48.97	136.47

iv) Reservation of items (SIDO) for exclusive production in the small scale sector.

Year	No. of items reserved
1967-68	46
1969-70	58
1970-71	73
1973-74	53
1976-77	3
Dec-77	324
Total:	504

v) Reservation of items for exclusive Govt. purchase from small scale and cottage industries through the Director-General of Supplies and Disposals.

Year	No. of items
1972-73	192
1976-77	241

vi) Value of Govt. purchases through DGS&D from small scale and cottage industries.

Year	Value of purchases (Rs. in crores)
1971-72	86.29
1975-76	94.16

Exports of small Scale Industry products

Year	Total value of all exp. (Rs. in crores)	Value of exp.of s.s, industry products (Rs in crores)	Share of exports of s. s. industry products in total exports %
1972-73	1970·83	305·79	15·5
1973-74	2523·40	393·16	16·6
1974-75	3328·83	540·71	16·2
1975-76	3941·52	637·45	16·2

(ii) Exports of Traditional and Non-traditional items by Small scale industries.

Year	Value of exports of traditional items (Rs.in crores)	Value of exports of non-traditio -nal items (Rs. in crores)	Total value of Exports (Rs. in crores)
1972-73	149.33 (48.8%)	156.46 (51.2%)	305.79 (100)
1973-74	69.27 (17.6%)	323.89 (82.4%)	393.16 (100)
1974-75	112.59 (20.8%)	528.12 (79.2%)	540.71 (100)
1975-76	97.40 (15.3%)	540.05 (84.7%)	637.45 (100)

Note : Traditional items include cashew kernels and cashew shell oils, processed talc, essential oils, non-gold jewellery and lac.

Position of Small Scale Industries by the End of 1973-74 and 1977-78

Sl. No.	District	No. of Units		Capital in 000 Rs.		Employment generated	
		By the end of 72-73	In the end of 77-78	From the end of 73-74	By the end of 77-78	By the end of 73-74	By the end of 77-78
1.	Balasore	336	603	34853	52007	3682	5176
2.	Bolangir	123	323	15223	22210	2023	3145
3.	B. Phulbani	28	192	1372	2740	192	603
4.	Cuttack	480	959	50157	98740	5418	8438
5.	Dhenkanal	114	272	4965	17794	807	2155
6.	Ganjam	273	545	14643	27669	1881	4056
7.	Kalahandi	95	307	22102	25569	1363	1645
8.	Keonjhar	185	312	4871	10694	851	1576
9.	Koraput	259	484	16443	25560	2057	3686
10.	M. Bhanja	123	276	10758	19583	2328	3335
11.	Puri	106	368	20700	49453	1839	4025
12.	Rourkela	242	391	43577	80353	4865	6552
13.	Sambalpur	278	573	52425	74474	3911	6822
14.	Sundargarh	133	186	4555	9843	803	1191
	total	2776	5691	296644	517189	32030	53415

N.B. Information for Sundargarh District for 1977-78 has not been included.

Source : Directorate of Industries, Orissa, Cuttack.

SMALL SCALE INDUSTRIES IN ORISSA : THEIR ROLE AND PROSPECTS

DR. KHETRA MOHAN PATNAIK

The current definition of small-scale industry covers all units with plant and machinery of the book value of Rs. 10 lakhs as against Rs. 7·5 lakhs hitherto. So too the coverage of small scale ancillaries has been widened to include units having investment upto Rs. 15 lakhs.

Small industries in India around 1972 employed three times as many persons with the same stock of fixed capital as large industries.[1] Employment potential of the small sector has been further supported by the data revealed in the CSO Annual Survey of Industries, 1975. This survey shows that the small factories in the small sector accounting for 6·5 per cent of the total fixed capital employed one-third of the total persons employed. The tiny sector, constituting industries with investment in machinery and equipment upto Rs. 1 lakh and situated in towns with a population of less than 50,000, having 2 per cent of the total fixed capital employed 14 per cent of the total persons employed in industry. Thus the small industrial sector accounting for 8·5 per cent of the fixed capital was employing nearly 47 per cent of the total workers and produced one-thrid of the total output. Against this, large factories accounting for a share of 43 per cent in total fixed capital employed only 7 per cent of the total workers. Large factories investing a huge amount of capital shared only 17 per cent in the total value added as against 33 per cent contributed by the small and tiny sectors.

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1. *M. Y. Khan, "Capital Intensity and Employment generation", The Economic Times ,April 8, 1978.*

A survey conducted in 1965 by the Bureau of Statistics and Economics, Orissa, concluded that there were about 3,72,000 units employing about 7,00,000 persons in village and small industries in the non-factory sector, employing less than 20 persons without power and less than 10 persons with power.[2] This survey, however excluded the industries registered under the Factories Act and included a large number of units which do not strictly fall within the definition of small-scale industries.[3]

Some facts about the small-scale industries in the factory sector can be obtained from the "Annual Survey of Industries in Orissa (1965-69)" published by the Bureau of Statistics and Economics. It is mentioned here that about 88 per cent of the units in the organised factory sector in 1969 had each a fixed capital of less than 5 lakhs, 91.8 per cent had a fixed capital each of less than Rs. 10 lakhs and 69 per cent of the total had fixed capital of Rs. 1 lakh each. This shows that the factory sector in Orissa is dominated by small-sized units.[4] But, paradoxically enough, these industries share only 11 per cent of the total productive capical and the heavy capital intensive industries command nearly 89 per cent of it.[5] Inspite of this the capital-intensive industries in the State have very low ratios of value added per unit of productive capital invested, as seen from Table.1. This ratio is 0.08 in the case of the iron and steel industry; 0·09 in case of industrial chemical fertilizer, 0·07 in electric light and power industries, paper and paper products showing a fairly high value added to capital invested (0.34). Compared to the heavy industries, the medium and small industries show a fairly higher out put-capital. ratio (Table-1). The tiny sector consisting of industries like grain mill products, furniture-making, saw mills, repair of motor vehicles and tabacco, have a relatively high output-capital ratio Contrary to general expectations producivity of capital in industries in Orissa is inversely related to the size of the firm, as shown in Table-1. This is an important revelation. Again Table-2 shows that productivity

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2 *Draft Fifth Five Year Plan, Orissa.*

3 *Draft Fifth Five Year Plan, Orissa.*

4 *"Annual Survey of Industries in Orissa (1965-69)" B. S. & E, P.18.*

5. *Ibid P.18*

Table—1

Capital-output ratio in industries in Orissa

Industries	Productive Capital invested per empleyee (Rs.)	Value added per unit of productive Capital invested.
A. Capital intensive Industries.		
1. Iron and Steel	78,635	0·08
2. Industrial Chemical fertiliser	94,117	0·09
3. Electric machinary	95,285	0·14
4. Electric light and Power	45,212	0·07
5. Paper & Paper products	21,255	0·34
6. Sugar factories	23,222	0·15
B. Medium and Small Industries.		
1. Metal products except machines	17,907	0·14
2. Non-metalic minerals	13,384	0·27
3. Miscellaneous Chemical Products	10,507	0·42
4. Tanneries	10,351	0·12
5. Pottery, Chena and earthen ware	9,676	0·13
6. Cotton textiles	9,451	0·34
C. Tiny Sector		
1. Grain mill product	7,550	0·28
2. Furniture and fixture	6,252	0·22
3. Saw milling	5,577	0·40
4. Repair of motor vehicle	5,499	0·47
5. Tobacco	3,796	0·53

Source : "Annual Survey of Industries in Orissa (1965-1969)", Bureau of Statistics and Economics.

Table-2

Some Structural Ratios for major industries.

	INDIA (1973-74)		ORISSA (1969)	
	Fixed capital per worker	Value added per unit of fixed capital	Fixed capital per worker	value added per unit of fixed capital
1. Iron and Steel	47,696	0.28	65,972	0.46
2. Electrical Machinery	17,098	1.01	55,221	1.34
3. Cotton textiles	5,453	1.45	5,746	2.41
4. Leather and Leather products	3,625	1.92	2,521	4.05
5. Paper and paper products	14,413	0.69	15,641	1.39
6, Non-metallic Mineral products	12,387	0.48	3,889	2.91
7. Wood and wood products	6,997	1.20	1,887	2.35
8. Tobacco	2,961	1.63	685	22.81

Sources; (a) Ruddar Dutta," Industrialisation and employment". The Economic Times, August. 23, (for figures relating to India in 1973-74)

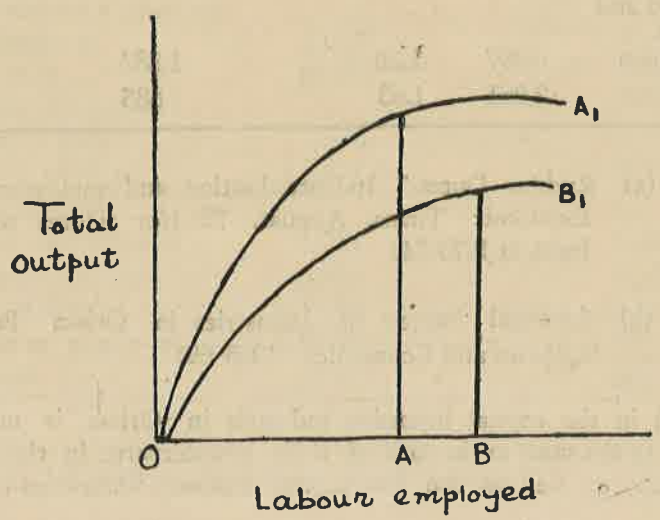
(b) "Annual Survey of Industries in Orissa' Bureau of Statistics and Economics, (1965-69)

of capital in the capital intensive industris in Orissa is much less compared to the same in the case of their counterparts in the country as a whole, as well as the less capital intensive industries inside the

State. These trends revealed by Table 2 and 1 along with the fact that 89 per cent of the productive capital in Orissa, has been invested in capital intensive industries give ample support to the view that capital whose scarcity is poverbial in a poor economy, is most unproductively utilised in our State.

While the capital-output ratio gives a measure of the capital intensity of an industry, the capital-labour ratio serves as an indicator of the labour intensity. In other words, the amount of capital required for employing a unit of labour in different industries reveals the extent of mechanisation in these lines and their relative employment potentials. Table 2 gives also a camparative picture of the capital investment made per unit of labour in a few industries in Orissa and India. The advocates of industrialisation with capital-intensive technology argue that the capital-intensive process can ensure a higher rate of growth and consequently a larger out put per unit of capital. In other words, the argument is put forward that higher labour-intensity may adversely affect production, since output is a secondary consideration to the amount of labour employed. This can be explained with the help of Fig. 1. Imagine two industries A, and B, with production functions 'A_1' nd 'B_1' as shown in Fig. 1. Both industries use the same amount of capital. Industry 'A' yields the highest out put

Fig. 1



for any amount of labour employed but can employ only OA labour upto the point where its marginal product becomes zero. Industry 'B' yields a lower output, but uses more labour OB. Using the labour intensity criterion, industry B should be chosen in preference to industry A. We may assume here that the small-scale and tiny industries have a production function comparable to 'B' in the diagram and, consequently, the preference for such industries would amount to sacrificing greater output, investible surplus and efficient production. The implicit assumpsion behind this argument is that capital intensity per worker raises labour productivity and thereby results in a lower capital-output ratio. Kurihara emphatically mentions that the proposition that a less capital-intensive product can entail a lower capital-output ratio would be valid only if the productivity of labour was assumed independent of capital intensity. But this latter assumption is of doubtful plausibility, for observation and experience indicate that the productivity of labour varies in consequence of more or less capital intensive industrialisation.[6] "The data shown in Tables 1 and 2 do not support this assertion.

As already mentioned an analysis of the data shown in Tables 1 and 2 reveals that it would be a mistake to generalise that value added per unit of fixed capital is higher in the case of all capital-intensive industries as compared to labour-intensive industries. Empirical evidence, as shown in Table 2, in our country as well as Orissa inidicates that value added per unit of fixed capital was appreciably lower in the case of highly capital-intensive industries like iron and steel, electrical machinery, paper and paper products. In contrast, in labour-intensive industries like leather and leather products, tobacco, cotton textiles, wood and wood products, the value added per unit of capital is relatively higher. The obvious conclusion from this is that Kurihara's contention that, "the productivity of labour varies in consequence of more or less capital intensive industrialisation" is not necessarily true.

An important argument against labour-intensive industries has been that they do not genearte a high rate of saving and investment.

