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ALL ORISSA ECONOMICS ASSOCIATION
CUTTACK-3

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REPORT OF THE SECRETARY, ALL ORISSA ECONOMICS ASSOCIATION, 1969

Mr. President, Chairman, Reception Committee, Mr. Chief Minister, Mr. Education Minister, Fellow delegates, Ladies and Gentlemen :

I have profound pleasure in welcoming you all to the 2nd annual conference of the Orissa Economics Association. We are indeed grateful to the Chief Minister and the Education Minister for having accepted our invitation to grace the occasion. We had the privilege of having them both in our 1st annual conference last year. This year, again, we have them both in our second conference. We deem it a special privilege and offer our heartfelt gratitude to them for their unusual kindness.

When we planned last year to organise the association, the primary consideration that guided us is the intellectual curiosity of meeting with our faculty members and discussing with them matters of academic nature. But gradually we are thinking more and more in terms of problems of Orissa and how best we can be able to assist in the development of the state. Though economics, according to modern parlance, is a neutral science, we of the older group belong to the Marshallian generation and feel that Economics has a social purpose, the purpose of improving the economic well being of the people. It is unfortunate that Orissa is the most backward state in India and I think, it is our primary responsibility, both as individuals and members of a professional group to find out ways and means of eradicating this backwardness and putting Orissa in the map of India. We have resources. And let me assure our distinguished guests that we have plenty of talent in the state. What is needed is effort to combine these two factors and build up a new and prosperous state. Probably we lack this enterprise and as a professional group, we feel that we should take some initiative in building up this enterprise and of strengthening the edifice so that we can march ahead without any further delay.

There are two specific ways in which we, as a group, can participate in the process of this change. The first is the project oriented study. So far,

we have been confined mostly to classroom teaching and discussion, which, let me confess have become irrelevant, if not useless, to stimulate our imagination or to meet the requirements of our time. The students do not read economics, they read made-easy notes on economics which are uninspiring and unproductive. We publish beautiful reports on planning, but even these Planning Commission reports do not penetrate into the academic life of the institutions; students prepare for the examinations by cramming the questions and answers, which are considered short-cuts to success. There is no thrill, because there is no involvement or participation by the students and teachers in the process or formulation of planning. Once upon a time we had a course on rural economics, essential for a state which is nothing but rural, but to our great surprise, this course scared away most of the students from the economics class and the academicians were compelled to change it and replace it by a more interesting course like Money, Banking and Public Finance. But this change in course may not materially alter the situation. Mere book knowledge does not interest the student so as to hold his attention fully. The brain gets weary of mere words and the students' mind begins to wander. And they do things what they ought not do and in fact, their education often proves their own ruin. It seems to us that if we can change the patterns of course programme and involve all the students and teachers of economics of an institution in a project study, not only economics will have a purpose, a relevance to our daily life, the study will also be interesting, stimulating and inspiring. I cannot understand how the students of Sambalpur and Bolangir College study the economic benefits of irrigation without making a project study of Hirakud Dam. I cannot understand how the students of Sundergarh College study the economic benefits of industrialisation without making a project study of Rourkela Steel Plant. And can the Dhenkanal Students enjoy the study of the benefits of electricity without making a project study of Talcher Thermal Station ? We therefore feel that Orissa Economics Association should take a leading role in changing the pattern of study and building up a number of projects for involving teachers and students in the process of change and making economics relevant, useful and interesting.

We have already started an association. We have started a Journal. We are confident that both of these will not only continue, but make steadfast progress. But Economics Association will have a fruitful existence and the Journal will have an enlightened forum of discussion and academic exercise provided the Association can be built up around a number of project studies in which the teachers and students of economics of different institutions can be closely and actively involved.

The Association can also help policy decisions in the state by focussing attention to important issues through seminars and University discussion groups. One conference a year becomes more or less a ceremonial function, with greater attention to guests rather than to subjects. For example, we have three very important subjects for discussion in our conference this year, subjects like Man-power Planning in Orissa, Food Policy for a Surplus State and Working of State Enterprises in Orissa. The subjects are so important and let me say, so complicated that a conference of two days cannot even successfully handle the fringe of one subject. I am reminded of a boy who was interested in a Kangaroo. He went to a Library and requested the Librarian to lend a book to him on Kangaroo so that he can have some idea about the animal. The librarian who had no chance of lending such books, lent him a big-sized book of about 500 pages with the satisfaction that he had done a great job. The boy took the book, opened the pages, saw the pictures and then returned the book next day. The librarian was surprised and asked him how he could read such a big book within one day. The boy replied that I wanted to know something about Kangaroo, but not so much as to read such a large book. Similarly we, in our first flush of enthusiasm, have chosen quite a number of big and difficult subjects with the fond hope that we probably can find out all the solutions in one conference. Well no, we have to make constant endeavour and organise several discussion groups and seminars in order to find out even a part of the answer to the various questions we are raising in the conference. I, therefore, humbly submit to our elders to give us facility to have intellectual discussions. In our blind pursuit of work, we are very often denied to think. It is now time that thinking and working should go together. We are prepared to work, we only crave your indulgence to think, think productively, effectively and combinedly.

I do not want to say more. I repeat the two specific objectives I have emphasised, one, preparation, formulation and working of some project studies for making economics relevant and interesting ; and second, organisation of a number of seminars and discussion groups to focus attention on some vital questions that confront Orissan economy. I hope we will have the support, encouragement and guidance from our elders in our humble and yet exciting adventure.

I thank you, ladies and gentlemen, for your kind patience and unstinted cooperation.

Baidyanath Misra

Secretary, Orissa Economics Association

PART I
FOOD POLICY FOR A SURPLUS STATE

**SECOND ORISSA ECONOMIC CONFERENCE
PRESIDENTIAL ADDRESS**

Dr. D. C. Misra
*Principal
Ravenshaw College
The 7th February, 1969*

Mr. Chief Minister, Mr. Education Minister, Chairman, Reception Committee, Members of the All Orissa Economic Association, Ladies and Gentlemen :

I am grateful to the members of the All Orissa Economic Association for inviting me to preside over the session. I offer my sincere thanks for bestowing on me this great honour. Since this Association has been formed to focus our attention on the problems relating to India in general and Orissa in particular, I intend to place before you the problems that are retarding the economic progress of Orissa and what could be done for accelerating the pace of economic growth in the state.

Orissa presents a contrast between its rich natural resources and the poverty of its people. It is rich in forest, fishery and mineral resources. The total forest area of Orissa constitutes 43.7 per cent of its land area and 7 per cent of the total forest area of the country. Orissa's long coast line of 250 miles numerous rivers, lakes and large number of tanks, provide vast potential for pisciculture. It has abundant mineral resources. Resources of iron ore are known to be of the order of 8000 million tonnes and the production of iron ore constituted in 1967, 28 per cent of all India production. Known manganese reserves are of the order of 25 million tons and Dolomite and lime stone reserves are of the order of 600 million tons. Similarly, known coal reserves are of the order of 1320 million tonnes.

The existence of large scale deposits of minerals has great potentialities for industrial development of Orissa. But actual utilisation has lagged behind on account of lack of capital and entrepreneurship. Orissa's many rivers have vast resource in water and constitute a great potential for generation of electrical energy. During the last three plan periods the power potential has steadily increased from 9.6 MW to 372.5 MW. By 1968-69 this is expected to increase to 560 MW.

But in spite of the rich resources, Orissa is one of the poorest states of the Union. The *per capita* income of Orissa has increased from 169 in 1950—61 to Rs. 278 in 1965 recording an increase by 64 P.C. But during the 1950-51 and 1966-67 the *per capita* income of India has increased by 80 per cent. Thus not only the growth rate of *per capita* income in Orissa is lower but what is worse, the gap between *per capita* income in Orissa and *per capita* income of India is widening. The difference was Rs. 100 in the fifties and it has increased to Rs. 200 in the mid-sixties.

The economic backwardness of Orissa can be attributed to the peculiar structure of her economy. More than 70 p.c. of the population depends on agriculture and about 70 per cent of the Orissa state income originates from agriculture. Again over one-half of the agricultural income and 34 p.c. state income depends on a single crop, rice. Not only agriculture is not diversified, it is extremely backward. The net sown areas per agricultural worker is only 1.06, hectares in Orissa compared to 2.55 in Mysore.

The percentage of gross irrigated area to net area sown is 19 in Orissa compared to 54 in Madras and 55 in Punjab. Thus it is no wonder that net income per worker from Agriculture is only Rs. 420 per annum in Orissa compared to Rs. 643 in Madras and Rs. 999 in Punjab. The industrial backwardness of the state becomes apparent when we find that there are only 220 workers in registered factories per lakh of population in Orissa as against 1584 in West Bengal.

In the sphere of road development, Orissa has lagged behind the other states. There was only 5 miles of road per 100 sq. kilometers in Orissa in 1964 compared to 27 miles in Madras. In the sphere of hospital facilities her position was 12th among the states. Similarly in respect of provision of educational facilities her position is among the lowest in India.

All these indicate that in spite of three plans, Orissa has not made much headway either in agriculture or industry or in economic and social infrastructure. The main reason for this state of continuing poverty even after the three plans is the low starting point. At the time of the commencement of planning, Orissa had practically no power, no large industry, hardly any irrigation, an extremely inadequate system of railways and roads, poor public health condition and total absence of facilities for higher technical education. The political integration of the state had been complete only in 1949. The merger of princely states increased the area of the province by 84 p.c. and population by 60 p.c. As these areas were relatively more underdeveloped, the development needs

of the new province were increased by a higher proportion than the area and population warranted. The level of administration and social services had to be raised to the level obtaining in other parts. This put additional strain on the slender financial resources of the State.

When the 1st five year plan was launched the emphasis was laid on Agriculture, Irrigation and power and social service which accounted for about 78 p.c. of the total plan expenditure. In the second plan the emphasis shifted from other items to irrigation and power and about 46 p.c. of the total plan expenditure was devoted to them. In the third plan same emphasis continued to be given to Irrigation and Power (36 p.c.) but social services and Transport and communication (17 p.c.) also claimed a sizeable share of the total outlay. Out of the Rs.328 crores of plan expenditure in the three plans the biggest share Rs.125 crores went to Irrigation and Power, next in order were social services with a share Rs.57 crores, transport and communications with an investment of 47 crores, Agriculture with a share of 35 crores and cooperation with 31 crores. The lowest share was that of Industry and mining with Rs.24 crores. These were supposed to provide a firm and adequate base for the economic development of the state. But such was the low-level of these facilities, that even investments of this magnitude in these fields were no adequate to make an impact on the economy.

In spite of the three plans, agricultural production has remained more or less stagnant. The fluctuation in production of cereals between a good year and bad varies from 3 lakhs to 11 lakhs tonnes. In an economy heavily dependent on agriculture and particularly on one crop, this seriously affects the state income and its ability to raise additional resources for further economic advance. The average yield per acre has practically remained static in case of most of the crops. Plan targets have not also been reached in case of Irrigation and power. Only in the field of primary and secondary education and health services the targets have been reached during the second and third plans.

There was relatively larger investment and greater industrial activity during the third plan. But their impact on growth of state income and *per capita* income has not been significant. During the first four years of third plan state income at constant prices rose by 14.89 p. c. but it declined by 6.5 p. c. in 1965-66. *per capita* income during this period increased by 5.4 p. c. but declined by 8.6 per cent in 1965-66. The slow growth is on account of rapid rate of population growth (2 p. c. per annum) and the instability of agricultural production.

Growth of the economy of Orissa during the third plan

Sector	P. C. of increase in state income in 64-65 over 1960-61	Annual growth
1. Agriculture and allied activities	11.26	2.81
2. Mining, Manufacturing, and small enterprises	25.82	6.45
3. Commerce, Transport Communication etc.	22.55	5.63
4. Total income	14.89	1.35

The magnitude of the task involved for rapid economic development of Orissa can easily be appreciated from the estimates suggested by the National Council of Applied Economic Research. It recommended an investment of the order of 1427 crores at 1966-67 prices for the period 1961-1971 if Orissa is to catch up with the All India *per capita* income by 1971, assuming an increase of population to 21 million. This investment was to be made in the state, Central and private sectors. Even assuming that, sizeable investments would be made in the Central and private sectors which is quite unlikely, it is extremely doubtful whether the state can mobilise resources of such large magnitude to reach the objective by the end of the 4th plan.

Orissa has always leaned heavily on the central assistance for financing the five year plans. Out of total plan expenditure of Rs. 18.3 crores during the first five year plan, balance from revenue account contributed only Rs.2.2 crores. State trading and Deposits and other miscellaneous receipts on capital accounts contributed Rs.9.4 crores. The central assistance was of the order of Rs.10.6 crores. In the second plan the balance from revenue account was minus Rs.12.62 crores (being the difference between revenue receipts of Rs.88.21 crores and committed expenditure of Rs.101.83 crores). Revenue from additional taxation was Rs.4.26 crores and state's share of additional central taxation was 19.24 crores. Thus net amount available from the sources was Rs.10.88 crores. Total resources available from Capital account was Rs.10.70 crores. Thus total contribution to the plan was only Rs.21.58 crores. So the central assistance amounted to about Rs.65 crores. During the third plan the central assistance was to the extent of Rs.132 crores

out of the total plan expenditure of Rs.224 crores. The state raised Rs.33 crores through additional taxation and Rs.59.15 crores through borrowing from the public. The resources raised from various sources was Rs.86 crores after meeting the negative balance of Rs.17 crores in the revenue account at existing rates of taxation.