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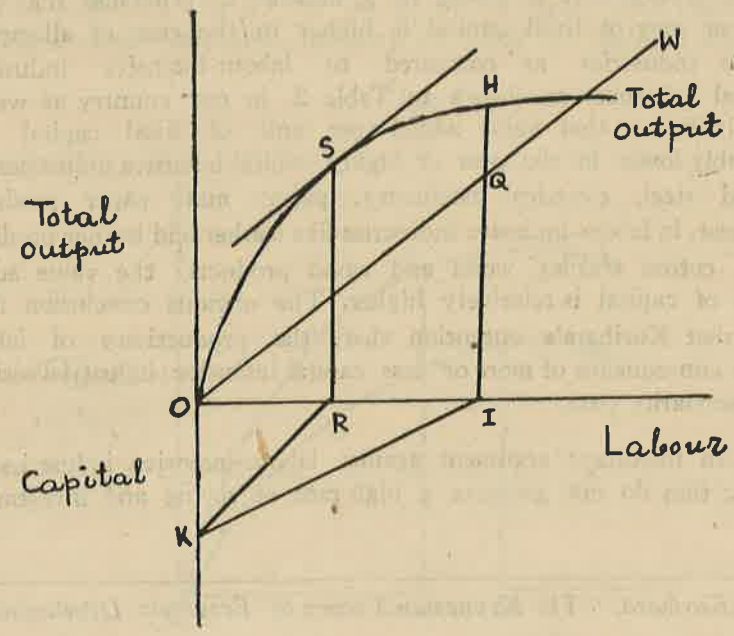
6. *K.K.Kurihara, "The Keynesian Theory of Economic Development" P.94*

It has always been felt that the more capital intensive the technology the lower the level of employment and consumption and there fore the larger would be the surplus availabe for investment. The explanation of this can be made with the help of Fig. 2

In Fig. 2. output is measured on the vertical axis above the origin, and labour on the horizontal axis. There is a fixed amount of capital indicated by OK on the vertical axis below the origin. OW represents the wage rate. Consumption will rise linearly also if atl wages are consumed. With the fixed amount of capital, OK, output is maximised with the employment of labour, OI, but the surplus of production over consumption (=HQ) is very small with this labour-intensive technology. The investible surplus is maximised with the employment of labour, OR, where a tangent to the total product curve is parallel at S to the wage-line OW. It follows from this diagram that labour-intensivc techniques maximise output and

Fig-2



employment, whereas capital-intensive techniques provide a greater surplus for reinvestment. But the argument that labour-intensive industries do not generate a higher rate of saving and investment has been considered by some writers as not tenable.[7] These writers point out that "the rate of profit in small industries is not much lower than in other competitive industries". This is evidenced by their very survival against capital-intensive large-scale production. Dr T. Y. Wu, on the basis of statistics of India, Japan, Pakistan, and Philippines, found that, "both the output-capital ratio (O/K) and wage-capital ratio (W/K) show an inverse relationship with capital-intensity, indicating that the total income and wage-income per unit of capital investment do increase with a decrease in capital intensity." There appears to be no conclusive evidence to support the hypothesis of increasing profit with increasing capital intensity. Dr.Wu, therefore, writes : "In countries with large unemployment and under-employment, capital-light production by providing more employment and larger output and by reducing the needs of supporting the unemployed, may increase saving throgh external economy."[8]

A comparison of the rates of profit in the large-scale and small industries in Orissa also supports the proposition that the rate of profit in small industries is not much lower vis a-vis the large ones. The data shown in Table 3 may be seen in this connection, which shows cost as a percentage of the gross value of total output in large and small industries in 1969, thereby giving us an idea ot the rates of profit in these industries. Table 3 shows that the ratio of total cost to gross value of output in the large industries in Orissa varies from 71 per cent to 97 per cent; the same ratio ranges from 66·4 per cent to 96·2 per cent in small and medium industries, with some exceptions.

All this shows that small scale industries are decidedly superior from the point of view of employment generation and faster rate of growth of output. Empirical evidence also shows that these units are not inferior to large-scale units from the

7. *Ruddar Dutta, "Industrialisation and employment. The Economic Times, Aug. 23, 1977.*

8. *ibid.*

Table-3

Cost as a percentage of value of gross output in large and small industries in Orissa (1969)

LARGE INDUSTRIES		SMALL INDUSTRIES	
Industries	Cost as a %age of value of gross output.	Industry	Cost as a %age of value of gross output.
1. Sugar Factories	88·81	1. Grain Mill Product	74·17
2. Cotton Textiles	96·75	2. Tobacco products	96·18
3. Paper and paper products	82·92	3. Saw Milling	74·84
4. Industrial chemical fertiliser	93·05	4. Printing press	88·64
5. Iron & Steel	94·71	5. Tanneries	95·98
6. Electrical Machinery	87·46	6. Repair of Motor vehicles	71·79
7. Electrical light and power	71·30	7. Manufacture of Ice	66·41
8. Non-metallic mineral	81·65		
ALL INDUSTRIES	88·72	ALL INDUSTRIES	88·72

Source : Annual survey of Industries in Orissa (1965-69)

Bureau of Statistics and Economics, pages 45 & 46

point of view of rates of profit obtained and generation of surplus for reinvestment. Even in respect of technology, the small scale sector is not behind the big industry. It produces skill-intensive and sophisticated items like electronics, precision instruments, automobile compenents machine tools and the like, besides mass consumption goods like books and stationery, domestic utensils, kerosene stoves, bicycles, electrical gadgets, matches, sports goods, and so on. That the small scale sector has achieved a high standard of efficiency is also evident from the export performance. Already this sector accounts for exportearnings of Rs. 400 crores per annum, representing 12 per cent of total exports of our country[9] Hence the new Industrial Policy (1978) has rightly emphasised "effective promotion of cottage and small industries widely dispersed in rural areas and towns".

9. *Bank of India Bulletin, Vol. 14, Jan. 1976, P. 8.*

New steps to develop these industries :

The New Industrial Policy emphasises that the focal point of development for small scale and cottage industries should be taken away from the big cities and State capitals to the district headquarters. In each district, there will be one agency to deal with all requirements of small and village industries. This will be called the District Industries Centre. Under the single roof of the district industries centre, all the services and support required by small and village entrepreneurs will be provided. These will include economic investigation of the raw materials of the district and other resources, supply of machinery and equipment, provision of raw materials, arrangements of credit facilities, an effective set-up for marketing and a cell for quality control, research and extension. The centre will have a separate wing for looking after the special needs of cottage and household industries as distinct from small industries.

In order to provide effective financial support for promotion of small, village and cottege industries, the Industrial Development Bank of India has taken steps to set up a separate wing to deal exclusively with the credit requirements of this sector. It will co-ordinate, guide and monitor the entire range of credit facilities offered by other institutions for the small and cottage sector, for whom separate wings will be set up in the nationalised banks. Banks will also be expected to earmark a specified proportion of their total advances for promotion of small, village and cottage industries.

The growth of the small scale and cottage industries has been slow mainly for want of satisfactory marketing arrangements for their products. The marketing of goods of these sectors accompanied by measures like product standardisation, quality control, marketing surveys will, therefore, need special attention. Purchase preference and reservation for exclusive purchase by the departments of government and public sector undertakings will also be used to support the marketing of these products. Moreover, the reservation of 500 items of production for the small scale sector is a step to avoid competition in marketing.

This elaborate arrangement to develop small and cottage industry does not necessarily mean giving less importance to large-scale industry. It has been categorically stated that large-scale units have a clear role to play in basic industries, capital goods

manufacture and high technology areas. But to meet the basic minimum needs of the population, a wider dispersal of small-scale and village industries and strengthening of the agricultural sector are essential. To facilitate the wider dispersal of small units, it becomes necessary to bring all the agencies required for their development under the control of one organisation operating at the district level. But the crucial question is whether the centres would be able to command the necessary resources and expertise. Can the supply of small entrepreneurs, skilled labourers and the other resources needed be pushed up so easily and also within a short span of time over such a wide area for small units to develop in nearly 500 items of production now reserved for them ? One is tempted to quote here a metaphor coined in a different context : "100 flowers may grow where a single flower would wither away for lack of nourishment", It appears, therefore that while it may be easy to prevent the large sector from entering the fields reserved for the small, it is by no means certain that despite all efforts, small units will come up on the scale required.

The objective of industrialising rural areas by developing village industries is laudable. But it must be realised that only a viable and dynamic agricultural economy would ensure the viability of the rural industries through the enlargement of the internal market. The cardinal fact is that since agriculture is by far the most dominant sector of the economy, it is obvious that the national economy cannot surge forward unless there is rapid agricultural progress in such a manner as to reduce glaring inequalities in the ownership of land and raising the purchasing power in the hands of the marginal and small farmers who constitute at present 70 per cent of the cultivators and have only 20 per cent of the cultivated land. Agriculture and industry, power generation and transportation should not be looked upon as competing but as complementary ones and their growth rates ought to be balanced. The new industrial policy seems to aim at achieving the limited objective of dispersal of industrial growth and encouragement of small entrepreneurs in hitherto neglected regions.[10] The major shortcoming of this policy relates to the fact that it fails to outline positive steps to promote the co-ordinated growth of industry

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10. *Shrinivas Thakur, "New Thrust & Implications" The Economic Times, March 4, 1978.*

and agriculture in the manner indicated. A depressed agricultural economy, where nearly 70 millions are underemployed, results in reducing the purchasing power of the teeming millions and thereby creating a situation for the small industries to become easily sick. Therefore, there is the apprehension that, inspite of all these proposed measures to boost up small scale industry in our country and Orissa, their future would remain bleak unless the basic foundation of the economy is appropriately strengthened.

Another important obstacle standing in the way of the expansion of small scale industries is the inappropriateness of market prices which explains partly the excessive capital intensity of the development programmes. W.A. Lewis points out, "if prices do not accurately reflect factor scarcities, desirable labour-intensive methods will not be able to compete with less desirable capital intensive methods unless there is administrative protection".[11] If shadow prices could be used as a basis for determining the use of capital, new investment in underdeveloped countries could hardly result in reducing unemployment. It can be shown that if the prices of factors correspond to their accounting prices, the possibility of achieving full employment of all resources, both capital and labour in our economy can be ensured. Hence Lewis rightly points out; "current prices tend to understate the scarcity of capital and foreign exchange, and the relative abundance of labour. The correct degree of capital-intensity cannot be attained without administrative action based on shadow prices".[12]

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11. *W. A. Lewis, "Development Planning". P. 61*
12. *Ibid P. 68*

ECONOMIC STRATEGY FOR AGRICULTURAL DEVELOPMENT

DR. BAIDYANATH MISRA

John W. Mellor in discussing the problem of agricultural production in early stages of economic development has pointed out that there are three agricultural development phases.

In the first phase, a developing economy has to provide the necessary pre-conditions for agricultural development. In this phase, investment opportunities are limited since the marginal rate of return to investment in traditional inputs is extremely low. It is not possible to introduce modern technology at this stage, because the peasants are not willing nor capable to introduce modern technology in a scientific manner to increase the productivity of land or improve their economic status. What is required at this stage is to concentrate on traditionol inputs but to make effort for their productive utilisation. For example, efforts in the direction of increasing labour input increasing the input of capital in the farm of land reclamation projects or increasing the input of capital in the form of inorganic fertilizers may help to increase production, but because of low marginal productivity of these resources, the total impact will be small.

However, in the 1st phase, pre-conditions should be created for a large-scale introduction of modern technology in agriculture. Two things are important in this respect. One is the change of attitude. Peasants must be convinced of the necessity of modern technology and its disadvantages. Traditional habits are difficult to change Continuous education and demonstration may help in changing the attitude of the peasants. Second is the change in the land tenure system so as to enable the peasants to derive gain from improved farming. These are not sufficient conditions, but they are necessary

conditions for a breakthrough in agriculture. It seems we have not yet created necessary conditions in Orisssa as a result of which traditional agriculture persists in many parts of Orissa.

The second stage involves a substantial change in the production process by the introduction of new technology. The low marginal productivity of land, labour and capital which characterised phase one is due to a lack of certain complementary inputs of technical and institutional nature. In phase II these complementary inputs are identified, decisions are made concerning the proportion in which they would be combined, priorities are set to increase them and the programmes are pushed forward. In the third phase, there is already a breakthrough in agriculture with scarcity of farm labour and abundant capital. Further, in this stage, demand for food rises slowly and agriculture no longer occupies a dominant place in the total economy.

Though there cannot be any clear demarcation among these phases and there is no historical process of change from one to other, this phasing has a convenient to tool to analyse the problems of Orissa agriculture. It may be said without any contradiction that most parts of Orissa are in the 1st phase though some parts in the second stage. We have therefore to initiate action for creating pre-conditions and at the same time identifying Key inputs by which agriculture can be modernised.

Technologists emphasise the importance of modern inputs like H.Y.V. of seeds, chemical fertilizer, insecticides, water management etc, whereas socialists give priority on property relations and economic organisation to modernise agriculture. Hopper speaking on 'Main Springs of Agricultural Growth in India' points out that there are three main springs of agricultural growth; active research, a well trained and vital extension service, and a supply line that effectively makes available to the cultivator the range of modern inputs which match the extended findings of the research studies. On the other hand, Prof. Danta Wala feels that if the structural basis is unsound, attempts to secure agricultural improvement cannot succeed. A reform of the land system, has, therefore to be an integral part of the problem of agricultural improvement and rural reconstruction.

Social and Economic Constraints. :

It seems to us that the importance of the structural change has not so far been recognised as a result of which the technological change has not made much progress in Orissa. This can be evident from the major physical, economic and social constraints that inhibit agricultural growth in Orissa.

(1) To a considerable extent agrlculture in Orissa means the growing of paddy, which occupies 70 per cent of all cropped hectares. Over 95 per cent of this is grown in the kharif season. This lack of diversification of cropping pattern and concentration of paddy production in kharif are mainly due to three reasons. First, the cost of cultivation of local paddy is much less than many other remunerative crops. Since the farmers are poor, they cannot take to other capital intensive crops. Second, there is a traditional market for rice in the State. Markets for other crops are yet to be developed. Third, kharif rice is easy due to abundant rainfall. Irrigation is yet to be developed so as to encourage the farmers to take to other crops or even rice in Rabi season. In fact, heavy rain fall has been a source of impediment for agricultural development in Orissa. Because of this, farmers do not bother to bring about innovation in agriculture. For example, though Rabi production accounts very little in Orissa, 60 per cent of total fertilizer is consumed during Rabi whereas only about 40 per cent is used in kharif. This shows that Kharif is awefully traditional in Orissa.

(2) The technological change in Orissa is extremely slow. Orissa has only about 16 per cent of net sown area under irrigation, a small percentage relative to the all-India average and the potential within the State. Area planted to H. Y. V. seeds is less than 10 per cent of total rice area. The fertilizer consumption is about 8 to 9 kgs per cropped hectare, which is considerably below the rates achieved elsewhere.