A look at the budgets of Orissa for this period shows that the revenue part of the budget has been in deficit since 1954-55 except for one year 1958-59. The deficit during these years amounted to about 51 crores. Revenue deficits have persisted despite steep rise in grants-in-aid from 2.5 crores in 1954-55 to Rs.20.6 crores in 1965-66, and the sharp rise in revenue collections from Rs. 8.73 crores in 1954-55 to Rs.46.80 in 1965-66. The reasons for monetary deficits from one plan to the other are (1) the large outlay on the plans (II) growing expenditure on plan maintenance and the monetary debt servicing charges which is the result of increasing dependence on loans for financing the plans as well as to meet the revenue deficits. The Chief Minister of Orissa stated before the Fifth Finance Commission that during the fourth plan period (1969-70 to 1973-74) the deficits will mount up to Rs.408 crores. At the beginning of the 4th plan the loan from the Centre will amount to Rs.335 crores. The interest-payment will amount to Rs.66 crores and repayment liability will be of the order of Rs.139 crores. So the Orissa Government will have to contract new loans to repay the old ones. The State Government also proposes to raise Rs.35 crores by additional taxation. If this is done *per capita* tax incidence will rise as a consequence from Rs.8.58 in 1960-61 to Rs.14.12 in 1968.

This shows the precarious position of the state with regard to finances. A programme of investment designed to double the *per capita* income of the state would require a fundamental departure from the present principle of plan outlay, a change in the principle of central devolution of resources and the reorientation of the revenue policy of the State Government.

What is to be done under the present context ? The first task should be to remove the basic deficiencies of our economy and to strengthen its base. The first thing that needs attention is the economic integration of the state. The present network of roads and railways cannot achieve this. Especially for long-distance heavy duty transport, railway transport is suitable. For the development of the mineral-rich Brahmini river valley, there is now a demand to link Rourkela with Paradeep port by closing the gap between Bimalgarh and Talcher and by the construction of a new line from Cuttack to Paradeep. Similar railway lines are necessary for the development of the Mahanadi valley and the Baitarani valley and for the exploitation of the

forest and mineral resources of these area. The second task should be to stabilise agricultural production. This can be done through flood control measures and by increasing irrigation facilities. We have seen how irrigation facilities in Orissa are very low in comparison to other states. Increase in irrigation facilities will also make it possible to increase the acreage of double cropping and multi-cropping area and the introduction of high yielding crop varieties. Along with it fertiliser production and plant protection measures should also get top-priority. Unless the rate of increase in agricultural output is increased, it is not possible to register a sizeable increase in the *per capita* income of the people and without this it will not be possible to mobilise resources for the accelerated development of the state.

The third task should be to remove the excessive dependence on agriculture in general and on rice production in particular by a large percentage of the population. With increase in irrigation facilities, there will be diversification in agricultural production. With the linking up between the agricultural belt and the mineral and forest belts by railways and with the development of industries utilising of agricultural, forest and mineral resources, the occupation structure of the state will be more diversified. But this will be possible only if the agricultural production increases at the expected rate.

The most important questions that arise in this connection are the improvement in the planning machinery and in mobilising resources. In the preliminary Memorandum to Fourth five year plan by the Planning and coordination Department it has been stated that the first two plans took the form of a number of programmes outlined in the physical terms and filled into the national programme. These were not coordinated and no attempt was made to apply national accounting methods to state plans and no projection was made for the state's economy as a whole. An attempt was made in this direction for the first time on the eve of the drawing up of the Third plan only.

After the overall growth rate has been determined and allocation of investment to different sectors have been made, the problem still remains as to how within each sector funds will be allocated to various activities and enterprises. For this pre-investment analysis is necessary to make any scheme eligible for inclusion in the plan. This merely emphasises on the necessity for making plan formulation and evaluation a continuous process. This will also prevent unnecessary duplication of staff and lack of coordination between various Departments about which complaints have been universal. This will also

prevent study of a large number of schemes together resulting in the lengthening the period of gestation in each case.

As regards mobilisation of resources, it has been difficult to raise more resources through taxation because of slow rate of growth of *per capita* income on account of low rate of agricultural production. If agricultural production increased by 5 to 7 p.c. as has been envisaged in the Draft outline for the 4th Five Year Plan of Orissa, the scope of resource mobilisation will be better. The categories of agriculturists who contribute to this growth in output will receive substantial benefits. From the point of view of contributions to savings and taxation, the agricultural sector has lagged behind. With this spurt in income, it will be possible to raise more resources from this sector than has been possible hitherto.

Secondly according to the planning Commission the provision of public utilities and services should not be on a less than cost basis wherever that is possible. If this principle is followed, the irrigation and electricity rate will have to be increased. Because if these investments do not obtain a fair return future development in these sectors will be retarded.

Thirdly the growth in industrial and other sectors will also contribute resources for further development.

But in the light of the inelastic nature of state financial resources and increasing dependence on central devolution of resources not only to balance the budget but also to finance economic development, it is suggested that the basis of devolution of resource from the centre to states be modified. The principle of transfer of resources from richer to poor units of the federation through the mechanism of federal financial devolution should be recognised. This transfer is to be based on the criterion of need as expressed objectively in *per capita* income, population and area of the state. In case of Orissa, if she is to reach the All India *per capita* income level in reasonable time, a massive dose of investment in the central, state and private sector will be necessary. So besides the central devolution of resources on a large scale, this would demand increasing efforts for mobilisation of domestic resources. This also calls for economic policies which will induce large scale private investment in the state. It is also necessary to convince the central Government to locate some national projects within the state not only for the exploitation of its natural resources but also for correcting the severe imbalance in its economy.

FOOD POLICY IN ORISSA

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and

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Food policy in a surplus State like Orissa has three important aspects : production, distribution and prices. In respect of production, objective should not be mere self-sufficiency but increase of marketable surplus of food grains. In a State in which about 34 per cent of the aggregate income is derived from rice and 63 per cent of farm production is rice, the economic progress of the State is largely centred around rice economy. The distributional aspects of food policy are important not only to ensure equitable distribution between different regions but also to vulnerable sections inside a region. The question of distribution is linked with appropriate policies in respect of procurement, purchase, storage and regulation of inter-State trading. Similarly the overall objective of food price policy is to ensure remunerative prices to producers and economical prices to consumers and to maintain a reasonable degree of stability of food prices as "stable and reasonable prices for what the farmer produces are likely to provide him a better incentive than high but fluctuating and uncertain prices".¹

According to one estimate prepared during 1959-60, the total requirements of rice (consumption needs at the rate of 23·17 oz. per day per adult on the average plus other requirements) amounted to 33·03 lakh tons of cleaned rice and estimated annual production amounted to 36·55 lakh tons of cleaned rice, giving roughly about 3·52 lakh tons of surplus (9·6% of the total production).² But the position has deteriorated recently, particularly during 1965-66, 1966-67 and 1967-68, due to damage caused by floods, cyclone and drought conditions. With the present average production trend varying between 36-38 lakh metric tonnes of cleaned rice, the surplus available for procurement and export will be roughly between 1½ to 2 lakh metric tonnes annually. This is not a big surplus and therefore the objective of increased production programme should be to release at least a surplus of about 4 lakh tonnes of rice annually, (3 lakh tons for export and 1 lakh tons for internal consumption on account of emergency requirements)

1. Government of India—Third Five Year Plan page—125.

2. Consumption estimates of Rice in Orissa—1959-60—page 20.

This should be the aim of long-term food policy and it is possible to achieve the target by extending benefits of irrigation, saturating larger area with improved seeds, increasing consumption of fertilizer and manure, besides provision of credit, marketing and processing facilities. With the introduction of high yielding variety programmes and short durations paddy and wheat the I. A. A.P. and I. A. D. P. areas have already shown considerable improvement in respect of productivity which should be followed up by other areas.

Further in a State like Orissa, the low proportion of double cropped area (8% as compared with all India average of 14%) and high proportion of cultivable waste and short fallows (46% in Orissa as compared with 30 per cent in India) indicate that there is scope for increasing agricultural production by increasing the intensity of cultivations as well as by extending the area under crops. It is estimated that additional food grains production would be about 1.40 lakh tonnes by extending the existing cultivable area mainly by reducing short fallows.³

Population has been growing in Orissa at the compound rate of 2.16 per cent and food grains production at the rate of 2.39 per cent (normally)⁴. But there is only one normal year out of every five years. The trend of rapid urbanisation and consequent expansion of rural and urban income together with rapid increase of population and shift in consumption pattern are likely to make tremendous impact on the demand of food grains in Orissa in future, for which the ground must be prepared from now. Moreover this inter-regional specialisations in the production of agricultural commodities is desirable as it enables the country to make an optimum use of its natural endowments.

One more point needs emphasis in this connection. The long term food problem is not one of increasing the domestic production of food grains only. It calls for a simultaneous reduction in the pressure of consumption on cereals by increasing the production of other foods, especially vegetables and animal proteins in which Orissa is highly deficient. Such diversification of agriculture will not only enhance food production but will also help capital formation and will promote savings and investment in the rural sector.

The problem of greater production and regional specialisation emerges only in the long period; the more urgent short-term food policy is in terms of distribution of food grains. "In our anxiety to solve the problem of production we have created stupendous problems of its distribution. The distribution

3. N.C.A.E.R. Techno Economic Survey of Orissa—page 15.

4. Ministry of Food and Agriculture—Government of India—growth rates in Agriculture, 1949-50 to 1964-65.

patern that has emerged from the three plans extending over a period of 15 years is at the root of chaotic conditions that are prevailing in the country to-day".⁵

The reference of Prof. J. K. Mehta is certainly more appropriately applicable to our food policy today. The distributional aspects of food policy boil down to 3 main issues which are all subjects of controversy. (1) Regulation of inter-State movement of food grains (2) procurement purchase within the State and (3) Price policies.

Orissa has accepted the single zone system with the scheme of procurement of paddy and rice on a monopolistic basis. The Food Corporation of India has been appointed as its sole agent in the matter of procurement. During the Khariff year 1965-66, 85,500 metric tonnes of rice has been delivered to Government of India while 110,000 metric tonnes of rice were sold in fair price shops. Similarly, during 1966-67, a quantity of 2.06 lakh tonnes of rice was procured out of which 98,000 tonnes were supplied to Central Government, 5,273 tonnes were exported to West Bengal and 94,650 tonnes of rice were issued for home consumption.⁶ The target of procurement has been fixed at 3 lakh tonnes with a hope to export 2 lakh tonnes, keeping 1 lakh tonnes for internal consumption. But this has not been possible due to widespread failure of monsoons and devastation caused by floods and cyclones.

The important questions of policy which arise in this connection are (i) should Orissa adopt free trade in rice and remove all zonal restrictions ? (ii) or should it favour larger zones comprising contiguous surplus and deficit States ? or (iii) should it resort to licensed inter-State movement of good grains ?

Prof. B. R. Shenoy and others plead vigorously for removing the ban on exports. In their opinions, it has led to dual pricing of rice (a controlled price and a blackmarketing price), has shifted incomes from farmers to consumers and black market dealers, has retarded food production in the State as it has not given sufficient incentive to the cultivators and has adversely affected the progress of the State which rests so heavily on rice.⁷ Restrictions on the free movement tend to keep the prices artificially lower in the surplus States and artificially higher in deficit States. While the average prices of paddy was Rs.44.50 per quintal in Orissa during 1967, it was Rs.62/- in

5. Sri J. K. Mehta—Presidential speech at the 51st Annual economics conference at Hyderabad—Dec. 1968.

6. Ref. Budget estimates of Orissa for the year 1968-69.

7. Ref. Shenoy Report submitted to Orissa Government during May, 1967—page 19.

West Bengal and Rs.52/- in Andhra, the two neighbouring States. Similarly retail price of rice per quintal in Orissa today varies between Rs.80.32 and Rs.99.34 per quintal as opposed to Rs.180/—Rs.200/- in the Calcutta market. Calculations of Dr. Raj Krishna, one of the members of the Agricultural prices Commission has shown that the co-efficient of variation of the prices of rice as between States has increased from 6.5 per cent in 1955-56 to 7.1 per cent in 1963-64 and 10.4 per cent in 1964-65.⁸ Free trade movements will tend to eliminate such disparities. Further free inter-State trade would enable the State to enjoy the economics of regional specialisation and would provide the necessary incentive to the producers to adopt costly inputs and improved agricultural practices to enhance production.

Lifting of the Zonal restrictions could be possible only when the State is favoured with larger crops continuously for 3 to 4 successive years and when the State will be assured of a rush of supply at subsidised rates, whenever shortages occur. Because of higher purchasing capacity in both West Bengal and Bihar, past attempts to introduce free trade had met with failure as the stocks were drained out by alluring prices causing distress within the State itself. Following the introduction of free trade in 1954, the distress caused by drains to West Bengal forced Orissa to impose a levy system in 1957. Similarly when the State agreed to the formation of a combined food zone with West Bengal later on, it was beset with many administrative difficulties particularly when the State faced with shortfall in production during 1961 and 1962, as a result of which the Eastern Zone virtually broke down in May, 1963. The difficulty of working a larger zone arises from the fact that there is no political or administrative authority at the zonal level to take effective action in a situation of shortage and as soon as signs of shortage appears, the Governments of surplus areas are sure to restrict movements to deficit areas. Hence combined zones have been rightly terminated as 'Fair-weather friends'.