This slow rate of change in technology is due to both physical and economic difficulties. The physical difficulties arise from heavy dependence on rice production during Kharif. Use of H.Y.V. or chemical fertilizer is not popular during Kharif due to heavy rainfall which leads to leaching of fertilizer. In addition, uncertainty of rainfall both in regard to time and amount, may be contributing to the slow adoption of new technology. The economic factors

are no way helpful for large scale adoption of new technology. Orissa's basic dilemma is that its economy and the income and nutrition of its people are heavily dependent on rice production and rice production has been constant over the last 10 years. Total population has grown 24 per cent from 1965 to 1975; using three year averages centered on 1966 and 1974, total food grain production has increased only 11 per cent using the same three year averages, per capita gross production declined 7 per cent. This decline means farm families have less to either consume at home or sell in the market inducing a decline in real income. Lack of income has stood in the way of technological advance in agriculture.

In fact, the pressure of population and poverty in the rural areas of Orissa is by itself a severe constraint to development. Among Indian States, Orissa not only has the highest percentage of population living in rural areas (about 92 per cent), but is also the poorest State (about 70 per cent of the population below the poverty line). Further, the Scheduled tribes and Castes (which account for 23 per cent and 15 per cent of population respectively) are economically the weakest sections of the community. They hamper agricultural development and modernization.

In addition, the agencies created to distribute seeds, fertilizer or insecticides are not effective to cater to the needs of the cultivators. Not only the prices of these inputs are exorbitant, the distribution mechanism is defective as a result of which the cultivator does not get the required input in time. Most of the cultivators in Orissa are not sufficiently aware of the benefits of technology. Therefore their reluctance to adopt modern technology is considerable. The difficulties in service and supply channel aggravate the situation further making agriculture a primitive occupation in Orissa.

(3) The predominant factors which stand in the way of agricultural innovation in Orissa are small size, small farmers, sub-division and fragmentation and prevalence of tenancy. The small and marginal farmers with holdings of less than 2 hectares represent roughly 2·6 million households. Although

these farmers operate over 76 per cent of all operational holdings' they control less than 39 per cent of total cultivable land, while farms of 2 hectares or more (representing less than 7 per cent of holdings) account for about One-third of the land. Adding to the skewed distribution of income in the rural areas are the landless and agricultural labourers, who constitute about 1·8 million households. What is more important is that unit of operational area is extremely small. One can justify the necessity of small farmers, but not small farms. No cultivator with tiny plots can be able to bring about any technology change in agriculture. And the tenants which may be around 20 per cent of the total number of cultivators are hardly imbued with the idea of increasing productivity of land through technological change.

We think, these are the fundamental difficulties in reorganising agriculture. Land reform measures have created more uncertainty than solving any of the problems of agricultural development. Due to fixation of ceiling and tenant protection Acts, urban investment in agriculture has been choked off. Consolidation of holding has hardly started. But where ever there is any attempt at consolidation of holding, there has been a spurt of litigation, corruption and negligence of land development measures. We do not thereby mean to say that land reform measures including consolidation of holdings are unnecesaary. Fixation of ceiling is necessary both from the point of view of equity and productive efficiency. The per-acre prouductivity of a small farmer is greater than that of a large farmer. Tenancy reform is necessary to protect the interests of the tenants so that they can put in their best for increasing the productivity of land by making substantial investment in agriculture. Consolidation of holdings is essential to make cultivable land operationally viable. It is contended that modern technology is size neutral, yes, from the point of view of technology but not from the point of view of resource. Modern technology is not resource neutral. This is the main reason why most of the small cultivators are not in a position to get adequate credit from the financial institutions for improving agriculture.

Strategy for Agrieultural Development.

Some of the constraints to development are inherent in

our climatic conditions which cannot possibly be remedied by human effort. For example, the limitation imposed by the unreliable rainfall pattern causes a great deal of dislocation in Orissa's agriculture. Flood, drought and cyclone are inherent features of Orissa's agriculture. We have to live with them and adapt the agro-economic system as best as we can to the climatic situation. We also do not propose to discuss the technological problems. We have not yet evolved suitable high yielding varieties for flooded areas or low lands. We propose to mention some of factors which can remove economic and organisational constraints that can help in improving agricultural productivity.

There are two issues here : One is the long-term problem. It is now recognised that the process of agricultural development must necessarily involve a shift of vast number of rural workers out of agriculture to non-agricultural activities. But the manner in which this shift can be organised has been the subject of acute controversy. We refrain from discussing these theoretical models firstly due to lack of space and secondly because we are interested in finding out some immediate solutions for transforming agriculture. All that we can say here is that we have to start a number of agro-based industries in rural areas so that a part of surplus of population can be absorbed in non-farm occupations. Similarly, dairy, goatery, poultry, fishery and such other allied activities should be combined with crop husbandry so that agriculturists are in a position to supplement their income in order to improve their economic conditions.

But what can be done in respect of crop husbandry ? Living aside the problem of improved technology for which scientists are engaged we suggest the following measures for effective transmission of technology to the farming community.

(1) Completion of land legislation in respect of ceiling, tenancy reform and consolidation of holdings should be expedited so as to create necessary pre-conditions for effective adoption of new technology. We have been living with too much of uncertainty for too long a time.

(2) We cannot avoid with Kharif paddy and the yield of Kharif paddy is bound to be less than Rabi paddy. But the yield of Kharif paddy can be increased provided we improve irrigation facility, water management and drainage system. In respect of irrigation we have to depend largely on minor irrigation projects, tube wells and dug wells for economising the use of scarce capital.

(3) The distribution of inputs should be simple and economical. It is admitted that the input supply services in Orissa are not effectively organised. For example about 60 per cent of total chemical fertilizers consumed in Orissa are distributed through the co-operative structure, and the balance through agents of local manufacturers or importers. But it is estimated that only about half of the villages of Orissa are served by a fertilizer retailer. Neither the co-operatives nor the local manufacturers or retailers have the organisational ability, means (transport, storage and working capital) and technical knowledge to supply the required inputs in time. There is urgent necessity to strengthen the supply agencies in the lines mentioned above so that they can cater to the needs of farmers.

(4) Particularly with regard to credit, the organisation is terribly defective. It is estimated that institutional sources supply about 15 per cent of the total credit requirements which compare unfavouralby with about 35 per cent in India as a whole. Nearly 85 per cent of the institutional credit comes from the co-operative movement, the remainder is being provided by Commercial Banks. But because of the weaknesses of the co-operative structure, the small and marginal farmers are deprived of receiving any assistance from the co-operatives. The co-operatives have also become an elite organisation. At any rate, there is need to build up a competent economically viable institutional agency particularly to cater to the needs of small and marginal farmers so that they can improve their productive efficiency, and are not hampered by their poverty to make adequate investment for the improvement of agriculture.

There is no doubt a need to organise special agencies like SFDA, TDA etc to cater to the specific needs of the handicapped

people. But these agencies have not delivered the goods. Vested interests have grown there. Agriculture is not stripped of rural or urban elite. Particularly because of poverty and ignorance, small and marginal farmers or tribal and scheduled caste population cannot take advantage of these special agencies created for their specific benefit. It is therefore suggested to strengthen the institutional structure to provide the required short-term credit for farming and other allied occupations to modernise agriculture.

(5) Finally, we should try to strengthen the extension service so that the gap that exists between modern technology and farmers' knowledge can be effectively bridged. There should be a unified agency to transfer the technology and the agents of transfer should be well trained to handle the Job. Since a lot of thinking has gone into the matter and the government is reorganising extension service to effectively organise the transmission of knowledge, we need not dilate on the matter. All that we can say here is that agricultural education is a continuous process. Both the farmers and the trainers have to be exposed from time to time to this new expanding knowledge so that they can appreciate the necessity of change and thus participate in the process of change.

CO-OPERATIVES IN ORRISSA : PROBLEMS AND PROSPECTS.

SAHADEV SAHOO

When their King dies the British say "King is dead, long live the King". The British have this dilemma because they have not thought of a suitable alternative to the Monarch being the head of the State. In our country, we have a similar dilemma about co-operative movement. It is often said "co-opperation has failed but co-operation must succeed". This has an admission that we have no alteranative to co-operation as a means to dealing with the people's problems. It is, therefcre, imperative that co-operation must work better. If we analyse why it failed, we would know the problems which beset the co-operative movement in Orissa (say, in India). More quickly we tackle the problems the brighter the prospects would be.

Why do we talk so much of co-operation. ? Dr. G. Fauquet in his Book, "The Co-operative Sector" identified four sectors in the economy of any State-the public sector, the capitalist sector, the private sector and the co-opeaative sector. He wrote as far back as 1931. Our thinking has undergone a lot of change since then. We have now identified capitalist sector and private sector as a single sector of privrte enterprise and have added a new sector styled as joint sector in our economy. All the same four sectors remain.

Use of co-operative sector in a country's economy varies from country to country. In Denmark, the country is often referred to as "Co-operative Denmark" and the co-operative movement plays a dominant role in the Danish economic life. This has happened without any State interfernece. On the other hand, there are co-operatives in Communist countries like China and Russia, where active members from the communist party, trained to work in the rural areas, man the co-operative organisations with a view to leading the farmers into complete proletarisation. Between these two extremes of attitudes, we find a variety of shades of Government interference in co-operative movement in different countries. In India it is the active participation of Government in the co-operative movement. All State Governments carry on their part of the job on the basis of guidelines provided by Government of India. The Orissa Co-operative Societies Act in Section 40 enjoins on the State Government a "duty" to encourage and promote the co-operative movement in the State and take such steps in this direction as may be necessary. In successive Five Year Plans there has been an emphasis on bringing into co-operative fold as many families and as many functions as possible. Co-operation has become a means of tapping institutional finance, increasing agricultural yield, providing fair prices to the producers and supplying goods to the consumers at fair prices.

At this point one should define co-operation. I must warn you that even the most liberal definition of co-operative organisation would not satisfy all the criteria of co-operation. Let us attempt a general definition. Co-operative association is the democratic management of an enterprise, organised, operated and administered by a body of people in common need to serve any or all of their common interests, on the basis of self-help and mutual aid. This definition is deficient because it does not highlight that a co-operative association is a corporate body, that its members manage their affairs in a sort of contractual agreement called "Byelaws', that it is based on direct personal voting and that it is based on the principle of 'one delegate one vote' irrespective of shares held. The Orissa Co-operative Societies Act (Sec. 117) prohibits use of the word "Co-operative" unless it is registered as such under this Act. Howsoever one society may fulfil the principles

of co-operation, it shall not be called a co-operative society unless registered by the Registrar of Co-operative Societies. Our definition of co-operative association would be that it is a legally registered body, organising, operating, and administering an enterprise in accordance with principles of self-help and mutual aid, based on democratic equality, open membership personal voting in order to serve any or all of their common interests.

Service of common interests is the prime mover. Thus success of co-operation depends on a common need of some economic advantage. Mere existence of a common need provides a field for co-operative effort but little will be achived without development of a real co-operative spirit, which means the willingness and desire to sink individual opinions and interests to such an extent that a group of men can work together for common interests. Co-operation is not any thing more than a form, a frame work on to which those in need can build to their desire. This frame work of co-operation depends on co-operative spirit in order to succeed. Such a thing as co-operative spirit exists in Europe, in Israel and some other places, but it is conspicuous by its absence in our State.

There are certain ideas we are brought up with, which cloud our thinking about co-operation. We have grown accustomed to the two isms, capitalism and socialism. People accustomed to the capitalist form of organisation experience difficulty in freeing themselves from some of the ideas associated with capitalism. If you get a deal cheaper by any means (perhaps other than theft) you are indulging in an economic activity. Concept of profit which is central to this thinking makes economic activity a moral and non-responsible. Co-operation believes in moral effects of an enterprise and feels responsible to all. In this sense co-operation is nothing less than a social revolution. It is wrong to think co-operation as a modification of capitalism, it is an alternative to capitalism. Similarly, people brought up with various ideas of socialism find it difficult to think co-operation as something more than a means to achieving the objects of socialism. In socialism, individual is not allowed to flower. It is the state control which marks the socialist form of economy. Co-operation belives in individual freedom. Even a State stimulated co-operative society strongly resists any

suggestion of interference from Government in the management of its internal affairs. Government have a way of getting things done, but that does not mean that State aided co-operative organisations do not have individual freedom of the people associating themselves in the said co-operative society. Let us see another aspect. Socialists rely on certain materials to create a resentment against the present economic system. But the co-operative organisations seek to eliminate these materials in order to create satisfaction and relief from economic distress. Co-operation is thus an alternative to socialism.

Problems in co-operation in our State arise because the co-operative movement has so far been a guided movement. Our Five Year Plans provide for an increase in coverage of co-operative membership in agricultural credit societies and of goods and services in marketing and consumer societies. Such a situation tells upon the quality of members. It is not impossible that these new members will regard the society in which they are enrolled as just another manifestation of Government. Even more fundamental question is : how will self-help and mutual aid thrive with so much done for the members by the Government ? The three aims of co-operation—better farming, better business and better living—can they be attained if the co-operative societies are not left to work out their own salvation ?

Owing to State control of finance, and other controls or plans imposed by the State, the co-operatives lose the liberty of full development. No doubt the State Government pumps enough funds to assist the co-operative movement in the State. During the successive plans the State has invested more than Rs. 22·12 crores as share capital in different co-operative organisations. It has provided Rs. 7·20 crores so far as loans and advances to different co-operative societies. In addition, the State Government take part in annual credit business of co-operative banks (general and land development) by way of granting short term bridging finance, rehabilitation assistance, agricultural stabilization funds and annual debenture programmes. Obliged in this way the co-operatives should be willing to assist Government in working out their policies but not at their own cost. Recently, in the deal of rapeseed oil and of Sizola and Ruchi mustard oils, consumer co-operatives in the State suffered heavily and their viability has been sacrificed. Similarly,

banks are being forced to finance landless tribals and marginal farmers where the investment is dead abinitio. A venture which does not generate surplus is not bankable. It only ruins the bank.