It is argued that the zonal system has brought about a fall in the inter-State movement of food grains despite there being overall increase in the production of food grains which has caused disparity in prices. For example, during 1964-65, there has been increase of production by 41 lakh tons over that of 1963-64, but the inter-State movement of rice and wheat declined by 10 lakh tonnes or by about one-third. Secondly the zonal system has resulted in over-estimating the deficits in deficit States and under-estimating the surpluses in surplus States and thirdly

8. Rice Zone policy—A note of dessert—Agricultural prices Commission Report—May-July—1967—page 41.

it increases the financial requirements of the State Governments, as also the burden of the purchase machinery, which are costly commitments for a poor State like Orissa.

These arguments have their merits but what is the alternative at present ? In the face of fluctuations in production giving rise to continuous scarcity conditions, other alternatives cannot be thought of. The disparities in the price structure can be minimised by large scale purchases by the Government at higher prices and quick transfer and distribution of stocks thus acquired in the deficit States. When monthly *per capita* expenditure in Orissa is hardly Rs. 19.45, the lowest in India, any attempt to increase the market price of food grains by lifting the zonal restrictions would be against the interests of the poorer and vulnerable sections of the society i.e. the consumers. The remedy may lie in maintenance of buffer stocks and sale of food grains at cheaper rates through fair price shops. But this would mean subsidising sales which amounts to an indirect tax burden on the other sections of the society. Moreover it would require a competent and complex administrative machinery which would be very costly.

The next question which is important in distribution is what should be the method of procurement—should it be by (1) a levy on the producer or miller or (2) should it be competitive openmarket purchase by Government or (3) should procurement be on the basis of monopoly purchase or (4) should purchase be on voluntary and agreed basis as to quantity and price ?

In Orissa the Government have decided to undertake procurement of rice and paddy on monopoly basis and the Food Corporation of India has been appointed as the sole purchasing and supply agent of the State Government to purchase rice and paddy on behalf of the State Government at the rates approved by the Government of India. The procurement prices of paddy per quintal have been approved at Rs. 48/- for the coarse variety and Rs. 53/- for medium and Rs. 60/- for fine varieties. It may be noted that Government of India have fixed much higher prices for the border States of West Bengal and Bihar, which has resulted in flow of rice and paddy to these adjoining States by way of smuggling in spite of all possible measures taken to stop it.

The monopoly procurement basis has its merits and defects. It safeguards the interests of consumers but it has artificially repressed the price of food grains in Orissa, thus adversely affecting the interests of producers. It has not enabled the Government to acquire sufficient stocks for use in times of emergency, as the farmer prefers to dispose of the surplus at higher price in

the free market and consequently resorts to hoarding. The lack of storing capacity by the Government also acts as deterrent factor, besides the cultivator's resistance. In Orissa, for example the total storage capacity has been estimated at 51,000 tonnes, whereas we require storage capacity for at least 3 lakh tonnes.⁹ As it has been stated by the Agricultural Prices Commission "The crucial difficulty encountered under the system is that whatever the price the Government pays for its monopoly purchases, the farmers will inevitably feel that injustice is being done to them if there is monopoly purchase without a compulsory levy, the Government will be able at best to acquire only a small part of the marketable surplus and since no other sales are permitted by law, the supply line will be badly disrupted, resulting in high prices and consumer distress".¹⁰

A partial levy on compulsory basis on producers and millers should therefore be confined to monopoly purchase scheme. In that case only, it will be possible to mop up the surplus in a surplus State to the extent required by the National Food Budget. A surplus State may be disinclined to the levy system owing to political pressure or due expectations of considerable quantity of food grains becoming available for procurement in the open market owing to a good harvest. But so long as acute overall shortage persists, the voluntary methods may not enable the Government to purchase the quantities it requires except at a very high price. There is, therefore, no escape in the immediate future, from the use of levy system i.e. compulsory purchases at fixed prices which may be lower than the market prices. This levy should be a partial levy on, say 25-30 per cent, of the marketable surplus of a farmer, so that the farmer will have less resistance to the procurement as he will be free to sell the rest of his marketable surplus at competitive market price. Similarly it will be possible for the Government to maintain reasonably large stocks so as to enable it to act as "a countervailing force against the speculative activities of the traders" and to "secure a position of strength in the food grains market."¹¹

In conclusion, it may be said that the time has not come for lifting the zonal restrictions on the movement of food grains or resorting to competitive open market purchases as an alternative method of procurement in Orissa, mainly because of acute shortage conditions. The policy in Orissa should be a part of the National Food Policy and Orissa should therefore submit itself to the national discipline even though it may mean some economic loss on that account. Continuance of zonal restrictions and a levy of some form or other on the producer to build sufficient stocks should be the two important ingredients of the food policy for Orissa.

9. Ref. "Commerce"—why still food zones? Page 711. 16th March, 1968.

10. Report of the Agricultural prices Commission for 1965-66—page 26.

11. Report of the food grains policy committee—page 112.

**FOOD POLICY FOR A SURPLUS STATE :
AN EXAMINATION OF SOME OBSERVATIONS
AGAINST SINGLE STATE ZONAL POLICY ***

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I

Food-policy for a surplus state has several aspects and each aspect is so important and interesting that it is not possible to discuss all of them in a convincing manner within the limits specified. In this note, therefore, an attempt is primarily made to examine some observations against the present system of single state food-zones from the point of view of Orissa, which is often regarded as a surplus state**.

The policy of having single-state food-zones has been criticised by some eminent economists in recent years. Prof. B. R. Shenoy in his report to the Government of Orissa on the economic situation in the state has criticised the single-state zones and characterised imposition of restrictions on the inter-state movement of food grains as one of the most important factors arresting the agricultural development of the state. Prof. Raj Krishna, a member of the Agricultural Prices Commission, headed by Prof. M. L. Dantwala, in his note of dissent on rice-zone policy has also criticised the present policy of single state rice-zones. Similarly, Prof. Khusro has regarded these single-state food-zones as the "cause of serious inefficiency in the present food-policy"¹ In this note the arguments of these eminent economists have been examined from the point of view of overall agricultural (and economic) development of a

* The author acknowledges his thanks to his teacher Dr. Bidyadhar Misra, Professor of Rural Economics, Utkal University, Bhubaneswar, who was kind enough to go through an earlier draft of this paper and for suggesting some improvements. But the author alone is responsible for any short-coming of this paper.

** Orissa is regarded as a surplus state because it exports to other states some of its food-production. 'Report of the Agricultural Prices Commission on the Price-Policy for Kharif Cereals' (p. 14) to Government of India and B. R. Shenoy's report on 'Economic Situation in Orissa—A Programme of Reform' (Memorographed p. 10) to Government of Orissa refer Orissa as a surplus state in food grains in this sense.

1. Khusro, A. M.—Economic Theory and Indian Agricultural Policy—Readings in Agricultural Development—Khusro, A.M. (ed)—Allied Publishers (Calcutta, 1968)—page 20.

surplus state like Orissa and the country as a whole and a plea has been made for the retention of the present system till the supply situation of food grains in the country as a whole improves.

II

Prof. Shenoy's arguments :

Prof. Shenoy's contention against the present policy of imposing restrictions on the movement of food grains is based on the following arguments.

First, imposition of restrictions on free inter-state movement of food grains unnecessarily depresses the price-levels of rice in Orissa and imposes "a heavy penalty on rice-growers and those who derive their income from rice."² "A chinese wall round the state, in respect of rice movements may, indeed, depress the prices of rice within the state, in relation to the prices in the deficit states."³

So, if the present restrictions on the movement of food grains will be lifted, prices of food grains will rise, which will improve the financial condition of the farmers. This will have a very salutary effect on the incentive of the farmers to produce more.

Secondly, he feels that under the prevailing condition of general food-scarcity in the country as a whole and particularly in the neighbouring state of West Bengal, the effort of the State Government to keep down the prices of food grains on inter-state movement is not likely to be successful. This has actually given rise to dual pricing, black-marketing, and smuggling. Thus, according to him present system of zonal arrangement leads to "corruption and lowering of moral standard of the community of the traders, businessmen, producers and consumers."⁴

Thirdly, Prof. Shenoy feels that the present policy of imposing restrictions on the free movement of food grains has done injustice to the rice-growers of the state and comes into conflict "with the national objective of achieving a democratic and socialistic society, free from exploitation, political, economic and social. We have a case here of the coercive powers of the state being used to repress artificially rice prices, thereby compelling 8·35 million helpless rice-cultivators to surrender substantial parts of their hard earned incomes for the benefit of the favoured sectors of citizens within and out-side Orissa".⁵ In paragraph 35 he further argues ".....when in the past the

2. Shenoy, B. R.—Ibid—45.

3. Ibid—p. 10—paragraph 26.

4. Ibid—p. 9

5. Ibid—p. 12—paragraph 31.

price of rice was low and rice-growers suffered, did we ever argue that his income was falling "too low" and think of coming to his rescue? It is odd to leave the rice-growers to their fate when prices move against them and to jump on their backs, when a complex of events, which they have not conspired to create, bring them good times".⁶

Finally, he discounts the apprehension that Orissa will be denuded of its rice-stock in the event of free-exports. As he points out: "the apprehension that Orissa may be denuded of its rice-stock, in the event of free-exports, seems over-drawn. The removal of export ban would, almost at once, lift up Orissa prices of rice to the level of West Bengal prices".⁷ In such a context of rising prices producers, traders and householders would take sufficient precautionary measures and would build up their own stock of food grains.

So according to him lifting of ban on free export is not likely to exert any undesirable effect on the availability of rice-stock in the state.

These are the four principal reasons for which Prof. Shenoy is opposed to any idea of putting restriction on inter-state movement of food grains.

Prof. Raj Krishna's arguments :

Prof. Raj Krishna is also against any restrictions on inter-state movement of food grains, particularly of the rice. His arguments are as follows :

First, single state zone system has a built-in-mechanism, which tends to increase the demand (for Government supplies) more than it increases the supply. He points out that although single state zone system increases government procurement to certain extent, the responsibility of meeting the entire deficit of the deficit state falls on the Central Government and this responsibility may be so great that the central government may not be in a position to honour its commitments. Government purchases in the surplus states will not be so great as to meet the entire deficit of the deficit states". These considerations do indicate that with movement restrictions, the central commitment will grow remorselessly but the central availability is not likely to grow at the same rate. Indeed, if in any year out-put does not grow, the centre will find itself in an untenable position and may have to abandon the system of restrictions in a crisis".⁸

6. Ibid—p. 13.

7. Ibid—paragraph 37.

8. Government of India—Report of the Agricultural Prices Commission on the Price-Policy for Kharif Cereals—p. 39.

Secondly, he feels that under the single-state zone system the scarcity of food grains in the country is not likely to be shared equitably by the states and inter-state price disparities will grow. This inter-state price disparity will induce smuggling across the state boundaries.

Finally, he considers the effect of movement restrictions on the long-term agricultural development of the country. He feels that continuance of such a policy may compel the deficit states to transfer a part of the land now devoted to non-food crop production to food-crop production. Similarly, in surplus states there may be transfer of land from food-crop production to non-food crops. Thus, ultimately the country will be forced to forgo the advantages of regional or geographical specialisation. The growth of food and raw material production may suffer or shift to areas, where it is inefficient. As a result, cost of production of every crop may rise. So Dr. Raj Krishna feels that the pursuance of the present policy of single-state food zones will ultimately arrest the agricultural development of the country.

Prof. Khusro's arguments :

Prof. Khusro's arguments against the single-state food-zones are as follows :

(a) by keeping producer prices in surplus areas lower than they would otherwise be, zones depress production in surplus areas (where precisely it ought to be encouraged for reasons of better endowment in respect of the particular grain in question)

(b) by keeping consumer prices in surplus areas lower than they would otherwise be, zones encourage consumption in these areas ;

(c) by keeping consumer prices in deficit regions higher than they would be zones depress consumption in these regions, hit the consumers here harder than is necessary and make for national disharmony ; and

(d) by keeping producer prices in deficit areas higher than they would be, zones perpetuate production in regions badly endowed (for the commodity in question) and tie up resources precisely where these should not be tied up".⁹

Besides, he opposes zonal system because it overestimates deficits and underestimates surpluses in the deficit and surplus states respectively and enhance Government's responsibility to procure more food grains.¹⁰

9. Khusro, A.M.—Economic Theory and Indian Agricultural Policy—Readings in Agricultural Development edited by Khusro, A.M.—Calcutta—(1968)—p. 20-21.

10. Khusro, A.M.—'Zoning and Distribution of Food (Mimeographed) p. 2.

The arguments of these three economists against the present zonal system can be conveniently summarised as follows :

First, the zonal system depresses the prices of food grains in surplus states and serves as a positive disincentive for food grain production (Shenoy and Khusro).

Secondly, it does injustice to the food grain producer and comes into conflict with the national objective of achieving a democratic and socialistic society, free from exploitation, political, economic and social. (Shenoy)

Thirdly, in the zonal system the burden of general scarcity of food grains is not shared equally by all states. (Raj Krishna and Khusro).

Fourthly, the zonal system encourages black-marketing, smuggling, and other anti-social activities (Shenoy and Raj Krishna).

Fifthly, the apprehension that in the event of free-trade, the surplus state will be denuded of its food grain stock seems to be over-drawn (Shenoy).

Sixthly, the zonal system increases the Central Government's commitment to meet the entire deficit of the deficit states but reduces its capacity to procure food grains (Raj Krishna and Khusro).

Finally, the zonal system prevents regional or geographical specialisation in agricultural production. (Raj Krishna and Khusro.)

III

Let us, now, examine how far the contention of these economists are tenable in the conditions now prevailing in Orissa.

One of the important claims made in favour of free inter-state movement of food grains, particularly of rice, is that it will raise the prices of food grains, which will ultimately increase the food grain production in the state via its favourable effect on the income of the agriculturists and their incentives to work hard. Thus, apparently it seems that these economists are influenced by the noble consideration of augmenting the agricultural production in the country and helping one of the most depressed sections in the community. But if we will go deep into the matter, it will be clear that there are several restraints on the achievement of these objectives. Production of food grains in Orissa is not responsive to prices. Even when the farmers have the desire to increase production, short-supply of some essential inputs like better seeds, fertilisers, water etc. become constraining factors. A study conducted by C. Misra and P. N. Das of the Bureau of Statistics and Economics, Orissa, on this problem also corroborates this fact.¹¹ They have analysed price and

11. Misra, C. and Das, P.N.—Price-Incentive and Production Response in Agriculture—Orissa Economic Journal, Vol. I No. I, 1968. p. 80. For details please see appendix.

production data of food grains in Orissa for over ten years from 1956-57 to 1966-67 to show that whereas prices have risen by 94.0 per cent, production has increased by only 18.0 per cent. In other words, this means that while food grain prices were increasing at the average rate of 9.4 per cent per annum, the average growth of food grains production is only 1.8 per cent. Similarly it has been shown by these two writers in the same study that the production of rice in the state is also not responsive to changes in price. It has been pointed out by them that while price of rice has increased by 150 per cent between 1959 and 1966, its production has fallen by 5 per cent. Thus, it is clear from these empirical evidences that in under-developed economies like Orissa neither the production of food grains in general nor the production of rice in particular are responsive to price-incentives. To increase agricultural productivity in these economies what is important is not so much the price-incentive but ".....a programme of public investment, which will give him (agriculturist) the water, the power, the seeds and the manures he needs. A policy which might raise prices all round and jeopardise the investment programme is therefore of no ultimate benefit to the producer".¹²

Again, it is also doubtful, whether higher prices of food grains will improve the income of actual cultivators. This is because in a situation of general scarcity of food grains and transport bottlenecks, the higher price is reflected more in middlemen's profit margin than in the producer's return. This can be seen from the Table I, which shows the price-spread of rice in Orissa.

TABLE I
Price spread of rice in Orissa

Year	Producer's price per ton (in Rs.)	Consumers' price per ton (in Rs.)	Price spread (in R.s)
1961-62	454	508	54
1962-63	455	600	145
1963-64	720	1077	357

Source :—Misra, C. and Das, P. N. :—op. cit., p. 85.

[Note :—*Price spread indicates the difference between the price received by the primary producer and price paid by the ultimate consumer. Here in the absence of data on producer's price, wholesale price at peak marketing period has been used for producer's price. This price is necessarily higher than actual producer's price and consequently price-spread will be larger still.]

12. Government of India-Planning Commission—First Five Year Plan (1953) p. 173. See also M.L. Dantewala's paper-Incentives and Disincentives in Indian Agriculture-Indian Journal of Agricultural Economics Vol. XXII, No. 2, April-June 1967, for further development of this point.

So the contention of Shenoy and Khusro that free-inter-state movement of food grains will improve the economic condition of the farmers and the productivity of the agricultural commodities does seem to carry much substance.

The second argument against the zonal system is equally unsound and untenable as it is based on the assumption that higher prices consequent upon the free inter-state movement of food grains will benefit the primary producers of the surplus states. But from the above empirical study it is evident that this sort of assumption will not hold good in the condition now prevailing in Orissa. The only beneficiary of such rising prices will be middlemen, businessmen and profiteers.

The third argument against the single state food-zone also does not appear to be very convincing. This is because single state food-zone does not mean complete stoppage of food transport from one state to another. It simply means that inter-state movement of food grains is to be regulated completely by Government. In spite of this, if there is some difference in the distribution of the burden among the states, it is not very much undesirable. This is because surplus states are usually under-developed and their *per capita* income is much lower than that of the deficit states and as such purchasing power of the common people in surplus states is lower. They will be hard pressed and there will be a general discontentment among them, if there will be rise in prices of food grains and consequent reduction in their present consumption level following free inter-state movement of food grains.

Fourthly, the argument that free inter-state movement of food grains will put an effective curb on smuggling seems to be overdrawn. Checking of smuggling depends to a considerable extent on human character. Free inter-state movement of food grains may not successfully check it. This is because free inter-state movement of food grains is a 'fair-weather friend', which operates successfully in the years of good harvest. In the years of bad harvest, when scarcity conditions appear, free inter-state movement of food-grains virtually comes to an end. Surplus states draw informal or formal barriers on the movement of food grains from the state. So the virtues attributed to the system can be realised only in the years of good harvest, when there is no need for them.

Fifthly, Prof. Shenoy's argument that free inter-state movement of food-grains will not have any adverse effect on the economic condition of the people in Orissa, since Orissa is not going to be denuded of its rice stock completely by this method is also not convincing. It is true that Orissa may not be denuded completely of its rice stock. But the fact is that with the lifting of the ban

there will be considerable amount of speculative hoarding of rice by the businessmen and exporting of it to other states particularly to West Bengal and South-Bihar (i.e. Jamshedpur-Ranchi belt). This will considerably boost up the price-level of rice in Orissa which will cause great hardship to the 76·13 lakhs of population of the urban sector and landless and near-landless farmers of rural sector, who are fully dependent on cash purchase of rice. In this connection it may be pointed out that when in April, 1966, the restrictions on the movement of wheat and other grains between the Punjab and U.P. were removed, the experience was not very happy. Prices went up not only in the Punjab but also in U. P. causing considerable distress.¹³

Sixthly, the argument of Prof. Raj Krishna that removal of ban will reduce Central Government's commitments does not appear to be very convincing. This is because when prices of rice or food grains will rise considerably consequent upon the free-movement of food grains everybody will look forward to the Central Government to hold the price-line and come to the rescue of the State Government. Besides, as has been already pointed out under the present conditions free inter-state movement of food grains is 'a fair-weather friend', which can operate successfully only in the years of good harvest. So in the years of bad harvest, the responsibility of the Central Government is not reduced in anyway.

Finally, the argument that single-state food-zones prevent regional or geographical specialisation in agricultural production seems to be over-drawn. Single-state food-zones, as has already been pointed out, do not mean complete stoppage of food-transport from one state to another. It simply means inter-state movement of food grains on Government account only. So there is no reason why single-state food-zones, as practised at present in India, will prevent regional or geographical specialisation in agricultural production.

Thus, in the context of overall shortage of food grains in the country the above arguments put forward by the eminent economists against the present system of the food-zones are neither convincing, nor are they likely to arrest the agricultural (or economic) development of surplus states like Orissa.

IV

From the above analysis, it appears that when the country is passing through a grim food-situation, it will not be proper to leave the administration of food distribution entirely to the private hands. If this will be done neither the producer nor the consumer in the surplus or deficit states will be benefited

13. Govt. of India—Ministry Food and Agriculture—Report—1966-67, Department of Food p. 26-27.

in anyway. The only beneficiary of such a policy will be the middlemen and the profiteers. So instead of thinking in terms of abolishing the present system, measures should be devised to improve the present system so that procurement of food grains, which is the prime necessity of the time, can be increased from each state. It is true that the monopoly system of food-procurement as practised in different states and operation of Food Corporation of India in this respect is far from satisfactory. But the remedy does not lie in abolishing the present zonal system or agencies responsible for procurement of foodgrains in the states. On the other hand, if the present zonal system will be continued, the responsibility of achieving targets of food-procurement can be easily located. Besides, the working of Food Corporation of India should be improved and a net-work of Fair Price Shops should be opened throughout the country. This will help in distributing the surplus amount available from every state in such a way that not only the burden of food-scarcity in the country as a whole will be reduced but the farmers will be assured of a fair price for their product. Thus, in conclusion, it can be said that the time is not opportune for lifting the ban on inter-state movement of foodgrains and it should be continued till the supply condition of foodgrains in the country as a whole improves.

APPENDIX

TABLE II

Prices and Production trends of Foodgrains in Orissa (1956—57=100)

Year		Index of consumer price for foodgrains (Cuttack)	Index of foodgrains production
1956-57	..	100.0	100.0
1957-58	..	101.9	75.7
1958-59	..	107.5	95.3
1959-60	..	108.4	109.3
1960-61	..	117.8	108.8
1961-62	..	118.7	109.5
1962-63	..	128.0	117.3
1963-64	..	140.2	131.1
1964-65	..	167.3	133.9
1965-66	..	181.3	100.9
1966-67	..	194.4	117.7

Source :—Misra, C. and Das P. N. op. cit., p. 81.

TABLE III

Trends of production and price of rice in Orissa (1959 to 1966)

Year		Index of Retail Price of Rice (Base 1959)	Production Index of Rice (Base 1959)
1959	..	100.00	100.00
1960	..	119.05	100.29
1961	..	104.76	99.70
1962	..	119.05	97.87
1963	..	140.48	114.48
1964	..	183.34	117.55
1965	..	238.10	85.98
1966	...	250.00	95.36

Source :—Ibid p. 83.

FOOD POLICY FOR A SURPLUS STATE

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Food shortage has been with us even before the Second World War. After the partition of Burma from India in 1937 the surplus economy in respect of food turned to be a deficit one and from that date onwards it gradually developed to be what it is to-day. The chronic food shortage has engaged our attention there-after. Rapid growth in population especially urbanisation and the growth of income of the people consequent on the economic development of the country have aggravated the problem still further. However, some of the states in the Indian Union are surplus in food grains production while some others are in deficit. It is the responsibility of the Government to supply food to the non-agricultural population in the country and inter-state mobilisation of food-grains assumes utmost importance in this context. Here comes the question of submission of all the states to the discipline of the Centre. It is also a sort of moral obligation of the surplus state to supply food-grains to the people of the deficit areas so that the regional shortages could be eased. The short term aspect of the food problem is the equitable distribution of food-grains between the surplus and deficit states. It calls for the machinery for procurement and distribution.

Conditions being what they are, now the question is—"What should be the food policy for a surplus state?" When it is a question of policy, three important aspects of the problem must be dealt with: (1) Procurement, (2) Distribution and (3) Price. If any one of the above aspects is lost sight of, the food policy may not succeed to accomplish the job satisfactorily.

Procurement is the main-spring of the policy measures. Here, the controversy centres round the point as to whether there should be full-scale state trading in food-grains or the procurement should be done through open-market operations. The advocates of the latter system base their arguments on the following points.

(1) Even if the Government ensures a fair price of the foodgrains to the producers, when it is a question of procurement by the Government agencies, people generally think that they would have got a still higher price had they been able to sell their stock in the open-market. They feel somewhat compelled to sell their foodgrains to the Government and hence they try to conceal a part of their stock and at times resist procurement by Government.

(2) The Government has not got adequate storage capacity and hence monopoly procurement would lead to a lot of waste.

(3) Monopoly procurement would involve huge financial commitment and it may not be possible on the part of the state to find out finance for the purpose.

(4) Like many other public sector enterprises a weak and incompetent administrative machinery may defeat the very purpose of full-scale state trading in foodgrains.

All these four arguments are not based on sound logic. Prof. Shenoy is of the view that the private purchasing agents will offer a fair price to the farmers thereby reducing the fear of confiscation of a part of the farmer's income and also the rate of exploitation. But it may not be wholly correct to presume that the private traders will offer a fair price to the farmer. They may try to exploit the farmers to their own advantages and in the absence of an organised market, marketing information and publicity, the exploitation will be more. If that be the case, the confiscation of a part of the farmer's income cannot be avoided. If in spite of the Government's offer of a fairly high and reasonable price, the farmers fear that they are still exploited and conceal a part of their marketable surplus, it can be said that this is sheer prejudice. No consideration or respect should be shown to this blind and unreasonable feeling. The administrative machinery should be tightened up to resort to any measures necessary to procure the whole marketable surplus from the farmer either through a compulsory levy or through some other means by which the private traders cannot have any access to the farmers and the latter will be forbidden to sell any part of their stock to the former. With the lapse of time he will realise that he had stood to gain. It is all a question of education, information and publicity.

So far as the other three arguments are concerned the lacunae can be bridged and Government can rise up to the occasion and can invest funds for the creation of additional storage facilities. The financial commitments involved can also be provided for because this aspect of the economy needs to be thoroughly re-oriented and planned. Foodgrains being the major items in our agricultural economy their prices very much influence the prices of other commodities and freely fluctuating prices of foodgrains will exert its influence on the other sectors of the economy. So to advocate a perpetual rise in the prices of foodgrains would bring out disaster to the economy of the state. A weak and incompetent administrative set up is an impediment in implementing full-scale trading in foodgrains scheme by the state, but one cannot start with such a misleading presumption. Here also the machinery

can be tightened up to make the monopoly procurement measure a success. Conflicting views are always expressed regarding the mode and extent of operations for the procurement of foodgrains in a surplus state. A definite and firm policy for the procurement of foodgrains calls for a well-defined machinery for procurement and distribution.