A second danger flowing from State interference is that the co-operative movemnt loses its political neutrality and becomes identified with the political party in power. And the policies of the party become the policies of the movement. Liberty of full development within the movement is lost and with it the benefits to the community. An interesting example is Italy where in course of time, political developments gave rise to two separate apex co-operative organisations, subservient to two widely different political dogmas. Certain corollaries follow from such poiltical alignn ent More often than not political parties consider co-operative organisations as a spring board from which their budding politicians should take off to the arena of Assembly or Parliamentary elections and on which their defeated politicians tend to get back a berth. These trainee or rejected politicians must of necessity further their private prospects. Hence the incidents of corruption in co-operatives. An evil we frequently see is that candidates for directorship in a co-operative organisation fight on political lines. With this fighting all the ills of electioneering come and money is freely spent. Money spent must get some return. We see the result in large scale misappropriations, bad investments and under-hand dealings. Once elected, certain directors do not intend to leave their jobs when the term of office expires. Nothing but corruption can explain the fact that certain directors cling to their posts even after expiry of terms by resorting to court actions on some plea or other. We know that a recalcitrant man with money can always seek the court help in stalling for a pretty long time, actions of well-meaning people. Sometimes the cheapest way to extend their tenure is to bring the Minister's influence to bear upon the election officer to postpone the process a bit longer. Society becomes a play ground for such politicians. With a mere contribution of rupees ten or less they seem to be the master of an organisation with lakhs of investment. This is not a kind of situation where self-help and mutual aid among members would thrive. Where is then the ideal of seeing the individual desire sink into group interests ?

Just to keep their position away from open criticism the committee of management does not call a meeting of the General Body lest the members find fault with the committee or try to remove them. It is a statutary requirement that the society must call atleast one meeting of General Body every year. The State had 12,740 different co-operative societies on 30. 6. 1977. The number is likely to rise to 13,000 by end of June 1978. 5,136 out of these are under liquidation and a further number of 935 societies are moribund or defunct. Of the rest 6,669 active societies, 60 per cent or about 4,000 societies have not held any annual General Body meeting except for holding elections during the last three years. How do the members of a society which does not meet in a General Body know what the society is doing or how it is faring ? How can their interest in its affairs be kept up ? There is a provision in our Co-operative Societies Act that a prescribed number of members or the financing bank or the Registrar may requisition a special meeting of the General Body. If a committee chosen by members themselves does not live up to their ideals, how is a requisition meeting going to help better its affairs ?

In some extreme cases, corruption becomes the hallmark of the organisation. Knowing fully well that they are not in good books of the members or that their misdemeanour has been caught by the Registrar or his officers, the committee of management, more particularly the President, becomes apprehensive of losing their post and therefore develop a mania of squandering the properties of the society. This he can do with impunity with the help of the Secretary whom he or his Board has appointed on considerations other than merit. By end of December 1977, though, Rs. 1 crore 70 lakhs involved in defalcations in different co-operatives has been booked and legal actions are being taken for recovery, but one thing is certain that people's confidence in the concerned co-operative societies gets terribly shaken up.

There is another fundamental problem. In ordinary course of business we come across middlemen-men of money and of ideas—who use their capital to corner the goods or services available in the locality and sell them at a higher price later on. Producers do not get a fair price in comparison to the sale price of his produce,

Consumers pay an unnecessarily high price or interest simply because a middle man wants an abnormal return on his capital. Co-operatives in different spheres seek to eliminate these middlemen, And lo ! here you are up against a vast army of powerful men. They try to wreck the co-operative organisation from within and without. We have a legal provision that a person carrying on a business similar to that of a co-operative society cannot become a member of the committee of such a society. But in politics as they are, we have plenty of persons working as Presidents in societies whose interests clash with their private interests. It has become well-nigh impossible to weed them out. Where is the vision of the individual members' sinking their selfish gains in the interest of the group ? When we have enemies inside, we are likely to have greater enemies outside. These middlemen teach to cheat the gullible members not to part with their marketable surplus to the society and not to pay up its dues. They highlight and magnify the small deficiencies of a co-operative society. Unaware, people are cheated in weight when they are offered a higher price by the middleman. They are cheated with lower price subsequently when as a result of middleman's trade the co-operative society withdraws from its operations. By not paying up dues the defaulter invites legal action. Middleman seizes this opportunity and promptly lends the defaulter adequate money at exhorbitant rates of interest in order to satisfy not only society's dues but also his greed of grabbing the defaulter's property. Added to it is the role of cheap politics. In the hope of getting some votes, politicians advise the loanees not to pay up dues as if it is Government dole meant to be written off. There are politicians in effective control of affairs of the State who see to it that a private middleman is favoured vis-a-vis a co-operative society in the matters of licence, lease or liberty of operations. Many an extra-constitutional or extra legal source of influence springs up to see that co-operative organisation is not allowed to grow, that the poor get poorer and the middlemen richer.

All this points to one direction—that is lack of a proper education of the people. As is the case with democracy, so is with co-operation. Without education, co-operation is hypocrisy without limitation. Denmark is a co-operative country because of its long tradition of compulsory education of all its girls and boys since the year 1804. Co-operative spirit has a positive aspect and a negative one also. You can teach people what to do, but some students do not care

to put your precepts into practice. It is here that negative aspects take care. Persons who are out of power, but know what the precepts are, will too gladly find fault with the people in power and constantly remind them what to do and what not to do. We not only create leaders through education but also watchdogs around them. We must first have compulsory primary educatien for children and wait till they grow up to attain majority and become eligible to take part in the affairs of the co-operative society and the State. At present the Orissa State Co-operative Union has been given the task of educating people in principles of co-operation and encourage co-operative spirit among members of different co-operative organisations. All the co-operative organisations in the State are required by law to contribute to the education fund for this purpose. State Co-operative Union being a co-operative society is not free from all the ills, we have analysed earlier. Further, they create a superstructure of educating people in co-operation. When a sizeable population does not know 3 R's. where do we get a ground ripe enough to receive education in co-operative spirit. So long as the people do not understand their duties and rights in a co-operative organisation, know how to bridle the committee of managemet and direct the directors to behave, *we will have to bear with* the ills of the depredators in the co-operative societies and try to restrict the damages the evilmongers can do.

It is here that the role of the officers of the Registrar of Co-operative Societies becomes important. There are many provisions in our law which can effectively check the erring co-operators. Almost anybody can become a member of any co-operative society but certain special qualifications are prescribed for office bearers. One of them is that his activities must not have been prejudicial to the co-operatives. Registrar's officers are the election officers who can weed out the undesirable. If an office bearer commits wrong and ruins the management of the society, the Registrar can remove them or surcharge them for the amount lost in the society due to their actions or omissions. Registrar can temporarily supersede the committee of Management and bring the society under his direct management. If a person is known for having developed vested interests in the co-operatives, Registrar can see that he does not contest for another society after prescribed tenure of two terms or 9 years. Persons who or whose near relatives, carry on business with the society or are indebted to it or are employed

in the society cannot become the office bearers of the concerned society. With all these restrictive features, you may ask, why then are there bad elements in some co-operative organisations ? Here both the political and administrative elements of the State Government are to blame. Political considerations of the party in power create extra-legal sources of power and Registrar is not allowed to touch them. If he touches, he goes. If no Registrar remains long enough in his job, how does he know where the shoe pinches and where the thorn requires to be removed. Desire to remain in power knows no canons of law. No politician would allow this thorn to be removed even if he knows pretty well that gangrene may develop and the body may need an amputation later on. In politics none cares for his successor's burden.

Most of the ills besetting co-operative organisations can be removed if every society is given a professionally trained manager,committed to the principles of co-operation. We know the wonders the Khaira District Milk Co-operative Union, the producers of Amul, has brought about in our country. It is because of dedication of its managers to the cause and because of professionally trained men manning different posts. In our State, until recent past, the President of a society was appointing a man of his choice as the Secretary or Manager or Chief Executive. State Government are gradually putting their foot down and a process of providing well-trained, reasonably paid and transferable secretaries to all the primary societies is under way. Our experience of providing government employees as chief executives of some co-operative organisations has not been a happy one in all cases. More often than not, a bird of passage does not create conditions which would create a flutter in his nest. A sense of devotion to the ideals of the organisation is found lacking in case of deputed employees. Solution lies in creation of a cadre of professional managers to work for co-operative organisations.

In addition to interference by the powers that be, there is need for choosing the right kind of men to be the Registrar and his subordinates-men with a real interest in co-operation, properly trained and reasonably well paid. Registrar should not be a man who regards his post as just another civil service post on the promotion ladder. It is said that the Chinese pray to be delivered from three

major disasters; floods, famine and government officials. Government official is connected in the mind of ordinary persons with regulatory functions and collection of taxes. Co-operation staff must break this barrier with the people, discover the .right wavelength with varying audiences and get over the suspicions of the people. They should work with devotion to the cause of co-operation. It has been the sad experience in our State that the staff of the co-operation Department become the willing tools in the hands of the politicians and thereby ruin the cause of co-operative movement.

On the other end of the scale are officials of other departments of Government. If government wish to help the co-operative societies grow, they must educate their officers to help those organisations. Co-operatives by their nature cannot provide the money that greases the palm. And therefore officers of regulatory departments like co-operation, Forest, Commercial Taxes, Revenue must show a sympathetic attitude. Instead of finding loopholes with a view to extracting something under the table, they should show the co-operatives how to comply with Government regulations and avoid pitfalls while creating heaps of goodwill.

While we have been talking so much of problems, what do we thinkof the prospects of-co-operatives in Orissa ? As the Government are committed to fostering thier growth there cannot be any doubt about the programme and progress of co-operative movement in the State. As a first step, all co-operatives are being made viable i.e. they must be in a position to pay for their own maintenance. It is the policy of government that primary credit co-operatives must be recoganised on viabiilty criteria-it should cover an area of 2,500 hectares of cultivable land or 10,C00 population or have a potential of credit business of 2 lakhs of rupees. In Blocks having a tribal population of more than 50 per cent there would be Large Sized Agricultural Multipurpose Co-operative Societies (LAMPS in short), in areas covered by Special Projects like Small and Marginal Farmers Development Agency, Drought Prone Area Programme, Command Area Development Authority, etc., there would be Farmers Service Co-operative Societies and in the rest of areas there would be viable societies by any other name. While the third category is left untouched as to complexion of its Committee of Managements, LAMPS and FSCS

would have on their committees at least two thirds of members from tribals and small farmers respectively. So far 220 LAMPS and 5 FSCS have been organised. It is expected that while these re-organised societies would look to the needs of weaker sections more favourably they would, once they become viable, be less dependent on Government and find their own salvation. Co-operative Banks which have been identified as weak are now receiving rehabilitation assistance from Government. They would thus be in a position to invest larger sums in agriculture and allied occupations of the members of primary societies.

Another approach is that each primary co-operative society in a group of villages must take up all sorts of activities to meet the needs of its members. This means provision of credit, purchase of produce, sale of goods and provision of any other services, a member requires. People must be encouraged to sell their produce to their co-operatives. We have two measures to encourage it-one legal-and the other fiscal. Law provides that a member who does not sell-his produce to the socity will lose his membership Government have provided plan assistance to the societies which link credit with marketing to allow 2 per cent rebate in interest to the member-loanees who sell their produce to the society. Government as well as National Co-operative Development Corporation are providing funds for the working capital, purchase of transport vehicles and construction of storage godowns. In fact, the State has a programme of constructing storage godowns of 2 lakh 15,000 M.T. capacity out of which 1 lakh M.T. capacity will be created at the level of primary societies. There will be about 1,041 godowns many of which will have accommodation for its Secretary and a consumers' sale counter. World Bank is assisting with a loan of Rs. 7 crores spread over next 5 years in this massive storage programme. With such a huge capacity, the co-operatives will be able to offer a fair price during the harvest, store the produce and sell them at a time when the prices are good. Viability of the society will grow with the prosperity of the farmers.

The policy of the present Government is to provide a fair price shop within 5 KMs radius and for a minimum of 5,000 population. Existing consumers' societies would be assisted to open retail outlets and new societies organised to fill up the gaps. As per viability norms, a society with an annual turn-over of Rs. 2 lakhs or above

can pay its overheads and maintenance. Which means a per capital turnover of Rs. 400/- per year, or Rs. 2,000/- per family. If we take the fact that 40% of our population are tribals and harijans whose wants are few, can we hope to make consumer stores viable in only sale of goods ? It has, therefore, been deoided in principle that existing large sized multipurpose societies would handle the consumer trade which, coupled with marketing of produce and agricultural inputs and implements, would, it is expected, make it viable.

At present, we have 4,000 retail co-operative outlets functioning as fair price shops. There is no restriction on non-members who can purchase from these retail outlets. It has been proposed that the consumer co-operatives would purchase from the manufacturers direct or from producers during harvest time, as the case may be, and would supply quality goods at an active price. Active price means a price, slightly below the prevailing marke allowing only a reasonable margin to the society to cover its expenses.

No co-operative activity in consumer trade can thrive unless they also set up some precessing units. Some of the members' produce may not be easily disposed of by direct sale and may, therefore, require to be sold after processing. For example, in the scheme of linking marketing with creadit, a society may have purchased oil seeds which go outside the State, become processed as edible oil, finds its way back to Orissa at a higher price. Different marketing co-operative societies have been assisted in setting up processing units like oil mills, rice mills, pulses mills and solvent extraction plants, etc. This will make available processed goods at a reasonable price within the State. We have a proposal to set up a Refinery-cum Vanaspaty Unit under the Apex Consumer Society.

To give a fair deal to the agricultural farmers raising pershable crops like pototo, we have in this State 11 Cold Storages in the co-operative sector working to their full capacity this season storing 6,389 M.T. of potatoes.Five more units are being revitalised and completed shortly. These units allow storage of potato on rent by the cultivator-members and give them on pledge of their stocks. This enables the farmers to get right price at right time without feeling pinch of financial burden due to non-disposal of their stocks.

There are co-operatives for weaker sections of the population. Village artisans like handloom operators or weavers, carpenters, leather workers, stone cutters, fishermen, even labourers are organised into respective functional societies. Government are committed to promoting these co-operatives not only to prevent further exploitation of these working classes but to give them a fair deal in a bid to bring them above porverty line.

We are far away from the ideals of co-operation. Robert Owen's ideal of co-operation includes administration of members' affairs, a co-operative commonwealth or a federation of co-operative to run the affairs of the State. In other words, State should wither-away once co-operation becomes universal. So long as this is not achieved, co-operative societies are working like a lush field in rabi season surrounded by barren fields, where cattle are allowed to graze. It is always being threatened by predators. Till the predators are active, Government help would be necessary. To develop a right atmosphere for co-operative spirit, it is desirable that Government makes a minimum of interference in the management of co-operative societies just as a corrective measure and provides maximum of assistance within which co-operatives should have the full liberty of growth.

Talk delivered at Vani Vihar on 18.5.78 to the participants of Summer Institute organised by the Department of Analytical & Applied Economics, Utkal University.

THE WORKING OF COMMERCIAL BANKS IN ORISSA

M. P. DALBEHERA

Introduction :

Orissa is a land of contrasts. It is the land of poverty amidst plenty. Endowed with abundant natural wealth, fertile soil, water and manpower and rich heritage this 'investors' paradise' is languishing in poverty and backwardness. Even after 30 years of India's independence and implementation of several Five Year Plans, Orissa continues to be underdeveloped occupying a prominent place among the poverty stricken states in the country.

The Economic Scene

Agriculture and allied agricultural activities remain to be the most dominant sector in Orissa's economy although its relative share in the State's income appears to be declining. As revealed by the 1971 census, 80 per cent of the total working forcein Orissa are engaged in Agriculture and allied activities. With the increase in population not only the total land per capita but also the portion of cuitivated land per capita has been steadily shrinking in size. Consequently, the share of food and other produce available to each individual born of primitive, non-mechanised and unscientific methods of cultivation is on the decline. This points to the need of modernising agriculture, increasing its productivity through the provision of required inputs, irrigation facilities and better farm management practices. Similarly, in the sphere of industry, Orissa vastly gifted with a variety of ferrous and non-ferrous minerals (Orissa ranks fourth in respect of total mineral production) continues to be industrially underdeveloped because well-planned and systematic

exploitation of these mineral deposits have not taken place. Orissa ranks first in production of manganese ore, chromite ore and delomite, In iron ore it ranks close second to Goa. 40 per cent of the State's total area covered by forest of diverse types, has rich forest resources. Inadequate means of transport, communication and other infra-structural facilities are responsible for Orissa's backwardness. Other reasons are neglect on the development front in the state, lack of entrepreneurial spirit in the people, widespread illiteracy and ignorance, a sense of diffidence and indifference created due to periodical natural calamities like floods, droughts and cyclones, dearth of adequate number of bank's offices and banking facilities and a persistent semi feudalistic attitude among the people of the state.

Banks as instruments of Development :

Low level of agricultural production and slow pace of industrialisation have been the features throughout the country—these are more pronounced in the state of Orissa. While no single factor can be responsible for such a situation, it has been observed that lack of adequate institutional finance at reasonable rates of interest has been the dominant inhibiting factor.

Banking as commanding heights of the economy, main repositories of people's savings, touching the lives of millions was first recognised as an instrument of national development when the State Bank of India came into being in July 1955. The State Bank of India was entrusted with the responsibility of socio-economic upliftment and became the biggest bank to serve the needs of smallest men. With the nationalisation of 14 other major banks in 1969, new role of Commercial banks as development banks as agents of socio-economic change and development emerged. Quantitative and qualitative changes in their operations procedures and attitudes have enabled these Commercial banks to involve systematically in the economic development of Orissa as of the rest of the country, broadly in keeping with the spirit of the times.

Branch expansion and correction of regional imbalances.

Opening of branches of Commercial banks is not an end in itself but is certainly the first step of preparedness on the part of banks

to associate themselves with and participate in the overall development of the economy, more particularly in the rural and semi-urban areas, where live the vast majority of our population. There were as on 31st December 1972, 217 offfices of Commercial banks in Orissa.

As on December 1977 the growth was three fold-616 offices in Orissa have been established. Of these 68% of the branches are in rural areas. Whether it is Chandrapur of Koraput or Madanpur, Rampur in Kalahandi, a branch of commercial bank has now opened there.

Orissa accounted for 4.01% of the all India population as per 1971 census and it has 2.3% of the total commercial bank offices as on 31. 12. 77. The average population for bank office was 1,01,000 in December 1972. It decreased to 36,000 by the end of December 1977. The table below indicates the distribution of branches of Commercial banks in Orissa. Incidentally, the average population for Bank office in India as a whole as in December 1976 was 23,630.

	Distribution of Branches	
	December 1972	December 1977
Rural	89 (41.0)	362 (58.8)
Semi-Urban	74 (34.1)	145 (23.5)
Urban	53 (24.4)	104 (16.9)
Metropolitan/Port Town	1 (0.5)	5 (0.8)
	217 (100)	616 (1000)

The State of Orissa is still under-banked with 35 unbanked blocks as on 31. 12. 77, even if Commercial banks have made a considerable headway in expanding their net work of offices.

Providing net work of banking structure by opening their offices even in the remotest part of India, for consideration not purely of business potential or profit, but for serving people and providing facilities to the hitherto backward and neglected areas of the country, is not the only work done by Commercial banks. The real meaning of

branch expansion programme lies in the spread of the banking habit, the amount and sources of deposits mobilised and the amount and nature of the credit extended to serve the productive needs.

Mobilisation of Deposits.

The first task which a new branch of a bank undertakes is that of mobilisation of deposits. This serves the dual Subjective of creating banking habit and of marshalling people's Savings. In a backward state like Orissa the problem of mobilising deposits is mainly one of creating a market for bank deposits in conditions of mass poverty, illiteracy, ignorance and prejudices steeped in the age-old habits of hoarding cash or valuables. The villager in Orissa will not easily part with his cash till he is thoroughly convinced of its safety and facility of withdrawl. Considerable amount of personalised effort and creation of trust in banks are needed for the rural market of deposits.

In Orissa, deposits increased during 1976-77 (July-June) by 25.7% from Rs. 135.16 crores to Rs. 167.95 crores against all-India deposit increase percentage of 24. The interest paid on deposits range from 4% on savings bank accounts to 9% on a term deposit for over 5 years. There are a number of small investment schemes like Janata Deposit Scheme, Nitya Nidhi Scheme, Recurring Deposit Scheme Balakshema, cash certificates, Reinvestment plan, Kamadhenu Plan etc. operated by various commercial banks in Orissa for the benefit of big medium and small investors. Truly these banks have helped innumerable pensioners, widows, trusts etc. who subsist on the interest earnings of their past savings and donated funds.

Provision of financial Assistance :—

Any plan for the provision of bank credit presupposes the existence of viable schemes and capacity to absorb credit. Commercial bank credit in Orissa has doubled itself over the past few years. There was an increase in advances by 38.6% from Rs. 74. 26 crores to Rs. 102.95 crores against the all-India increase percentage of 17.5 The credit deposit ratio of banks as on 30.6. 1977 is 60.6%. If investments by Banks in the State government securities etc. and bonds of State government undertakings are taken into account credit plus Investment to Deposit ratio stood at 110·4% as on 30.6.77.

The deployment of credit in the State is fairly well spread out among the rural and semi-urban branches as would be observed from the table below.

	Credit Deposit Ratio	
	June-1976	June-1977
Rural	41.7	51.7
Semi-Urban	51.9	52.4
Urban and	60.5	68.5
Metropolitan	54.9	60.6

Karnataka has the highest credit deposit ratio 245·64% in so far as rural and semi urban branches are concerned.

Nevertheless, much more requires to be done. Creation of an industrial climate in all parts of the State and a planned development of agriculture are the needs of the day.

Priority and Neglected Sector Lending.:—

Alignment of the Commercial Banks credit policy with the overall national priorities has become prominent after nationalisation of banks in 1969. Sectors having a high priority in the national economic policy get greater flow of credit as against those which are lower down in the scale of priorities. The accent is on bringing about a qualitative change in the disposition of bank funds. Liberal credit facilities to the priority and other neglected sectors of the economy like agriculture, small scale industries, exports, road/water, transport operators. retail trade/ small business, professionals and self employed persons and education are being given with a shift of emphasis from security to viabilty of the project.

Another more important part of this is the support which the banks have come to give to economic programmes sponsored by the Central and State Governments. Bank's operations are now tuned to successful implementation of food procurements, State trading in raw materials, both imported and indigenous area development programmes like S.F.D.A/M.F.A.L., Rural Industries Project, I.T.D.P., D.P.A.P. scheme etc.

The following figures would indicate the percentage of neglected sector advances to total advances of commercial banks in Orissa.

ORISSA		ALL—INDIA	
June-1976	June-1977	June-1976	June-1977
41·2%	44·6%	24·8%	26·4%

Average borrowing per account in the neglected sector as at end of June 1977 was Rs. 2,266/- far below the national average- Rs. 4,795/-

Financing of Agriculture :-

Since Agriculture is the major economic activities in the State agriculture constitutes the major porton of priority sector lendings of Commercial Banks in Orissa. The advent of 'Green Revolution', demand for modern inputs needed institutional credit facilities more intensely. A fresh look to the strategy of agricultural credit was given and commercial banks in 1968-69 had to step in and augment the supply of credit for agriculture, particularly where co-operative structure was weak. Co-operative credit structure was very weak in Orissa. Hence the Commercial Banks started from 1968-69 providing working capital loans for seasonal agricultural operations as well as medium term loans for improvement of land, provision of irrigation facilities, mechanisation of farms, construction of godowns, and all other production needs of the farmers.

Out of the total loans sanctioned to agriculture sector, 62·5% as on March 1977 was enjoyed by Small Farmers and Marginal Farmers with land holdings up to 5 acres which was higher than the relative all India figure-29·5 per cent. The percentage of recovery was 49·3 per cent in June 1975 which got raised to 48·8 per cent in June 1977.

The State Bank of India has gone a step ahead and opened special branches for the development of agriculture known as Agricultural Development Branches. 15 A.D.B.s of State Bank as on December 1977 financed alone 55,162 farmers to the tune of Rs. 6·61 crores,

All the Commercial Banks in Orissa have adopted an area approach under which the aim is to provide integraged credit facilities to all the selected area. Indirect agricultural loans to dealers in fertilisers, and other inputs, Electricity Boards etc. aggregating Rs. 4·05 crores as on 31.3.1977 have also been granted. Finance through Primary Agricultural Credit Societies introduced in 1972 in Orissa has been confined to 2 distrtcts – Cuttack and Puri. 6 Commercial Banks including State Bank have taken over 7 C-P.A.C.S-borrowing membership of such societies stood at 16,592 as at the end of June 1977. Puri Grammya Bank and Bolangir Anchalik Grammya Bank have adopted one each Farmers service Society and 3 Commercial Banks have sponsored 4 R.R.B.s in Orissa. As on 31.12.1977 these 4 R.R.B.s had opened 111 branches, and disbursed loans to the extent of Rs. 286·90 lakhs in 5 districts of Orissa.

The State Bank has made spectacular progress in providing credit to the farmers located in-far-flung villages of the State especially those inhabited by tribals and other backward class people. If has provided finance to the extent of Rs. 12 lakhs to 28 agro service centres set up by young engineers and ex-defence services personal trained by the Orissa Agro-Industries Corporation. It has financed to the extent of Rs. 1·71 crores to the Orissa Lift Irrigation Corporation Limited in order to exploit ground water resources. As on 31.12.1977. 11,270 dugwells and 60 filter point tubewells have been financed by the State Bank mostly in backward districts devoid of irrigation facilities. The State Bank has launched 2 important schemes- one for introducing mechinsed boats and trawlers for coastal fishing by financing fishermen and entrepreneurs to exploit the rich marine resources and the other for integrated dairy development involving a financial outlay of Rs. 1·25 crores in collaboration with the State Agro-Industries Corporation to give a boost to milk production in the State.

Creation of suitable infrastructure facilities e.g. availability of quality seeds, chemical fertilisers and other inputs, storage, transportation and marketing of agricultural produce is essential for a balanced growth of this sector in Orissa. The Agricultural Refinance and Developement Corporation's commitment is increasing in this regard.

Small Business Finance :-

Financing of Small business, which includes retail-trade assistance to professionals, like Doctors, Lawyers and self employed persons like tailors, petty contractors, Hoteliers, transport operators and sundry economic activities has been receiving pointed attention of commercial banks. As at the end of March 1977 there were 26,093 such units enjoying limits aggregating Rs. 11·67 crores.

D.I.R. Scheme :-

To help the poorest strata of the society who have the necessary skills but not the wherewithal to set-up their own business the Differential Interest Rate scheme was started in july 1972. Under this Scheme the assistance is rendered by banks at an extremely low rate of interest viz. 4% per annum. In orissa, the commercial banks have by now financed good many such units scattered mostly in backward areas coverring people who are engaged in a very wide range of activities such as rickshaw pullers small shopkeepers, hawkers, potters, cobblers, weavers, basket makers, small handicrafts men, milkmen, small farmers and share croppers. The state Bank alone has covered 25,139 units under DIR Schemes as at the end of December .1977 with outstandings touching Rs.0.74 crores. 12,700 units of these belong to the scheduled caste.

Financing of small-scale Industries. :—

Nationalised banks including State Bank have played a very crucial role in developing Small Scale Industries and Small Business in Orissa as elsewhere.