Monopoly procurement of foodgrains by the state has got a number of advantages. They are : Firstly, the country as a whole is passing through a period of uncertainty about the requisite quantities of imported grains becoming available and the position is further aggravated by the increased consumption requirements. So the internal procurement of foodgrains should be the corner-stone of the food policy in the immediate future. A surplus state has got an onerous obligation to achieve this national goal. Flexibility in the method of procurement by each surplus state might not make it possible to achieve the procurement targets and moreover, private traders cannot be exclusively depended upon to fulfil such a heavy responsibility. Exclusive reliance on the private traders might not enable the state to discharge its responsibility for protecting the poorer sections of the community. Through monopoly procurement by the state, necessary supply can be ensured, reasonable levels of prices can be maintained, the system of public distribution can be maintained and it will help to build up a buffer stock to provide for difficult years. A policy of "LAISSEZ-FAIRE" might not enable the state to build up its buffer stock. In Orissa, a major rice surplus state, rice procurement in 1967-68 has been 198,000 tonnes against 287,000 tonnes in 1966-67. The failure to procure enough foodgrains by a surplus state creates a lot of difficulties. In view of the facts stated above, there must be total elimination of intermediaries and private traders and monopoly procurement by the state should be enforced. A full-scale state trading in foodgrains will have a better chance of success in the long-run and the ills said to be inherent in the system may prove to be temporary ills.

Next comes the question of price. It is already stated above that prices act as an incentive or disincentive to the producers. Here three things come to our mind. Whether a minimum price or a maximum price is to be offered to the producers and what should be the procurement price ? Difficulties also arise when the basis of calculation of these prices are considered. We need not consider the basis of calculation of these prices. But the procurement price should not lie much below the market price. It may not be equal to the market price because the latter may be very high and unreasonable and might have been manipulated by the private traders. While fixing the procurement price for foodgrains a surplus state must take into consideration the prices prevailing in the neighbouring deficit states to which foodgrains are

supplied from the state. Private traders always try to create conditions in their favour to create conditions of artificial scarcity, if need be, and to dictate terms to the state, if the state is not in control of sufficient stocks to influence the price in the market or to ensure a fair price for the consumers or non-agricultural sections of the community. Therefore, if the monopoly procurement is to succeed, some exercise of authority by the state appears to be necessary to prevent private trade getting control over supplies during the harvest at high prices and later dictating the prices. If we drag this version to its logical conclusion, it would imply a compulsory levy on the producers where they can sell their products to the Government alone. Of course, the farmers may resent the price offered by the Government, even though it is high and reasonable and the element of compulsion may lead them to feel that they are being deprived of a portion of their legitimate income and they may be tempted to conceal a part of their marketable surplus. But it has been argued above that this feeling of being neglected and of exploitation will be a temporary phase. With the passing of time they will gradually realise that the procurement price offered by the Government is a reasonable price, they are not exploited by the Government and there is no question of confiscation of a part of their legitimate income. Up-to-date supply of marketing information and publicity will remove this feeling in course of time.

Lastly, let us discuss the inter-state mobilisation of foodgrains or the movement of foodgrains from the surplus to the deficit states. In this connection two things must be discussed. They are : (a) Whether there should be free movement of foodgrains from the surplus to the deficit states or there should be some restrictions on the movement and (b) Whether the movement will be effected through Government agency or through private agency.

The answer in respect of (b) is already given. When there is monopoly procurement of foodgrains by the Government there is no question of private traders being allowed to handle the inter-state movement of foodgrains. The Government must negotiate the price and effect supply of its surplus to the deficit states (of course, after it builds its own buffer stock to meet the difficult periods and to ensure a fair price to its consumers). Answer to question (a) will not find support from all quarters. There are advocates of open-market operations and free movement of foodgrains from the surplus to the deficit states. Prof. B. R. Shenoy in his report to the Government of Orissa on the economic situation in the state has advocated the abolition of monopoly procurement of paddy and a free movement of rice and paddy from Orissa to the other deficit states like West Bengal. He says that the free movement would ensure the legitimate due of the farmer because prices in Orissa and West Bengal would tend to be equal and that would be

beneficial to farmers in Orissa who would get that part of their legitimate income which is now being confiscated under the monopoly procurement system. He cites a case in support of his argument. He says in March 1967 when the state average of the retail price of rice in Orissa was Rs.88/-, the same was Rs.121/- in West Bengal and Rs.104.70 in Andhra, a difference of 38 per cent and 18 per cent respectively. He says that free movement of foodgrains will ensure a better price to the Orissan farmers because price here will tend to be equal to the prices prevailing in West Bengal or atleast will go up somewhere near it. If this be the line of argument, there will be no end to the trouble. If prices are allowed to go up and the ban on export is removed, a point will be reached when West Bengal prices will go up further and the Orissa price will goad it again. When scarcity is very acute there and the surplus in Orissa is limited, open market procurement and removal of the ban on the free export will inflict a lot of harm to the Orissan economy. A constantly rising price for paddy and rice will exert its influence on the other sectors of economy and a perpetual rise in the prices of foodgrains would bring disaster to the economy of the surplus state. Removal of the ban on the exports of foodgrains from the surplus to the deficit states would only mean distribution of miseries and economic ills and the people in the surplus state would soon face the scarcity as acute as in the deficit states. This should be a pointer to the thought of abolition of the single-state food zones and monopoly procurement by the Government. Instead, Government should raise the procurement price of foodgrains and ensure a reasonable price to the farmers of the surplus states which will cure the ills of the double pricing system etc.

So we can conclude by summing up our discussion as follows. The food policy for a surplus state should aim at a full-scale state trading in foodgrains, elimination of all intermediaries, a reasonable and fair procurement price which is not far below the market price and control over the movement of foodgrains to the deficit states. If all these measures are adopted, a surplus state besides meeting the requirements of its own people, would be able to fulfil its national obligation in the food front.

FOOD POLICY AND ITS ADMINISTRATION IN BIHAR WITH SPECIAL REFERENCE TO THE POLICY OF PROCUREMENT AND LEVY

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Bihar is predominantly an agricultural economy. Its 90 percent of the population depend upon agriculture. Bihar produces 9 percent of the total production of food-grains in India and occupies the third position among Indian States. Cereals and pulses each contribute 9 percent of their total outturn in the country. Main cereal crops of the State are rice, maize and wheat. Bihar produces 14 percent of rice, 20 percent of maize and 4 per cent of wheat produced in all the States combined.

Bihar produces three rice crops, namely, autumn, winter and summer rice. Winter rice is the most important and accounts for roughly 95 percent of the total rice produced in the State. Similarly, out of the summer maize and the autumn maize, the latter accounts for 95 percent of the total production of maize in Bihar. On the whole, rice accounts for 71 percent, maize 14 percent and others 7 percent of the total cereal produced in the State.¹

Unfavourable weather conditions, frequent floods and droughts during the last three years have, however, resulted in creating strains on production and cereals as a whole are reported to have fluctuated considerably making the entire supply of cereals unstable. The third five-year plan proposed to raise the yield of food-grains from 60.96 lakh tonnes in 1960-61 to 81.55 lakh tonnes in 1965-66. By 1963-64, the production of food-grains reached 74.02 lakh tonnes. In 1964-65, it was 74.12 lakh tonnes and the short-falls in targeted productions were due to the fall in the production of maize, rabi and other millets. Reference has not been made to the short-falls in production in the year 1965-66 as it was an abnormal year with famine conditions prevailing throughout the state. It appears that Bihar had a deficit in food-grains to the tune of 8,36,000 tonnes, of which, cereals accounted for 6,90,000 tonnes and pulses for 1,46,000 tonnes. Specially for rice, the deficit was estimated at 5,52,000 tonnes. With respect to wheat, maize and other cereals, gram and other pulses, the deficit was 82,11,45,56 and 90 thousand tonnes respectively. The deficit was met by imports. On an average 516 thousand tonnes of cereals and 42 thousand tonnes of pulses were imported every year. Most of the rice imports come from Nepal, while wheat and gram are imported from Punjab, Rajsthan,

1. Figures refer to the year 1964-65.

Western U. P. and Madhypradesh. Thus the overall position of food production and food supply requires regulation of the food trade, correction of the distributive channels, price-support measures and the building up of a buffer stock in order to meet the problems of deficit.

In short, the food policy must initiate a measure of self-sufficiency and must provide incentives for the farmers to produce more. The policy of the Government of Bihar, in this respect has not been much encouraging. A review of the food policy since 1963 would make the point more clear.

In 1963, the Bihar Food-grains Dealers licensing order, made it necessary for all traders engaged in purchase, sale or storage of food-grains (10 Quintals or more) to obtain license for the purpose. Bihar is also working as a rice zone since the last five years. For wheat, it is a separate zone in itself. By banning export of coarse grains from 28.11.1964, Bihar state is a zone in itself so far as food-grains are concerned. Price support measure has been adopted more recently by fixing the prices of coarse, medium and fine paddy at Rs.35.00, Rs.37.50 and Rs. 40.25 per quintal respectively. This scheme was extended to coarse paddy with effect from 1.12.1965 and to medium and fine paddy from 19-1-65. The most important and the most controversial aspect of the food policy has been the Bihar rice procurement (Levy) order, 1964 brought into effect from 15-12-1964. Under this order the wholesalers and millers were required to pay 25 percent levy on rice milled or acquired by them on the ex-mill prices fixed under the Bihar Paddy and rice (Price Control) order, 1964. Later, the levy was enhanced to 50 percent with effect from 18-12-1964. The levy was withdrawn from hand-pound rice with effect from 31-12-1964. Thus, the levy was actually a 50 percent levy on milled rice only and was to be realised from the owner of the mill or huller plants through the Government agency. Voluntary procurement campaign was launched by the Government of Bihar from 9-2-65 through the agencies of Panchayat Parishads and the Gram Panchayats, to persuade big cultivators for voluntary offers of paddy and rice on the basis of land under rice cultivation. The cultivators were required to part with one maund of paddy or 26 seers of rice per acre of rice harvested by them. The prices payable to the cultivators were the ex-mill rates fixed under the Bihar paddy and rice (Price control) order, 1964 minus Rs.2.00 being deducted as the price of the bag. The Panchayat Parishads and the Gram Panchayats were to get commission for their services at the rate of 0.25 per maund for paddy and 0.40 per maund for rice upto the point of stocking into the local Panchayat or Government Godowns. Thus levy and voluntary procurement schemes were supposed to build the buffer stock. In a sense, the scheme carried in itself a note of self-sufficiency as far as the food supply was concerned.

However, the scheme could not succeed. On the one hand, the scheme failed to induce farmers, specially big producers in the State to release their stock for procurement. Big producers were reported to be with-holding stocks in anticipation of substantial rise in the prices during the lean months. On the other on account of meagre commission given to agents, the agents were reluctant to operate in the interior areas and hence, the response was not satisfactory. The total amount of rice and paddy procured under the scheme hardly came to 2 per cent of the marketable surplus of rice in Bihar. By mid-April, 1965 only a small quantity of 30,000 tonnes of rice was purchased as against a target of 2 lakh tonnes.

The withdrawal of levy on hand pound rice from 31-12-1964 encouraged the producers to convert paddy into rice manually, rather than, offer it for sale at a lower rate to millers. Whole-salers offered higher rates in comparison to the price of paddy paid by the millers. The State Government, therefore, directed the District Officers to fix quota from hullers for the period between 15-12-64 and 30-6-1965 on the basis of their average production in the corresponding period of the last three years. The effect was disastrous. Wherever the District Officers tried to enforce this order, the hullers stopped working and on refusal of compliance, their plants were sealed. In a way, harassment by officials in a bid to purchase larger quantities, the dearth of technical personnel for verification and classification of stocks, lack of finance and shortage of storage capacity and frequent changes made in the policy have all resulted in the failure of the policy. Further, the difference of price of Rs.5/- per maund in the open market price of paddy between Bihar and Eastern part of U.P. encouraged heavy smuggling of paddy from Bihar to U. P. Above all, the stoppage of arrival of paddy from Nepal caused a major set back in building up the buffer stock. Not less than 3 lakh quintals of paddy and 2 lakh quintals of rice come from Nepal every year. In the pre-war years, this amount was estimated at 7.5 lakh tonnes. This was the main source, feeding the rice mills at the northern borders in Bihar. The Government of Nepal banned the export of paddy and rice both. Millers in Nepal were encouraged to lift paddy and convert it into rice. They were paid money in advance by the Government of Nepal, which was purchasing rice from millers for barter transactions with Chinese goods. Thus 33 per cent of the mills on Nepal Boarder were closed. The rest were running at 25 per cent of their capacity. Thus, the prospect of procurement and building of buffer stock appeared to be very bleak in Bihar.

Thus, the first efforts for the establishment of a buffer stock failed on account of a lack of a realistic approach and a proper correlation between the policy of procurement and the support price measures. The policy of

procurement failed to provide any incentive to the farmer for increasing his production mostly because the prices fixed for procurement were generally lower than the market price. Further, the procurement order was not based on any scientific classification of land between different categories according to the soil productivity and the irrigation facilities. Hence marginal adjustments were not made while fixing levy on acreage basis.

The announcement of a 14 point integrated food policy of the Government of Bihar in 1965 did not cut much ice from the point of view of providing incentives for improving agriculture. The policy came into effect on November, 1, 1965 and remained in force till the next Khariff season i.e. October, 1966. The policy included guarantee of minimum price of paddy, continuance of a separate zone for rice and wheat and levy on rice mills having more than one huller. The minimum support price for coarse variety of paddy was fixed at Rs.35.00 per quintal.