Unfortunate as it is, in Orissa, the climate for small scale industries has never been too good. Lack of proper infrastructure facilities dearth of entrepreneurial talents and absence of good market have always withheld progress in this field. The State Government has from time to time taken some measures to improve the situation. Yet the net effect of all these efforts has been insignificant so to say. In the face of all these constraints, an investment as on 31.3.1977 in this sector to the extent of Rs.10.15 crores is indicative of determination to develop this important priority sector in a State which bristles with huge mineral, forest and other natural resources.

The State Bank of India amongst all other Commercial Banks in Orissa has continued to increase the coverage under this sector. There

are 3 Industrial Estate branches of State Bank of India at Rourkela, Cuttack and Bhubaneswar. Financial assistance is given to all types of small units whether agro-based, forest based, mineral chemical base, serving the local needs. Persons engaged in village and cottage industries, rural industries, handicrafts etc, have been granted to improve their living conditions. 42.23 per cent of State Bank of India's loan units are in backward districts and about 28 per cent of its advances to small scale industries have been devoted in these areas of Orissa. 54 qualified entrepreneurs for setting up small units, 15 Entrepreneurs for setting up Agro service centres have been financed by State Bank of India in Orissa as on 31.12.1977. State Bank of India has been participating with other banks in all the schemes of the Orissa Government under their Employment Promotion Programme which has since been withdrawn by the Government.

Innovative Banking.-

Apart from the D.I.R. Scheme as mentioned before efforts are also being made by many public sector banks to extend direct or indirect benefits of banking to the society in an increasing manner. The State Bank has launched the 'Innovative Banking Scheme' which seeks to touch the life of the common man at as many points as possible. Financing kitchen gardens, purchase of bi-cycles for industrial workers/ salaried employees, book banks, financing house owners for construction of saintary latrines etc. are some of the Innovative Schemes formulated by State Bank. As on 31. 12.1977 18,244 persons have availed of loans under the Innovative Banking Schemes amounting to Rs. 73.99 lakhs. covering tribals, harijans, prisoners, ex-prisoners, physically handicapped and disabled orphans, lepers, butchers, bone-collectors hawkers, mobile barbers, and other self-emloyed and under-employed women. Improvement of the lot of the under-privileged in urban areas where assistance has gone to teachers, typists, painters, poets, sculptors and even musicians has received the attention of State Bank of India.

All these lendings as mentioned before have naturally played an important part in making a dent, how so ever small, in the unemployment position in Orissa. The very immensity of the problem does not permit of any quick and conclusive remedy.

The Commercial Bank's role does not end with mopping up of deposits and lending the funds for purposes which sustain and add to the country's production. Banks are now charged with promotional responsibilities apart from developmental— of contributing to a great measure to the planned economic growth and for the socio-economic up-lift of the people.

Under Lead Bank Schemes, the commercial banks have been assigned the task of bringing about economic development in specified areas by making deatiled survey of the existing and potential resources available and their utilisation to arrange for their otpimum utilisation for the maximum benefit of the area. All the 13 districts in the State have been allotted to various Commercial Banks.

The State Bank alone has been allotted 6 districts which are all backward. The concerned lead banks have already made detailed surveys of the allotted districts and have indicated economic activities which can be promoted and identified growth-centres where offices of banks may be opened. To provide financial assistance for the development of economic activities credit plans in 12 districts have been prepared. 8 such credit plans have now been launched and are in the process of implementation.

Commercial Banks alone do not have the responsibility of removing the backwardness of the State of Orissa and its people. The State Government and the people have an equal or more important responsibilities to discharge in combating the economic evils.

Nevertheless, a Commerical Bank which was once just a trust for a man's wealth has to-day become a trust for society's aspirations. Once, a bank was immobile. To day a bank steps out to meet the people, toguide and to aid. A Bank to-day responds to society's need not for profits but for society's well-being. Not out of charity, but out of a realisation of its role as a change agent, a catalyst of progress.

Commercial banks in Orissa are making efforts in keeping with the spirits of the time in reducing the inequalities, of life, to ensure a more equitable distribution of happiness and economic progress of the State as a whole.

Commercial Banks' Advance to Agriculture & Other Priority Sectors.

(Rs. in Lakhs)

	March' 76		June'76		Sept.'76		Dec.' 76		March' 77	
1. Agriculture	No. of Accou-nts.	Balance Outsta-nding.	No.of Accou-nts.	Balance Outsta-nding	No. of Accou-nts.	Balance Outsta-nding	No. of accou-nts.	Balance Outsta-nding	No. of accou-nts.	Balance Outsta-nding.
a) Direct Finance	77485	995.48	80365	1079.58	87675	1189,63	96506	1064.70	116855	1332.89
b) Indirect Finance	8911	99.77	10117	129.67	8356	143.37	8905	455.48	8690	405.73
Total Agrl.	86396	1095.25	90482	1209.25	96031	1333.00	105411	1520.18	125545	1738.62
2. Small Scale Industries.	4580	806.74	4861	800.52	6142	831.96	6448	931.88	7662	1015 13
3. Transport Operators.	2638	498.81	2846	546.51	3124	552.63	3812	599.07	4136	646.97
4. Small Trades	11883	331.51	15142	363.85	15901	393.39	18976	484.68	21957	519.93
5. Self Employed persons	3343	55.41	3652	57.25	6413	78.92	7803	80.88	8011	93.32
6. Education	74	1.81	62	1.20	114	2.86	125	3.25	242	7.97
Total :—	108914	2789.53	117045	2978.58	127725	3192.76	142575	3619.94	167553	4021.94

IN THE STATE OF ORISSA (In crores)

	As on the Last Friday of		
	June 1975	June 1976	June 1977
Deposits	110.29	135.16	169.95
Advances	63.73	74.26	102.75
Investments	56.86	77.94	84.22
Credit Deposit Ratio.	57.60	54.90	60.60
Credit Investment to Deposit Ratio	109.30	112.10	110.40

Credit deposit ratio in June 1972-was 43.10 in December 1973-52.20 per cent.

District-wise Figures, (In lakhs)

	Deposits	Advances	C.D.R.
Puri	4,126.75	1,931·28	46·8 %
Ganjam	1,501·98	420·18	28 %
Boudh/ Khan amal	174.58	28.84	16 %
Koraput	684.55	486.60	71.1 %
Kalahandi	198.35	113.48	57.2 %
Cuttack	3,748.60	2,286.75	61 %
Balasore	521.88	251.42	48.2 %
Mayurbhanja	379.14	118 34	31.2 %
Keonjhar	281.10	118.38	42.1 %
Dhenkanal	593.84	269.92	45.3 %
Sundargarh	2,161.66	1,236.83	46.6 %
Sambalpur	1,644.31	1,236.83	78.2 %
Bolangir	265.63	211.10	79 %

S.F.D.A. AND ITS ROLE IN AGRICULTURAL DEVELOPMENT.

S. B. MAHAPATRA

I am grateful to Dr. Misra, Visiting professor and Director of the Summer Course for inviting me to participate in the deliberation of the summer institute. I have neither the academic background nor have I made any deep study of the subject. The only reason why I am asked to present this paper is possibly the fact that I was one of the first batch of officers who worked as Project Director in one S.F.D.A agency. In 1970, three S.F.D.A. agencies were registered for Ganjam, Dhenkanal and Bolangir districts. I started the Dhenkanal S.F.DA. project in March, 1970 and worked till August, 1973.

All of us are familiar with the background of the S.F.D.A. projects. In 1967-70 this started as a central sector scheme. 46 districts all over India were selected for implementation of the scheme. The All India Rural Credit Review Committee headed by Sri Venkatappiah, a fromer Deputy Governor of Reserve Eank, in its report had made specific recommendation to start such projects to improve the condition of small farmers. Th Govt. of India accepted this recommendation and decided to implement it in 46 selected districts.

It would not be out of place to broadly mention the strategy we have followed for development of agriculture. Prior to independence administration was not very much concerned about agricultural development. Of course a number of Agriculture research institutes and Agri-

culture colleges were set up. An effort was made to organise co-operative credit structure. But somehow there was no coordinated or serious effort. After independence we launched the First Five year Plan and initiated planned effort for rural development. Here the approach was what I may call community development approach. The whole country was covered with C.D. blocks. Each C.D. Block was in charge of the B.D.O who was given one Agriculture Extension officer and a number of village level workers. One of the primary tasks of the blocks was to provide agricultural extension service at the village level. Somehow the C.D. Blocks failed to make the desired impact. The declared objective of attaining self-sufficiency in food production was not achieved. In fact during early sixties experts in F. A.O. and World bank made gloomy forecasts and nobody could think that India would one day emerge as a country self-sufficient in food grains. The experts in India and abroad suggested what has now been known as I. A. D. P. programme. Under this programme districts having irrigation facility like Sambalpur in Orissa, Raipur in M. P. , Tanjavur in Tamilnadu were selected for intensive agricultural development. Around this time the new high yielding varities in wheat and paddy were developed. Under the I. A. D. P. programme systematic extension work was taken up and arrangement for supply of inputs like fertiliser, hybrid seeds, insecticide etc, were made. This concentrated effort bore fruit and the so called green revolution was initiated in mid sixties. In I. A. D. P, project areas there was significant increase in production, but the gains of green revolution were cornered by the big farmers. Green revolution resulted in further widening of disparity in the rural sector.

During the Fourth Five-year Plan, therefore, it was felt that some programmes should be taken up to improve the economic condition of small farmers. Basic assumption behind this was, that small farmer who owns about one hectare to two hectares of land is a potentially viable farmer. The small size of his holding is not an adverse factor and given the credit and input support he can take advantage of the new technology and inerease productivity of his land.

After the Agencies were formed and the staff were in position the first task was to identify the small farmers. Incidentally, here I may mention about the staffing pattern. Contrary to popular beliet, S F.D.A was

conceived as a small organisation. The Collector of the district was Chairman and the project Director acted as member Secretary. There were three Assistant Project Directors for credit, agriculture and animal husbandry. Ther was a statistical assistant two/three clerks and stenographers. The Govt. of India .has put ceiling of rupees one lakh on staff and administrative expenses. The Agency did not have any field organisation of its own. Govt. did not want to develop a parallel hierarchy of officers. The Agency was supposed to coordinate activities of existing development departments and through them implement its own programme

Coming back to identification, it posed various problems. Govt. of India did not initially prescribe any fixed guideline. Each State had adopted its own criteria. In Kerala for example the ceiling was 2.5 acres. In Orissa it was 2·5 acres to 7·5 acres of irrigated land and 2.5 to 5 acres of irrigated land. In Maharastra even person having dry and rainafed land up to 30 acres were taken as small farmers. Then the problem was how to identify the small farmers. Should we go by Revenue records ? In Orissa the revenue records are hopelessly outdated and de not reflect the correct picture. Then another problem was regarding the share croppers. In our State as in most other states there is no system of recording the right of a share cropper. The third problem was regarding off farm income. Initially there was no guideline regarding this Subsequently Govt. of India instructed that persons having off farm income of more than Rs.200/- per month should be excluded. If a person is engaged in Govt. service or working as a paid employee, it is possible to apply this criterion. But what can one do if a person is a money-lender or petty shopkeeper etc., yet despite all these hurdles the programme had to be implemented. Therefore it was decided to identify the beneficiaries by determining the size of their operational holding through field enquiry at the village level. The field enquiry was conducted by the V.L.W. and Revenue Inspector jointly. Allegations were made that big farmers have also got themselves identified as small farmers. Such allegations were not incorrect. Even I found a wellknown contractor of the State and a cold-storage owner was identified as small farmmer. But inspite of such mistakes for the first time a list of small farmers was drawn up for each village in the district which subsequently proved useful for implenentation of the programmes.

The task of helping the small farmers appeared to be stupendous. In Dhenkanal out of total number of 1.62 lakhs cultivating houselolders, 55,000 householders were small farmers, 97,000 households were marginal farmers and only 9,000 were big farmers. 9,000 big farmers owned 39% of the total agricultural land. The marginal farms occupied 24·2% and small farms 36·8% of the total area. This shows the skewed pattern of land distribution. According to Govt. of India's scheme each agency was supposed to help 50,000 small farmer families.

From the very start of their operation, the Agencies were required to emphasise the importance of intensive agriculture to bring about viability of identified small farmers. The agencies took assitance of officers of agriculture department drew up typical model plans for intensification of agriculture production for irrigated and unirrigated lands. These farm plans for each of the beneficiaries were submitted to credit institutions for getting agriculture credit. While preparing the farm plans more emphasis was given on introduction of high-yielding varieties. In Dhenkanal we found that very often the district is subject to drought. Drought occurs due to delay in monsoons and more often due to failure of rain from 15th September to 15th October. This affects traditional medium and late varieties. We found that if the farmer would adopt early maturing varieties like Bale Kayen, Ratna etc., it would be possible to minimise the effect of drought. In some of the Bahal land having some facility for protective irrigation we tried to introduce improved varieties like Jaganath which proved quite successful. Besides, effrot was made to introduce improved varieties of groundnut, cotton etc. Demonstration was taken up to prove to the farmers that it is possible to get two crops i.e. one paddy crop and one pulse crop from their rainfed land. In irrigated land effort was made to introduce multiple cropping particularly wheat, potato etc. after paddy.

Success of the agriculture programme depended to a great extent on supply of credit for purchase of inputs. Therefore the agencies launched a programme to enrrol members in primary co-operative societies. The Agency advanced a sum of Rs. 40/- to small farmers who intended to be members of the co-operative.

All the S.F.D.A. programmes were credit oriented, Normally the pattern was that bankable scheme would be presented by a farmer to

the credit institutions. The banks would provide finance and agency would give 25% subsidy which can be used as margin money. Though the idea of giving 25% subsidy has been criticised in some quarters as spoon feeding, it was necessary because the small farmer did not have money to provide margin for loan.