The levy order included the following ingredients. A levy on all rice mills having more than one huller at the rate of 12.50 per cent of their production. A levy was imposed on all cultivators having more than 5 acres of land for the procurement of paddy. The first 5 acres of all other cultivators were to be exempted from the levy. The scale was fixed at 60 kilograms of paddy per acre in Patna, Tirhut and Bhagalpur Divisions (except Santhal pargannas) and 40 kilograms per acre in Chotanagpur and Santhalpargannas districts. The cultivators were given a choice of selling rice in lieu of paddy. Such cultivators as cultivated paddy in 5 acres or less only had the choice of selling wheat or gram in lieu of paddy. The purchase prices of paddy and rice were fixed as follows :—

Coarse Paddy :—Rs.40.00 per quintal; medium paddy :—Rs.42.50 per quintal; Coarse rice :—Rs.68.00 per quintal and medium rice :—Rs.72.00 per quintal. Transport charges at the rate of 10 paise per quintal per mile were to be paid for delivering the levy paddy at the Block (Government) godown. No maximum price was fixed for any food grain.

On Nov. 27, the Government of Bihar amended its paddy levy order. According to the amendment, class IV and III "Tabir" land in the Chotanagpur and class II and III "Bari" lands in the Santhalparganna region, as also lands recorded as homestead, forest or rocky or over which any building or structure stood or which was incapable of being used for agricultural or horticultural purposes or are used for industrial purposes were exempted from the paddy levy. As regards the scale of levy, the amendment order included the Adhaura and Nauhatta blocks of Shahabada district in the category where 40 kilograms per acre were charged as levy.

Maize was also made acceptable in lieu of paddy, wherever offered from the last crop. Further, Government officials were asked to purchase paddy at the price paid for the levy, in excess of the levy amount if the cultivator wished to sell it. However, the amended order did not introduce any radical change or any improvement except providing certain exemptions and alterations in the levy order and its mode of payment.

The Government of Bihar headed by the United front made further amendments in the food grains procurement programme on 20th November, 1967. It was again decided to undertake procurement of food grains from producers, the wholesale dealers and the rice millers including the owners of the single huller rice mills. Cultivators possessing land up to five acres in the irrigated areas or the first ten acres of land in unirrigated areas were exempted from procurement. The following scales were provided. For the plain region, the first five acres of irrigated land and 10 acres of unirrigated lands were exempted. For the irrigated lands exceeding five acres and up to 10 acres, $1\frac{1}{2}$ quintals per acre, and for the unirrigated lands exceeding 10 acres and upto 15 acres $2\frac{1}{2}$ quintals per acre, for unirrigated land exceeding 15 acres and upto 20 acres $1\frac{1}{4}$ quintals per acre, and for irrigated lands exceeding 15 acres, 3 quintals per acre, where as for unirrigated lands exceeding 20 acres $1\frac{1}{2}$ quintals per acre were imposed as levy. As regards, the irrigated land of the plateau regions, the same scales as applicable for the plain region (irrigated lands) were prescribed. For the unirrigated plateau land, 75 kilograms per acre for land exceeding 10 acres and not exceeding 15 acres; 1 quintal per acre for lands exceeding 15 acres and not exceeding 20 acres; and $1\frac{1}{4}$ quintals for the lands exceeding 20 acres were prescribed as levy. If a cultivator had both irrigated and unirrigated land, the irrigated lands were to be converted into unirrigated land by multiplying the former by 2 and scales prescribed for the later were to be applied.

The state Government fixed following prices for the procurement of paddy and rice. Paddy prices were fixed Rs. 56.25 per quintal, Rs. 61.25 per quintal and Rs. 66.25 P. per quintal for the coarse, medium, fine and superfine varieties respectively. It was decided that, over and above the procurement price of paddy, a bonus of Rs. 3.75 per quintal would be paid to such cultivators who deliver the quantity of paddy assessable on them before the 29th February, 1968, similarly, in case of rice, a higher bonus of Rs. 5.75 per quintal was allowed over and above the procurement price of Rs. 95.25 per quintal on coarse rice, Rs. 103.25 on medium and Rs. 111.25 on fine variety of rice. The bulk of paddy available for procurement in Bihar is that of medium variety, the effective procurement price seemed to be

Rs. 61.25 plus Rs. 3.75 (bonus) i.e. Rs. 65.00 per quintal, provided the levy was delivered before 29th February, 1968 ; Along with it transport charges @ 10 paise per quintal per mile and provision of immediate payment of price on delivery were supposed to induce the farmers to pay their levy. The provisions as prescribed under the Bihar Essential Food grains procurement order 1967, for procurement of paddy and rice from wholesale dealers and rice-millers were retained. In essence the entire procurement is based on a single point only i.e. producer, wholesaler or miller.

Thus, the United front Government tried to rationalise the entire procurement scheme by introducing different scales for the plain and plateau regions, different scales for irrigated and unirrigated land, progressive scales with suitable exemptions and the provision of bonus. But the scheme could not come into operation as the Government was toppled, and the Shoshit Dal ministry suspended the levy and procurement order, with a view to earn the good will and the support of the well-to-do farmers in Bihar. However, even the United front Government could not succeed in making the scheme more progressive as the scales were light and the rates fixed were not at all satisfactory. As for instance, for irrigated land exceeding 15 acres and unirrigated land exceeding 20 acres, the rates of levy were 3 quintals and $1\frac{1}{2}$ quintals per acre respectively. In others above 15 acres of irrigated and 20 acres of unirrigated land, levy was imposed at a flat rate. It should have been further graduated, and higher rates prescribed on acreages above 15 acres (irrigated) and 20 acres (unirrigated). This scheme, therefore, failed to tap the surplus food grains available with the well-to-do farmers, possessing large acreages and big sized farms.

Thus, the new policy of procurement as enunciated in November, 1965 and November, 1967 were again unsuccessful as they lost sight of certain realities. Firstly, the prices fixed for procurement for the different varieties of paddy were not in conformity with the prices prevailing in the market, after the harvesting was done. This led to avoidance and evasion. Secondly, the exemption limit of 5 acres of land as included in November 1965, policy appeared to be too insignificant. Such farms are sub-marginal farms with no marketable surplus. Actually it is only 15 to 20 per cent of the farms that indicate marketable surplus. Further, marketable surplus is evident on farms having 15 to 20 acres, or more of cultivable land. A levy on farms with an acreage of 6 acres (as mentioned in November, 1965) and above created great hardships for the small cultivators who have to depend on grain loans and purchases during the post harvest period for meeting the needs of their family consumption, and other commitments. Thirdly, the lack of progression in the

levy created injustice between the small cultivator and the big cultivators. A levy at a flat rate was not only unjust, it was also injurious. Farm surveys indicated that on big farms i.e. farms with an acreage of 50 and above there is a sizeable marketable surplus. A levy with progressive rates and graduated scales would have been more purposeful. The levy order issued by the Government of Bengal proposed a progressive scale and the size of the holdings were classified into different categories and the rates varied from each other. As for instance, above 10 acres, the rates were of 2 quintals per acre in excess of 1 acre and up to 2 acres ; $3\frac{1}{2}$ quintals for the next one acre ; $4\frac{1}{2}$ quintals per acre for the next two acres ; 6 quintals per acre for the next two acres ; $7\frac{1}{2}$ quintals per acre for the next 3 acres and 8 quintals per acre for the remaining acres . Similar scales or even with greater progression above 15 acres of irrigated and 20 acres of unirrigated land should have been adopted in Bihar for the different land holdings. Fourthly, great difficulties are experienced in collecting grains in very small amounts from a large number of farmers spread over a wide region. Lastly, the arrangements regarding Godowns in the rural areas are not satisfactory. Gram panchayats have not yet built grains godowns. Cultivators have to face difficulties in transporting grains from remote areas and that in small amounts .

Above all, there is a growing feeling that the per acre productivity is higher on small farms as compared to the big farms. Small farms are mostly owned by the backward classes in Bihar, who are genuinely interested in cultivation and in improving agricultural productivity. Large holdings belong to other castes, namely Rajputs and Bhumi-hars, who are well-to-do and who are also engaged in other professions, trades and services along with the cultivation of agricultural lands. Thus, this class is not particularly interested in improving agricultural practices. Their income from land is mostly a surplus income. In short, the present levy on small units and at a flat rate on all holdings above a certain limit discourages small farmers to increase their production. On the other hand the big farmers are scarcely touched. Thus, the present policy also fails to evolve rational approach to the policy of food and procurement. Thus, in the present context, it may not be wrong to make a few suggestions in order to introduce some elements of reality and a sense of practicability in the policy of procurement and levy. Firstly, the first 10 acres should be exempted from levy, while a slab system should operate in respect of the remaining area possessed by a cultivator, Graduated rates should be imposed on big farmers wherever wages are paid in kind, allowance should be made for such payments. Secondly, co-operative marketing societies should be organised and authorised to collect the surplus and for reaching it to the Government godowns. Thirdly, Government should

examine the possibility and the practicability of substituting the cash payment of land revenue (suspended by the United front ministry) by payment through grains. Even if a graded land tax (as proposed by the United Front Ministry) is imposed, grain equivalents of such a tax may be fixed. The entire land tax may be expressed as a per cent of the land productivity depending upon the soil conditions and the irrigational facilities. This will ensure security in the community and encourage food production as well. Above all, the system of monopoly purchase, of food grains by the State Government needs immediate introduction. For, unless compulsory levy is combined with monopoly purchase, the levy system is bound to fail because, the grain dealers and rice mill owners, are likely to outbid the Government in the open market. The United Front Ministry included the policy of monopoly purchase and prescribed exemptions from levy on small farms. Yet, courage and conviction, as well as, firm determination were lacking in implementing this policy in face of strong opposition from the well-to-do farmers, vested interests and the mill-owners, who combined together are interested in getting the implementation delayed or in obtaining concessions that might reduce the policy to complete ineffectiveness. Actually this happened as the shoshit Dal ministry, suspended levy imposed on farmers and did not show much eagerness in collecting it from wholesalers and millers. Thus, there is need for boldness and progressive steps to make the policy of levy and procurement dynamic and realistic, in order that it may ultimately lead to the creation of a sizeable buffer stock in the state.

**RAPPORTEUR'S REPORT ON
"FOOD POLICY FOR A SURPLUS STATE
WITH SPECIAL REFERENCE TO ORISSA"**

Rapporteur—Sri G. S. Das

Some of the questions which deserve our attention in the subject, are as follows :

1. Does Orissa have an actual surplus in foodgrains ?
2. What shall be the procurement policy ? The central question is whether there shall be monopoly procurement or open market competitive buying.
3. Should there be a levy at all ? If so, whether on producers or on millers ?
4. Whether there shall be zonal restriction or free interstate movement in foodgrains ?
5. Last but not the least is the question of pricing ? What should be the reasonable level of procurement price ?

In all, five papers have been received on the subject, which is of considerable practical interest. Assuming the existence of a sizeable marketable surplus of food for a state, the crucial question is : what should be the appropriate policy measure both in the short as well as in the long-run ? The short-run policy measure largely involves the question of pricing and distribution. Fair and equitable distribution (both intra as well as inter-state) at a reasonable price, harmonising the interests of both consumers and producers, is the major plank of short-run food policy for a surplus state. Whereas in the long-run the aim is to accelerate production, to turn out an increasing marketable surplus, to diversify agricultural production and to help foster the general economic development. Eventually, more production is the answer to all these questions.

Shri R. C. Patnaik and Shri D. D. Panigrahi have analysed the problem from the point of view of (a) production, (b) procurement, (c) distribution and pricing. At present it is estimated that Orissa has a limited surplus of 1.5 to 2 lakh metric tons of rice available for procurement. The long-term aim of food policy, says Shri Patnaik, is not merely to turn out a sizeable marketable surplus of foodgrains but also to diversify production as well as the consumption habits of the people.

Orissa constitutes a single zone for rice. All support the continuance of the prevailing system of zonal restriction with monopoly procurement of paddy and rice in Orissa for sometime to come, until a more stable and increased production is attained. Free and competitive trade, the authors argue, is not deemed to be a reasonable policy under conditions of fluctuating production and scarcity conditions. The important step necessary in this connection is to increase the efficiency and integrity of the bureaucratic machinery in order to make the policy of procurement and rationing more effective.

In order to attain a satisfactory level of procurement, a partial levy on producers and millers is suggested by Shri Patnaik. It may, however, be pointed out that such a levy cannot be imposed both on producers and millers simultaneously. Essential as it is, in the interest of procurement, the state has to choose between the two. Although a levy on producers is expected to yield better results than a similar levy on millers, the former is difficult to implement administratively. Hence a levy on the millers merits consideration.

The problem of pricing has failed to receive due attention in the papers. If the procurement price is not realistic and reasonable enough, it will surely have a disastrous effect on rural capital formation and agricultural development. The prices should be such so as to harmonise the interests of both producers and consumers. Shri Panigrahi suggests that in the determination of support price, two factors should be taken into account, namely, the current market price prevailing in the state and that prevailing in the neighbouring states. In his opinion the procurement price shall approximate the current market price but should not be equal.

Shri Ajit Kumar Mitra examines some of the arguments against single-state food zone as have been put forward by Prof. Shenoy, Dr. Khusro and Dr. Rajakrishna. In the absence of a self-sufficiency in foodgrains in India, Shri Mitra argues that marketing and distribution cannot be left entirely to private hands. Such a policy will benefit neither the consumers nor the producers. Instead, the likely beneficiaries of such a policy would be the profiteers, hoarders and middlemen. In his opinion the system of monopoly procurement and zonal restriction should be improved upon.