The S.F.D.A agencies tried to strengthen the co-operative structure in the districts. Most of the central co-operative banks were afflicted by heavy overdues. Therefore a sum of Rs. 10 lakhs was advanced to each central co-operative bank to provide non-overdue cover. This enabled the central co-operative banks to repay their outstanding dues to the State Co-operative Banks and increased their borrowing capacity. At the field level most of Co-operatives did not have competent managerial and supervisory staff. Theretore managerial subsidy was given to those institutions for employing additional staff. From our experience we found that in all S.F.D.A. districts gradually the performance of Central Co-operatives showed significant improvement. Due to efforts of the agency, for the first time the Commercial Banks were persuaded to adopt areas and provide agriculture finance.

The most crucial factor for success of the progromme is irrigation. If the holding of a small farmer is irrigated it is much easier to make him a viable farmer. Suitable farm plan for adopting multiple cropping could be prepared. The Banks also come forward to provide credit factlity and the farmer himself, felt quite confident to adopt the new technology. But such farmers were few and far between. In Orissa the districts chosen for S.F.A. programme were Bolangir, Dhenkanal and Ganjam. All these districts were drought prore.

Therefore it was one of the major tasks of the agency to provide some irrigation facility to small farmers. Since development of large irrigation projects was beyond the scope of the agency, it concentrated on development of minor irrigation. For the first time an effort was made to exploit the rich ground water potential of the state by developing dugwells. It was found that dugwell of 12' to 15' diameter and 30' depth could provide protective irrigation to about 4 acres in Khariff and could provide irrigation in two acres for medium duty crops like wheat in rabi season. Small farmers in Ganjam took particular advantage of it and grew cash crops like chilly. The traditional 'Tenda' was used for lifting water. Due to rigid rules of the State Electricity Board the programme for engaging dugwells with

electrical pump sets could not make much headway. The dugwell programme could have been more successful if the farmers could have got their holding in compact areas. Usually it was found that a small farmer generally owned his four or five acres in seven or eight different places. Unless one has land in one compact block of atleast three acres, it would not be possible to sink a dugwell, In other words a programme of land consolidation should have preceded the dugwell programme.

Since it was not possible to increase income of the small farmer solely from agriculture it was felt that some subsidiary occupation like dairy farming, poultry farming or goat rearing should be introduced. Model schems for dairy farming, poultry farming and goat rearing were drawn up and submitted to banks. I felt that stray distribution of milch cattle or laying birds would not solve our problem. Such schemes should be prepared keeping the market in view. We therefore organised dairy co-operative around urban areas of Angul, Talcher and Dhenkanal so that marketing of the milk would not be a problem. Milk being a perishable commodity, it was necessary to put chilling plants for processing and preserving it. I am happy to mention here that through S.F.D.A. a milk centre has been organised and already two chilling plants are operating in Angul and Dhenkanal. We found that if facility for collection, processing and marketing is available, small farmer having a two cow unit consisting of improved breed like jeresy or red sindhi can get a steady income of atleast Rs. 300/- per month. The major hurdle we faced was in providing milch cows. We had to visit Vizag and Srikakulam district and get cross breed jersy cows. A programme cannot be sustained by purchasing animals from outside. As the demand for such cross-breed animals went up, automatically price also increased. Secondly it was found that feeding the animals with premixed feed was a costly affair. Therefore the small farmers were persuaded to grow fodder. But to persuade a subsistance farmer to divort a part of his holding from paddy to fodder proved difficult. Yet despite all these difficulties, if any programme was really successful it was the dairy programme. This is one sector which should be developed and if infrastructure facilities are provided for cross-breeding, milk collection and marketing a large number of small farms can be benefitted. The S.F.D.A. have already created a favourable climate for the programme. Though the goat rearing programme was moderately successful the poultry programme was a total disaster. Due to high cost

of feed and fluctuating market all the small farmers who took loan for poultry came to brief. In S.F.D.A there was also a programme to provide improved agricultural implements at subsidised rate. Farmers purchased plant protection implements, improved ploughs, feed drills, storage bims etc. In order to improve infrastructure for marketing, subsidy was given to Regional Marketing Societies and regulated markets to develop godowns, market yards, link roads etc.

I have broadly indicated some of the programmes of S.F.D.A. Lastly I would mention some of the shortcomings. Obviously the S.F.D.A. programme, though has made some impact, has not been a roaring success. What are the factors responsible for this ? One of the factors was the fact that the land records were hopelessly outdated. This not only created difficulty in identifying small farmers but impeded flow of credit. It was extremely difficult to get long term loan in the absence of correct land record. Secondly any change in the lot of small farmer would largely depend on the institutional reforms. Unless radical land reform measures are carried out and the small farmers become the owner of the land, why shall he take the risk of borrowing money and investing it in agriculture ? I would give a small illustration. In Dhenkanal I identified a number of enthusiastic small farmers in a particular village. The area is rich in ground water. They wanted to sink dugwells and grow wheat. Unfortunately we found that the land they were cultivating was debottar land belonging a deity and they had no right or title over it though they were cultivatiug it for generations. Despite my efforts no bank came forward to give them a loan. There were a large number of small farmers who were share croppers. The banks stipulated that they would advance loan to share croppers if the real owner of land certified that 'X' is his share cropper. Which land owner is so foolish that he would admit some one to be his share cropper ? Therefore land reforms and land consolidation were two basic pre-requisites for success of S.F.D.A. progrmme.

The S.F.D.A. programme was essentially a progarmme of supervised credit. The success of the schemes depended on the strength of credit agencies particularly co-operative institutions. The co-operative structure in the State being weak it was not possible to meet credit needs of all small farmers. Assuming that each small farmer would

need Rs. 1,000/- as credit, 50,000 small farmers would need Rs. 5 crores. No co-operative bank in the State is in a position to borrow Rs. 5 crores from Reserve Bank and disburse it. Again even if the amount is available the Banks did not have the supervisory organisation or managerial resources to implement such a programme. The S.F.D.A. was supposed to be a catalyst. It did not have any extension staff. It had to depend on the existing departments like agriculture. Animal Husbandry were not adequately staffed for the purpose. Take for example agriculture. The Agency had to depend on the V.L.W. The ideal thing would have been to have one V.L.W. for 200 farming families. But in actual practice each V.L.W. was in charge of 3,000 to 5,000 families. Naturally he would not do any intensive extension work. Similarly for implementing animal husbandry programmes we had to depend on the local Veterinary Assistant Surgeon who was mostly busy in treating sick animals and had no time for such extension work.

To put it in a nutshell the approach of Govt. of India was that they (Govt. of India) would provide funds for project administration and subsidies; development of infrastucture and extension should be responsibility of the State Govt.. Since our State Govt. does not have enough resources, we could not provide such infrastructure facilities and that affected the programme.

I have given my views regarding S.F.D.A. and its role in agricultural development. I again thank Dr. Misra for inviting me to participate in the summer course.

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LOCAL TAXATION IN A DEVELOPING ECONOMY — A CASE STUDY OF SOME URBAN LOCAL BODIES IN ORISSA

PROF. R.C. PATNAIK.

As our national economy grows, more public services are demanded and the place where these services must be rendered is in the local level. Local Governments stand in close proximity to the hopes and aspirations of the people, because it is only at this level that the public needs are translated into effective public action. Because of their direct involement in the daily lives of individuals, the local Governments must be able to respond to these public needs. The response is inevitably conditioned upon local Government's fiscal vitality which is essential not only because of the multiplication of Civic and Municipal functions which local bodies have to perform but also because of their functioning as "Engines of Economic development". "Economic activity by local Government may well be the best way in which the people can play a part in the organisation of their own development[1]. Small local projects on irrigation or roads construction or small scale industry or marketing facilities can stimulate output and enlarge the flow of goods, which is so very necessary in a developing economy. A reasonable amount of taxation by the local body can not only help to ease the strain from inflationary pressures which a growing economy encounters but it may also help to ease the strain on balance of payments. What is essential, according to Prof. R. N. Tripathy, is that, "in an underdeveloped country planning for development at the local

and Municipal level is necessary so that the fiscal behaviour of the Municipal bodies may not run counter to the growth oriented fiscal policy at the national and state levels"[2]. There should not be, therefore any Psychoolgical reluctance on the part of the local body to undertake a compensatory fiscal policy in the broader national interest. A planned utilisation of resource potentials to meet the expanding demand on resources and effective impelmentation of projects formulated at higher levels are the two important tasks of local bodies in the context of development. According to Musgrave, although the objectives of stabilisation and distribution in the economy require primary responsibility at the national level, it is the allocative function which is more important on the part of lower level government.[3] William A. Robson also emphasises the dynamic aspect of local Government, when he says, "the tasks of city Governments are far more varied and complex. They have not only to maintain the Municipal services but to build up the infrastrcture and provide economic base to meet the requirements of a fast growing urban comylex"[4]. It is, in this wider context, that the problem of local taxation assumes greater importance to-day. If local Governments are to effectively administer various services and if they are to act as, "engines of economic development", they must have two or three major sources of tax-revenue which must be independent of the State Government; otherwise their ability to develop policies will be severely curtailed. In this connection, the remarks of Hepworth are worth-mentioning. "This wider function of local Government has not always been recognised and demands to hold down the level of local taxtion irrespective of the economic and social needs of an area are a symptom of this".[5] It is, therefore, necessary to correlate the role of local Government finance with the economic development of the area and not merely associate it with the necessity arising out of civic functions necessary in the area.

Once we accept the thesis that local bodies have to serve as engines of economic development, "The central problem of local finance becomes purposeful matching of obligations and resources.[6]" The items of resources made available to local bodies are few and these are mostly inelastic. Local governments have no place in the constitution and they exist as a result of statutes made by state governments and depend upon resources delgated to them by the state governments.

"This actual resources vary inversely to the number and extent of obligatory functions".[7] This is not a problem peculiar to India alone; Compare, for example, the views of J.M. Drummond, in the context of English local finaace, "The fundamental problem of local Government finance ..... is how to provide money to meet the cost of services carried and without imposing an intolerable burden upon the rate payers and without the local authorities becoming unduly dependant upon assistance from national exchequer".[8] The amount of dependance on finance from central Government reflects the degrees of freedom possessed by local governments to pursue its own poilicies "The more finance is supplied by the cental Government from rationaly raised taxes, the less tends to be the discretion allowed to local government. Conversely, the greater the abilitv of the local government to raise finance form its own resources, the less able is the central Govt. to control the local government".[9] The level of local taxation is always a factor which determines the rate of developments and demand to hold down the level of taxation never takes into account the economic and social needs arising out of an expanding economy. It is, therefore, essential that local bodies should develop independent sources of revenue of their own and should not depend too much upon grants from the State Governments. "Grants are necessary no doubt, to stimulate local governments to higher standards of service.....and to bring out greater coordination in federal, State and Local fiscal policies.[10] But according to a report of the Royal Institute of public administration, "The collection centrally of so much money for subsequent filtering to the local authorities through an elaborate grants system is expensive, irritating and out of harmony with the principle of local self Government,[11]" Moreover, grants would not provide sufficient flexibility in their day-to-day work. The studies undertaken by the Zakaria Committee revealed that during 1950-51 and 1960-61 the urban local bodies in India depended for grants so the extent of only 12.10 per cent and 13 50 per cent respectively. It means that the Municipal authorities have been relying mostly on their domestic resources, and role of grants, as state assistance is marginal. The items of specific local taxation have so far never been demarcated in the constitution and it is unfortunaate that neither the Local Finance Enquiry Committee of 1951, nor the Taxation Enquiry commission of 1955-56, nor Zakaria Committee of 1963, nor the Rural Urban Relationship Committee of 1966 considered it necessary or expedient to suggest amendments to the constitution for delimitation of functions or reservation af specific items

of taxation to local bodies. Even in their limited fields of taxation there are instances of important powers of taxation having being taken away from Municipal bodies by the State Governments, thus crippling them financially, "The states of Madras, Bihar, Gujarat, Assam, Madhya Pradesh, Maharastra and Punjab are levying land tax on urban land. In the U.P , special urban property tax has been imposed similar to House and property tax ..... In Madhya Pradesh, Punjab and Assam, State Governments are levying a profession tax etc."[12] Generally the State Governments justify their actions on the ground that local governments have failed to utilize their powers of taxation properly, but they forget that low taxes would perpetuate low level of services on the part of local governments, which would be a vicious circle and thus create conditions of resistence to levy futher local taxes. The only remedy in this connection seems to be to bring about a constitutional amendment in the form of a fourth list containing a list of local taxes to be exclusively used by the elected local bodies, both rural and urban. This would not, hdwever, solve the problem of ensuring adequate financial resources for fhe local bodies. The question of sharing of taxes, transference of grants-in-aid etc. have to be periodically examined in every state by a local Finance Enquriy Commission, every five years, so that the State government may include the financial obligations arising from such recommendations before the Finance Commission, thus making the entire problem of local finance, an integral part of the overall national finance.