According to Shri K. C. Padhy, the concept of surplus food for a state like Orissa is fictitious. The so-called potential surplus would soon disappear, in the absence of a fast improvement in agricultural productivity, once a reasonable standard of living is assured to a majority of the population of Orissa. Hence the limited surplus, as we are having today, is largely due to the lack of purchasing power of the people of Orissa.

Dr. S. P. Sinha examines the working of the procurement policy and the levy system in the state of Bihar since 1963. Bihar works as a separate zone for rice and wheat. Dr. Sinha concludes that the voluntary procurement scheme and the levy on the wholesalers and millers in Bihar failed to achieve the twin objectives of maintenance of buffer stock and provide the necessary incentives to farmers for additional production. The main reason for the failure of this policy, according to Dr. Sinha, is the lack of correlation between the procurement policy and the support price measures. He further argues that the procurement price, being lower than the market price, did not help farmers in augmenting agricultural production. In this connection it appears, that Dr. Sinha assumes a high price-elasticity in the supply of rice and wheat in Bihar. In the absence of any empirical study in regard to co-relation between prices and production no categorical conclusion can possibly be drawn in this respect. He suggests a few measures for improving the efficiency in the implementation of the procurement scheme. Important among them are co-operative buying of foodgrains, introduction of a levy based on slab rate, payments of land revenue in kind rather than in cash and monopoly purchase of foodgrains by the government in the place of voluntary procurement. His suggestions for co-operative buying and monopoly purchase of foodgrains by the government cannot, however, be implemented simultaneously. Furthermore, his suggestion for payment of land revenue in kind is highly impracticable.

Summary of Group Discussion :

Both Dr. Chakradhar Mishra and Dr. Baidyanath Misra maintain the notion that Orissa as a food surplus state is a misnomer. They say that while estimating the surplus, we should take into account the following factors :

1. One of such factors is the consumption pattern and food habit of the people. In this connection Dr. C. Mishra pointed out that the food habits of the tribals in Orissa are fast changing.
2. Rate of urbanisation in Orissa is said to be faster than it is in West Bengal and this is responsible for increase in the consumption of rice.
3. The income-elasticity of demand for food in general and for rice in particular is another important factor. The all India average income-elasticity of demand for food is as high as 0.8. It is for Dr. C. Mishra, the Director, Bureau of Economics and Statistics, Government of Orissa to find out this fact in case of Orissa.

For all these reasons, the potential rice surplus of Orissa is said to have been fast dwindling. All, however, agree that the urgent need for our state is to accelerate agricultural production and to build up a sizeable marketable surplus.

Another controversial issue that cropped up for discussion was whether there should be open market competitive buying or monopoly buying of rice and paddy in Orissa. Dr.C. Mishra argues that in a state like Orissa where 76 per cent of people are fully dependent on cash purchase of rice, a single-state food zone, rationing and procurement are inevitable in order to safeguard the interests of the consumers. Dr.K.M. Patnaik pleads in favour of monopsonistic buying of foodgrains by the Government at competitive prices. He emphasises that the farmers need to be guaranteed a competitive price by the state. Mention may be made, in this connection, of the farm management study undertaken by Dr. Baidyanath Mishra. His study reveals that high price does not increase the rice yield due to certain bottlenecks in production. This issue was also discussed at some length in the 1968 annual session of the Orissa Economics Association in connection with "Price and Production Trends in Orissa."

PART II
WORKING OF PUBLIC ENTERPRISES IN ORISSA

PRICING AND PROFIT POLICY OF PUBLIC UNDERTAKINGS IN ORISSA

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Public enterprises in Orissa are of recent origin, as a majority of them were commissioned in the Third Plan period. The Orissa Mining Corporation is the oldest of all which came into existence in the year 1956. Most of these undertakings are in their infancy and some of them are still in the erection stage. An examination of the working of public undertakings in Orissa reveals that many of them do not justify their continuance strictly from the point of view of profitability. They have not yet been made commercially viable. But I would like to suggest that profit cannot be the *raison d'être* of public undertakings.

The fallacy of profit norm :

Granted that public enterprises should earn a surplus for accumulation and capital formation, it is no less important for us to recognise the wider economic, social, and welfare objectives of these undertakings. In evaluating the viability of a public enterprise we have to take into account the totality of returns accruing to the society. They are as follows :

- (i) The employment potential of the enterprise ;
- (ii) Fostering of regional economic development ;
- (iii) Wage rates and other amenities in kind accorded to the employees ;
- (iv) A price policy to promote egalitarianism in the society ;
- (v) Improvement in the quality of product ;
- (vi) Generation of external economies ;
- (vii) Industrial awareness and technical know-how ; and
- (viii) The process of modernisation.

Enterprises in the private sector can, however, fulfil some of these objectives on a limited scale under the constraint of overall profitability. As these enterprises have a predominantly commercial aim, they are hardly concerned with the wider economic, social and welfare goals. What is necessary in this connection is to draw up a cost-benefit matrix in respect of each enterprise as well as for the public sector as a whole. I am aware of the difficulties involved in undertaking such an exercise, as some of the items in the said matrix are not quantifiable. What I would suggest here is that such matrices are to be prepared by the joint endeavour of economists and sociologists. The utility of such

matrices is enormous as it may warrant the government to go ahead with a particular public sector project despite its low profitability, provided there are relatively high economic and social returns.

The Working of Public Sector Enterprises in Orissa :

In the meanwhile, two reports in this connection are in the hands of the Government of Orissa. One entitled "Economic Situation in Orissa : A Programme of Reforms" was prepared by Professor B. R. Shenoy. The other is the "Report of the Evaluation Committee on Public Sector Undertakings in Orissa." This was published in June, 1968 under the chairmanship of Dr. P. S. Lokanathan.

A few facts about the working of public enterprises in our state are derived from the finding of these two reports and they are taken as a datum for analysis here.

1. In the first place, most of these corporations are either running at a loss or are making nominal profits. This runs contrary to the objective of some level of profits and surpluses from public enterprises in our Five Year Plans. The Third Plan Report envisages : "When public enterprises run efficiently and follow a proper price policy.....the result.....must be reflected in larger earnings and surpluses.....it is, therefore, incumbent upon public enterprises to produce efficiently and to accumulate surpluses which should be earmarked for further development." (page 273.)

2. Both the reports pinpoint the fact of wasteful capital expenditures in most of the public undertakings in Orissa. The whole of the capital expenditure does not go into the project. Professor Shenoy estimates that the actual amount utilised in such projects ranges from 60 to 80 per cent of the total amount. I do not, of course, know the basis of such calculation made by Professor Shenoy. But there is no denying the fact that waste of capital takes place in these undertakings through corrupt practices, administrative impropriety, and managerial incompetence and inefficiency. Management in charge of these undertakings does not show the same degree of responsibility or the same amount of efficiency as is being found in their counterpart organisations in the private sector. Instances of corrupt practices and administrative impropriety have been brought to the notice of the public in the recent Khanna Commission Report. Consequently, the taxpayers lose the warmth and enthusiasm for these undertakings.

In his exhortation for denationalisation of public enterprises in Orissa, Professor Shenoy observes ".....in the case of the private sector, losses are

debited to the incomes of the entrepreneurs, while in the case of the public sector enterprises, the losses are made good by the taxpayers.”

The Lokanathan Committee has taken a less extreme view. It recommends for the abolition of the Orissa Forest and Orissa Fisheries Corporations, but suggests a drastic reorganisation of other undertakings to make them commercially viable. With this end in view, the committee recommends in favour of a few drastic measures to reorganise the management board of these undertakings and allow for the participation of equity shares subscribed by private persons. Obviously, the purely commercial criteria looms large in the minds of these distinguished economists to the utter neglect of the wider economic, social, and welfare objectives of these undertakings. It is not a question of ideological difference, but it is the question of the overall cost-benefit calculus about which I have already spoken.

Pricing Policy :

Here comes the question of pricing policy of public enterprises. It cannot be denied that the pricing policy in the public sector has a welfare aspect which is absent in the private sector. This would be possible only when public undertakings are run less with a view to maximising profit and more with a view to maximising the social as well as other ancillary economic benefits like employment, external economies, and a balanced regional economic growth. As such, a uniform price policy cannot be advocated for all types of public undertakings in our state. There are three categories of public undertakings operating in Orissa today, viz., primary producing, tertiary and manufacturing establishments.

1. Primary producing enterprises are the Orissa Mining Corporation Ltd. and the Orissa Forest Corporation Ltd.

2. Tertiary establishments are the Orissa Construction Corporation Ltd. The Fisheries Corporation Ltd., and the State Commercial Transport Corporation

3. Manufacturing enterprises comprise the six establishments under the Industrial Development Corporation.

Accordingly, three types of price policy seem appropriate in respect of public undertakings in Orissa and they are :

1. In respect of the first category of enterprises, viz., the Mining and the Forest Corporation, I would advocate the profit norm. These two units should earn a surplus necessary for the expansion of mining activities and afforestation scheme. Since the mining activities in Orissa largely comprise

in the export of iron ore to Japan, it is but desirable to earn a profit. It is necessary to seize the opportunity of the growth-inducement effect of the export sector.

2. A competitive price policy may, however, be advocated in favour of the tertiary establishments like the Construction Corporation, Fisheries corporation, and Transport Corporation. These organisations should not be given the monopoly power. Instead, they should operate in a competitive environment and must take the price offered by the market. If they fail to adjust to competitive conditions, they should discontinue in favour of private organisations.

3. No—Profit, No—Loss Price :

This is the most important field where the purely commercial motive should be subordinated to the larger economic social and welfare goals. I include the I.D.C. and all its units into this category. The I.D.C. exists with the explicit motive of promoting industrial development in Orissa and thereby it will help in securing a balanced regional economic growth. It has a high employment potential for skilled and semi-skilled workers in the state with a relatively large multiplier effect. Furthermore, the manufacturing units of the I.D.C. produce some of the basic materials like cement, cable, iron goods and tiles which are essential in the infra-structural development in the rural areas of the state. Availability of such basic materials at concessional rates will lead to an accelerated expansion in other sectors. Hence a no-profit no-loss price policy seems plausible for these undertakings.

PUBLIC SECTOR UNDERTAKINGS IN ORISSA

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Public Sector Undertakings have been started in Orissa during the last seven or eight years mainly with a view to diversify the economy by creating opportunities for industrial development. Potentialities of growth exist in Orissa in its rich minerals, forest and water resources but there is neither the capital nor the entrepreneurship required for utilization of these resources, as a result of which lop-sided and unbalanced development has occurred. There are no private investors coming forward to promote investment particularly in capital intensive industries or in industries having long gestation periods. The necessary infra-structure to facilitate economic development does not also exist. So public enterprises are necessary in Orissa to create social over-head capital. In the absence of large scale enterprises, employment opportunities are not created and man-power planning becomes difficult. Moreover due to the absence of large scale enterprises, investment base of the economy is never widened. It is hoped that public sector undertakings atleast would generate surpluses, which would help to augment the limited financial resources of the State.

Complete dependence upon agriculture has made the economy of Orissa nature-regulated. During 1965-66 there was failure of crops owing to drought conditions which resulted in a decrease of 14.2% of the state income over the the previous year, and decrease of *per capita* income by 10 % over the entire Third Plan Period. The increase in *per capita* income was the highest during the Second Plan Period being 24.6% which was attributable to good monsoons.¹ Similarly 70% of the workers in Orissa are engaged in agriculture where as in other states like West Bengal, 54% of the workers are engaged in agricultural.² This is because of the fact that alternative avocations are not available for diverting the surplus population for agricultural to more gainful occupations. It is essentially, in this context, that public enterprises are necessary in Orissa to reduce state's complete dependence upon agriculture. They become a necessary condition for the industrialisation of backward areas. In the words of Oscar Lange. "The development of a nationalized sector and its more rapid growth than that of the private sector of the national economy is under present historical circumstances, a necessary condition for

1. Ref. the Economic Base of Orissa for the Fourth Five Year Plan—page 2.

2. Draft 4th Five Year Plan of Orissa—page 10.

the industrialisation of under-developed areas. Where the political and social conditions for the establishment by means of public investment of a nationalised sector and of its rapid growth are non-existent, economic progress of the under-developed area is impossible, the area must remain backward until the political and economic conditions mature."³

So the choice has to be made between economic backwardness and imperfect working of state undertakings. It is true that many of the state enterprises in Orissa are running under loss and in many enterprises, the rate of return on capital employed is not even equal to the bank rate. But it has to be specifically remembered that public enterprises can not be judged on the test of profitability only. In a mixed economy, these enterprises come in wherever the social benefit/social cost ratio justifies it and where private enterprises going for profit motive are not willing to enter.

The Evaluation Committee on public sector undertakings (Lokanathan Committee) which was constituted by the Orissa Government in October, 1967 to evaluate the working of public sector undertakings of the state government has come to the overall conclusion that, by and large, the state undertakings have not been successful in realizing their original objectives, have unnecessarily spent vast amount of funds with poor results and have been following financial and administrative procedures which are not conducive to efficient management.⁴ The Committee has come to these conclusions, after enquiry into the working of the following six corporations viz :—

- (a) The Industrial Development Corporation of Orissa Ltd.
- (b) The Orissa Mining Corporation Ltd.
- (c) The Orissa State Commercial Transport Corporation Ltd.
- (d) The Orissa Fisheries Development Corporation Ltd.
- (e) The Forest Corporation Ltd.
- (f) The Orissa Construction Corporation Ltd.