A local tax is generally defined as a locally determined charge without correlation with the services rendered. It may be in the nature of a fee to regulate certain business or traffic or tax indicating some measure of abilty, if the motive is to earn revenue. Since it is difficult to locate income or consumption in a small locality, it is the property or house or holding which generally provides the most convenient base for local taxation. The criteria for evaluating local taxes may be in terms of, a) administrative feasibility. b) productivity. c) equity d) Inoccuity. and e) applicability to commutor and contact population, which are all canons of local taxation. A local tax should be simple and administratively feasible and it should not be injurious to local entreprise and should not discriminate unfairly against certain types of business. Certain graduated progressiveness is always desirable even though it may not be possible to make every local tax highly

progressive like the national income tax. Mable Walker in discussing what is a fair tax source for local government is of the opinion that no local tax can be a fair tax under all circumstances. "No tax in and itself is fair. Aside from intrinsic theoretical merits of a tax its actual structure and operation must be examined".[13] The benefit principle is more predominantly applicable in local taxation, but very often the benefits from the services rendered by local bodies cannot be exactly identified. A scheme of local taxation should be highly productive to meet the cost of onerous services transferred to local bodies and it should be elastic to population, income and prices. A highly progressive local tax may be difficult to calculate and it may undermine inter local parity in tax structure. Equity of the tax system as a whole is certainly desirable but it may not be possible to make every individual tax equitable. So local taxes should be well coordinated with the national fiscal system so that the tax structure as a whole is equitable. The basic principle should be that each individual may not be asked to pay the same proportion of their income but none of them should escape taxation. If local revenues are subject to severe fluctuations, every down ward fluctuation may produce a severe crisis, as local body cannot frequently resort to loans like the central government to meet the deficiency. It is therefore, necessary that the local tax should be a stable source of revenue. "The stability of ratable value as a source of revenue is probably the decisive argument in favour of rates".[14] Further, besides, being stable, certain, productive and elastic, a local tax should be able to operate as an effective instrument of resource mobilization. There must be a significant element of built-in-flexibility. According to Prof. R. N. Tripathy, "A progresive rate structure is necessary in order that it serves the twin objective of redistribution and mobilisation of larger resources".[15] If on the whole, a tax has to fulfil all these canons it should comprise of a comprehensive property tax at the apex and a few direct and indirect taxes, like profession tax and Octroi around, which will help to make the tax base sufficiently elastic at the local level to meet the expanding needs. The property or holding tax should include also a site value tax and the various service taxes like the latrine tax, water tax, light tax and drainage tax which should be amalgamated with the property tax.The holding tax should preferably be assessed on the basis of capital value, while in areas where rental value is conveniently established, the basis should be fair rather than the actual rent subject to

revision periodically once at least in five years and subject to the overall consideration that the rental value should not be less than 5 per cent of the capital value of the building. Site value should, invariably be merged in the general assessment of the value of holding and its increment in value from time to time should be mopped up. A tax on transfer of all such immovable properties should also suppliment the property tax along with site value tax. It is also necessary in growing areas to have different rates for earning and nonearning properties and all efforts should be made to bring the unearned incomes and corporate incomes into the fold of holding or property tax.

In Orissa, the holding tax is the house tax imposed by 67 urban local bodies from a total of 84 urban local bodies and its yield during the last three years is as follows [16].

Year	Demand (in Rs.)	Collection (in Rs.)	Percentage of collection to demand.
1971-72	83,02,833	62,20,208	74.91%
1972-73	88,98,655	49,68,773	55.83%
1973-74	1,14,09,048	39,79,729	34.88%

Under section 131 of the Orissa Municipality Act, it is to be levied at a rate not exceding 10% of the annual value of the holding but forty six of the Urban local bodies of Orissa are levying it at a a rate less than 6% only. And 40 of the urban local bodies have not taken to any periodical revision of valuation of holdings, 12 of them having not revised the value of holdings since the last 20 years. The points are illustrated in the table which is given below;[17].

	Income from holding tax of district headquarters towns of Orissa for 1973-74			
Name of the Municipality	Year of last assessment	Income 73-74 (Rs.)	percentage to total income	Rate of the holding tax
1. Balasore	1953	1,13,539	7.22	10 %
2. Bolangir	1952	20,241	1.88	3 %
3. Cuttack	1961	6,53,463	7.39	10 %
4. Dhenkanal	1956	39,821	12.31	5 %
5. Berhampur	1971	7,91,510	15.43	5 %
6. Bhawanipatna	1951	16,435	3.72	7·5 %
7. Keonjhar	1961	23,046	3.95	6 %
8. Jeypore	1961	75,286	6.03	6·25 %
9. Baripada	1953	62,015	5.54	7·5 %
10. Puri	1953	1,56,142	4.19	9 %
11. Sundargarh	1963	77,698	6.05	5 %

From the above figures, it is evident that holding tax is the main direct tax of urban local bodies in Orissa and it is doubly important because the service taxes are also levied as a percentage of the annual value of the holdings. It is therefore essential that the ratabe value of all the holdings should be determined and it should be periodica ly revised. The levy of holding tax should be obligatory at not less than 7% of the annual value of the holding, holding being defined as to cover all lands and building situated within the municipal limits. In Orissa there is State valuatic n organisation to determine the ratable value, but, it is given a lot of discretion with the result that it gives scope for wide spread favouritism and corruption. It is therefore, suggested that the annual value should be determined according to the capital cost on the basis of P.W.D. method along with proper depreciatic n. Further, private holdings or holding belonging to central or state or Public Sector undertaking should all be similarly treated for collection of taxes.

The second major tax in the local tax structure of Orissa should be service taxes for supply of water or lighting of streets or cleaning of latrine etc. "It is these taxes that are earmarked for specific purposes which are usually more acceptable and even popular because one can see the relationship between such taxes and services they want"[18] But at present in Orisea the total rate of holding and service taxes comes to about 35%. It is desirable that this be reduced to 30 including the 10% holding tax since the services rendered are in the nature of basic welfare functions.

Thirdly, a local tax on income, say a profession tax should also be developed as complementary to holding tax, but the indices of income have to be simple, objective and comprehensive and the present constitutional limitation of fixing land ceiling of Rs. 250/- should be raised to at least Rs.1000/-. At present, section 189 of the Orissa Municipality Act. envisages the levy of a tax on professions, trades; callings and employment but the number of local bodies whih have exploited this source of revenue are only 9, out of a total of 84 urban local bodies. The State average collection per year is Rs.2097/-per urban local body and the percentage of collection to demand is hardly 36%. It is necessary that all urban local bodies in Orissa having a population of more than 25 thousands, should develop this source of taxation as the tax can be easily graduated and can

be utilised to achieve a redistributive social policy, besides mobilising resources for economic development.

Lastly, the only indirecet tax which should be combined with these direct tax should be the octroi so that these four, the holiding tax, service tax, profession tax and the Octroi make a composite tax structure, ideal for our, local bodies. At present, there is much discontentment against the Octroi, it is said that "Ir is regressive in incidence, inequitable because of fraud and highly inconvenient to tax payers. From the broader economic point of view Octrol hampets inter local trade, bolstering up the economic isolation which is one of the biggest obstacles to development especially development from below".[10] But in Orissa, Octroi brings 18.82 per cent of the total income of the Urban local Bodies even though only 38 of the Urban local Bodies out of a total of 84 local bodies have been levying the tax. The share of octroi in states like Rajastan, Punjab, Madhya Pradesh and Jammu & Kashmir, is as high as 80 per cent and for India as a whole, Octroi brings 28 per cent of the total tax income. It is an elastic source of revenue and there is built-in-flexibility. It is not possible to find a suitable alternative to octroi. A surcharge on sales tax or a terminal tax can be the possible alternatives but when we are thinking of abolishing sales tax, the 1st alternative is not at all practicable. Traders will be required to keep elaborate accounts and submit regular returns whenever any surcharge on sales tax is levied. This will not only lead to corruption but the allocation proceeds of tax will present numerous difficulties and the system will ultimately degenerate into a system of grants-in-aid. Similarly, the second alternate of terminal tax, if it is to be levied by the local authority, will be the same as octroi with no system of refunds or if it is to be a centralised terminal tax collected by the Railways, its allocation by the central Govt. among the large numbr of urban local bodies would pose a serious problem. Moreover, any centralized location of a tax would stiffle local initiative and may actually diminish the amount of collection from octroi. It is, therefore, not wise to abolish the octroi at present without a suitable altetnative. There exists already an establishmemt and a built-in-mechanism for the assessment and collection of other tax, which should be simplified and streamlined. Articles of necessary should be exempted from octroi and it should not be levied advalorem but on the basis of weight since the former causes delay and harassment. A uniform rate structure and bye-laws in different languages should be exhibited in all

the check gates and the supervising machinary for the check-gates should be strengthened.

The importance of octroi in some of the district head quarters towns in Orissa is shown below[20]:—

No.	Name of the Urban Local Body	Income from Octroi in 1973-1974.	Percentage of income from Octroi to total income.
1.	Balasore Municipality	4,05,685	48.40
2.	Bolangir	4,84,048	60.31
3.	Cuttack	23,25,145	39.51
4.	Dhenkanal	1,05.144	23.81
5.	Berhampur	18,39,469	51.09
6.	Keonjhargarh	2,24,922	59.48
7.	Jeypore	3,98,606	42.43
8.	Puri	4,49,135	31.41
9.	Sambalpur	13,62,916	51.21
10.	Sundargarh	69,306	48.20
11.	Rajgangpur	2,02,247	78.62
12.	Bhadrak N. A. C.	2,24,203	68.66
13.	Brajaraj Nagar (N.A.C.)	3,09,102	77.90
14.	Orissa	107,55,681	18.82

Thus, the octroi which collects 18.82% of the total income of all the Urban local bodies in Orissa constitutes the highest percentage of total income, compared to any other single local tax and once it is extended to the other bigger Municipality and Notified Area Councils its percentage in the total tax structure will easily increase to about 40 per cent. It may be noted that during 1960-61 proerty tax along with octroi accounted for 82 per cent of the total tax revenue of all the urban local bodies in India as against 53 per cent by the property tax alone. The share of the two together constituted 84 per cent in all the corporations during the same period.[21]

The resource pattenn of the 84 urban local bodies in Orissa (26 Municipalities and 58 Notified area councils) during three years from 1971 to 1974 has been as follows. [22]

Sl. No.	Item	Revenue pattern of Urban Local Bodies as percentage of total income.		
		1971-72	1972-73	1973-74.
1.	Revenue from own sources.	56.30	64.37	56.84
2.	Shared taxes (Entertainment tax and Motor vehicle tax).	6.47	4.47	5.38
3.	Grants from State Government	25.39	26.28	25.28
4.	Other Grants-in-Aid	1.53	2.89	9.34
5.	Loans incurred	10.31	1.99	3.96

The percentage distribution of income pattern among the important taxes and other sources of reuenue during the same period in Orissa are as follows [23]

		1971-72	1972-73	1973-74
1.	Holding tax	8.16	9.74	7.45
2.	Service taxes water tax & latrine tax & Light tax & Drainage tax)	8.30	8.14	6.23
3.	Proffession tax	0.12	0.10	0.07
4.	Octròi	15.56	18.67	20.14
5.	Income from Licenses	3.74	3.63	4.16
6.	Income from Municipal property	4.33	4.50	4.08
7.	Income from Commercial projects	0.75	1.03	1.64
8.	Govt. grants	31.86	30.75	35.71
9.	Non-Recurring Grants	1.35	2.13	4.14
10.	Loans & donations	10.31	1.99	3.95

The above table illustrates the importances of holding, service taxes and octroi which if reformed and are broad based will certainly form an ideal tax structure for the State. The grants, at present, constitute more than one third and their importance is bound to increase with the increase of developmental activities of the Urban local bodies. This is not a happy state of affairs since the amount of grants can never be a stable source of revenue for the local bodies, as the State Govt. itself needs expanding resources.

The conclusions which emerge from this brief survey are that in theory and practice, local taxation in Orissa has a weak structure at present as a result of which the dynamic character of the growing cities and towns have been lost and the city or the town has failed to become an agent and instrument of economic growth and expansion. The problem of local taxation is one of matching obligations with resources, but unfortunately the trend in Orissa has been in the direction of centralization of revenue and decentralization of expenditures. Further, the amount of expenditure on services which amounts to about 50% of the average total expenditure and the amount of the developmental expenditure which amount to 15 to 18 per cent of the total expenditure have almost remained static during last five years, even though during the same period, the urban local bodies have increased by 25 per cent. It has been calculated by the State Municipal Finance Commission of Orissa (1975) that the per capita income and per capita expenditure during 1973-74 have been Rs. 37.98 and Rs. 40.33 respectively for the municipalities and Rs. 17.02 and Rs. 16.60 for the notified area councils and the actual average expenditure in all categories of the Urban local bodies comes to Rs. 20.84 per capita only as against the desirable expenditure of Rs. 32. 72 per capita to provide them with a minimum standard of essential services. This gap between the actual and desirable level of expenditure would need revenue resources to the extent of Rs. 6. 03 croes as calculated by the State Municipal Finance Commission. But the present total resources available are hardly Rs. 3/-crores. So this would mean doubling the resources roughly in order to meet the minimum requirement of services for the Urban Local Bodies in Orissa.

There are two remedies possible for this state of affairs. First, either some of the developmental functions including essential services and welfare functions which are at present being exercised by Urban Local Bodies should be taken back by State Govts. and financed entirely from its own sources, separate from that of the local bodies or secondly in the alternative, the State should streamline present local tax structure by fully exploiting the comprehensive property tax, service taxes, profession tax and octroi which all should form a reformed, integrated, local tax structure, ideal in Orissa conditions. In the United States, higher Govt. funds account for more than 32 per cent of the total funds spent on public services in the metropolitan areas and in

England, about two fifths of local Govt. current expenditure comes from Govt. grants.[24] Since redistribution function for welfare purposes falls almost wholly on higher level Govts. there is no reason why expenditure for operating welfare functions should not come solely from higher levels of Govt. If, on the other hand, full autonomy is to be given to the Urban Local bodies in carrying out the minimum standard of essential services then an ideal tax structure as outlined above has to be developed and maintained to fill up the present resource gap of Rs. 32.72 per capita amouuting to a total expenditure of Rs. 6.03 crores annually.[25] What ratio between property tax, service taxes, profession tax and octroi shall be maintained will ultimately depend upon how people respond to these taxes and their response is necessarily conditioned by the level of essential services to be provided to them and the administrative competence of the Government at the local level.

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