The poor performance of the undertakings, according to the Committee, is to be ascribed to many reasons, in general, the chief of which are as follows :—

- (i) Lack of modern methods of management and frequent changes in the constitution of the Board of Directors which results in lack of a continuous policy.

3. Oscar Lange—Essays in Economic Planning—page 38.

4. Report of the Evaluation Committee on Public Sector undertakings in Orissa—page 98.

- (ii) Lack of managerial experience in industry on the part of the Chairman/Management/Directors.
- (iii) Lack of adequate decentralisation as well as co-ordination between various sections of the undertakings.
- (iv) Excessive departmental interference in the working of the enterprises and lack of autonomy in the working of the enterprises.
- (v) Absence of proper and suitable emoluments to personnel in public sector projects.
- (vi) Lack of cost consciousness in many enterprises—“Cost accountability as a method of commercial appraisal and prompt internal audit as a measure of efficient accounting still remain to be introduced at all levels of the undertakings.”⁵
- (vii) Lack of proper procedures and rules in conformity with established procedure of best managed private sector undertakings—Absence of proper system of budgetary control and comparison of actual expenditure against budgeted figures.
- (viii) Lack of adequate provision of finance in time for the successful completion of projects, once they are started.
- (ix) Excessive holdings of inventories in some enterprises.
- (x) Lack of adequate planning and foresight and absence of a positive approach in the working of individual enterprises, as for example, in the diversified nature of business by the Industrial Development Corporation or in the mining ventures of the Orissa Mining Corporation or in the massive accumulation of unsaleable timber by the Orissa Forest Corporation or the marketing of Fish at Cuttack and Bhubaneswar by the Fisheries Development Corporation.

The Committee have recommended that the Government should recruit men with technical and industrial experience from the private sector to manage the public undertakings. It may also, if possible, divest itself of the responsibility of the management of some units by handing over the management to competent private bodies.⁶ Until such time as this is done, the officers deputed by the Government should work for a period of at least 5 or 6 years

5. Ibid—page 26.

6. Ibid—page 81—84.

to create in them a sense of involvement. In the words of the Committee : " At present there is not enough sense of involvement on the part of deputed officers who are aware of their ability to return to the Government whenever they want to do so, which also makes them complacent. " ⁷ It has also recommended for inclusion of a share in the profits of an undertaking in terms of remuneration for senior management staff. According to the Committee, the Government should also invite the public to participate in the equity capital of the public sector undertakings, so that shares of the undertakings could appear for buying and selling at the various stock exchange, which would help to gauge performance of the undertaking just as the share market acts as the barometer to gauge the performance of private industries. Government must also endeavour to ensure the largest degree of autonomy and delegation within the corporation. ⁸ The internal freedom is expected to engender quicker decisions, provide freedom from Government's routine rules and create a business-like atmosphere.

With regard to individual public sector undertakings, the Committee have suggested the Industrial Development Corporation to split up into smaller and more manageable Corporations, each with an industrial complex of its own, like the Barbil Complex, Hirakud Complex, Bargarh Complex, Jajpur Road Complex etc. Each of these should be run as a separate corporation. It has recommended for the merging of Orissa Mining Corporation and Orissa State Commercial Transport Corporation and closing down of Orissa Fisheries Corporation Ltd., and the Orissa Forest Corporation Ltd., as their working indicates their inability to run at a profit in the near or distant future, and as they have not promoted any commercial development of the resources of the state. As their functions can be easily taken over by the concerned departments, they do not need their existence as separate corporations.

According to some authorities, " one of the main requirements for a process of economic development in which a growing public sector plays an active part is that public sector enterprise should be capable of yielding surpluses for augmenting the investment base of the economy. " ⁹ The test of effectiveness of any industry, whether private or public, is its profitability. 'Welfare aspect' and 'Other aspects' are there, but if such enterprises are regarded primarily as instruments for lowering prices to consumers or for raising of wages of the workers engaged therein, the role that they could play in the development

7. Lokanathan Committee Report—page 89.

8. Ibid—page 85.

9. Dr. G. Corea—Economic Development of Ceylon in Asian Economic Development—page 51.

process would necessarily be a restricted one "In that case the public sector itself would be lacking in flexibility and dynamism." ¹⁰

The Draft Fourth Five Year Plan for India also recognises this aspect when it says : "It is extremely important that these undertakings should as far as possible, seek to offset the higher cost of imported raw materials by better utilisation capacity, larger import substitutions, adjustment in their product mix and general improvements in operational arrangements. It is only with a concerted effort to reduce costs along these lines that a return on capital employed of not less than 11 to 12 per cent can be achieved without undue increases in the prices of products or services sold by public enterprises." ¹¹

So it is necessary that public enterprises must make profits and finance expansion from it, which can be done by cost reduction in various ways. This would help to avoid dependence on deficit financing and avoid inflation and would solve, to some extent, the extremely delicate problem of getting internal resources for development of a poor state like Orissa. Moreover, if costs are not covered and the enterprises run at a loss, this might lead to over-expansion of the industry. The Draft Fourth Five Year Plan of Orissa has estimated that from the operation of the public sector undertakings, in Orissa, a sum of at least 9.35 crores would be available for financing the Fourth Plan. But this is a modest figure. There is no reason why at least Rs.20 crores would not be available as contribution from public enterprises for further investment. From a study of net contribution of public enterprises in various states in 1965-66, which was made by the Reserve Bank of India, the net contribution of Orissa from public enterprises has been Rs 4.52 crores out of a total non-tax revenue of Rs.22.40 crores. This is quite a higher percentage (20.17 %) of non-tax revenue compared to other states like West Bengal, Bihar, Punjab or Rajasthan where the percentage of net contribution of public enterprises is 4.06, 7.79, 5.46, and 2.09 respectively. ¹² So at this rate, Rs.20 crores of net contribution during five years period is quite possible.

So far, the public sector undertakings in Orissa have been showing poor results. If we compare their profitability ratios with that of private sector undertakings, the results will be readily apparent. ¹⁴

10. Cranley Onslow—Asian Economic Development—page 52.

11. Draft Fourth Five Year Plan—page 83.

12. Draft Fourth Five Year Plan of Orissa—page 50.

13. Reserve Bank of India Bulletin—May—1966.

14. Lokanathan Committee Report—page 34.

Name of the Unit	Percentage of net profit to paid up capital			Percentage of Gross profit to capital employed		
	1	2	3	4	5	6
	1964-65	1965-66	1966-67	1964-65	1965-66	1966-67
1. Industrial Development Corporation. ..	1.65	0.55	loss	17.93	3.22	Loss
2. Orissa Mining Corporation. ..	Loss	Loss	1.42	Loss	Loss	0.51
3. Orissa Construction Corporation. ..	10.70	4.84	0.72	3.86	3.48	2.42
4. Fisheries Corporation. ..	0.17	Loss	Loss	Loss	Loss	Loss
5. Forest Corporation. ..	5.02	Loss	Loss	12.26	Loss	Loss
6. Commercial Transport Corporation. ..	Loss	Loss	Loss	Loss	Loss	Loss

From the above figures we find that the rate of return in none of the units is satisfactory. It has been calculated that the average return of Rs.20/-crores of capital invested in 1964-65, in public sector corporations in Orissa has amounted to a mere 1.0 per cent of the capital employed. A study made by the Reserve Bank of India of 68 Central and State Government companies for 1965-66 and 1333 selected non-Government public limited companies works out the gross profitability ratio as a percentage of total capital employed of the private companies as 9.9 and net profit as a percentage of net worth to be 8.7 of the private companies. Even for other Government companies of India (excluding the Giant Companies), they are put as 5.3 (gross profit as percentage of total capital employed) and 5.0 (net profit as percentage of net worth).¹⁵ The corresponding figures in Orissa State enterprises certainly look very glomy compared to these.

One view concurrently held by Prof. B. R. Shenoy and others is: "If public sector enterprises are generally a financial failure, in relation to corresponding

15. Reserve Bank of India Bulletin—December—1967.

private sector enterprises, this is almost solely because, in the case of private sector, losses are debited to the incomes of the entrepreneurs, while in case of public sector enterprises, the losses are made good by the tax payers, the managerial personnel being unhurt. It is, therefore, futile to devise reforms for improving the efficiency and management of public sector undertakings. The only solution to the evil is denationalisation of such public sector undertakings as the private sector may be willing to take over.¹⁶ This argument, in the present conditions prevailing in Orissa, may not be sustained particularly because of the fact that heavy investments have already been made and there are no alternate private agencies available for taking over the investments. Moreover this is a broader national policy which cannot be applicable to Orissa alone. So the other suggestion of Prof. Shenoy namely that the shares of these nationalised undertakings should be sold in Stock Exchanges to assess their performance is more practicable.

We must enquire as to why the profitability rates of the Orissa Government undertakings have been so low. Apart from the fact that the capital outlays of the undertakings in Orissa have been unduly excessive, the poor performance is more a reflection of uneconomic and inefficient working of the enterprises. First, it is evident that the enterprises have been rather hurriedly instituted without proper project planning on technical considerations. Similarly cost analysis has not been done properly. Inventory management is not done on scientific principles. Interest and depreciation charges have not been provided at standard rates. There have been numerous delays in commissioning the plants or completing the projects. There has been lack of co-ordination of different departments entrusted with particular projects. Many enterprises have undertaken expansion programmes before they have established their current operations. In others, the full capacity of the plants has remained unutilised or under-utilised, which has resulted in low returns on capital invested. In some enterprises, the gestation period has remained unnecessarily long, and in some others, overheads are high.

The above are only a few of the host of other reasons responsible for the low profitability rates. The point is that proper evaluation standards have not yet been evolved to evaluate the working of public enterprises in Orissa; their accounting systems have been far from satisfactory and their management needs more drive and initiative. The Lokanathan Commission has done singular service in focussing the important defects of these enterprises but what is still necessary is that each one of the public sector undertakings should be scientifically assessed, in detail, with reference to its price-cost structure

16. Shenoy Report submitted to Orissa Government during May—1967—page 49.

and suggestion should be given as how best it can reduce the cost and arrive at a reasonably high level of profits.

For achieving a five per cent rate of growth envisaged in the Fourth Five Year Plan, the industrial enterprises must increase their capital at least 5 per cent per annum. Calculated on this basis, it has been estimated that the public sector undertakings have to produce a gross profit of the order of 16.6 per cent on total capital employed and 46.48 per cent of profits on sale proceeds.¹⁷ These figures are quite high and in order to achieve it, the organisational and financial aspects of the undertakings need a thorough renovation. The organisation, which has helped to bring an enterprise to the operating stage, may not be able to cope up with numerous problems which the enterprise may have to solve promptly and firmly later on. Hence there has to be some flexibility in the management pattern of our public sector undertakings. A firm, determined and positive approach is necessary in the constitution of boards of management, so that they are entrusted with real power and responsibility, and act with certain degree of autonomy and have sufficient initiative to act promptly and firmly.

Finally, we have to remember that age, size, location, environment, special opportunities, if any, all these factors are important for comparison of profitability of firms and unless the factors are taken into account in evaluation standards, comparative efficiencies of enterprises cannot be determined. As it has been said by Hobson : Even if the public Corporations were to run their undertakings in order to maximise their profits, the annual surpluses would still tell us little about their efficiency.¹⁸ "If circumstances are favourable, satisfactory profits can mask efficiency, while in unfavourable circumstances, a proper degree of efficiency may be achieved despite absence of profits".

So, in conclusion, it may be said that the performance of the public sector undertakings in Orissa, has to be judged in the light of the special circumstances accompanying their formation and the circumstances influencing their work. There are many other considerations, besides profits, behind the growth of public sector undertakings in Orissa. The enterprises are still in their infancy, as they have completed hardly seven to eight years of their existence. They have yet to evolve proper management and accounting systems. According to Sri N. Das, "At present, profits in nationalised industries are low, not

17. N. L. Nadda—Profitability of Government Enterprise—Indian Journal of Commerce—Conference Number, 1968—page 88.

18. Robson—Nationalised Industry and Public Ownership—page 416.

because prices are low, but because overheads are high and the operations tardy"¹⁹.

Similarly, Prof. B. R. Shenoy thinks " : Mainly because of wastages, inefficiency and corruption, income from public corporations is poor, though this is due partly also to the nature of some of these undertakings.²⁰ It is possible to reduce the overheads by proper evaluation and efficient management. Corruption and wastages can be eliminated by proper accountability to State Legislature. Of course, it does not mean that the in-efficiency and corruptions where the factor cost remains perpetually high will be allowed to be continued. By all means they should be taken over by the departments wherever possible or denationalised, and handed over to private enterprises forthcoming to take it over, as it has been done in many cases in Japan. But, too much outcry against the public enterprises without constructive suggestions for their better working and too much criticism of them without giving them sufficient time and scope for improvement will do more harm than good.

19. Nabgopal Das—The Public Sector in India—page 97.

20. Prof. Shenoy—Report on public sector undertakings submitted to Orissa Government during May 1967—page 43.

PLANNING WITH PRIVATE ENTERPRISE

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Planning is a discipline of three processes, namely—formulation, implementation and evaluation. The first two are very important. The third one helps in realistic formulation and rigorous implementation. During the last 18 years of planning in India, formulation of Plans has been quite pedantic. We have produced very good literature on Plan both in the Planning Commission and in the States. Evaluation organisations have been set up in the States following the foot-steps of the Programme Evaluation Organisation. Impressive looking documents loaded with facts and figures have been produced to improve formulation and implementation. But unfortunately, our implementation has been poor. This reflects on formulation aspect also.

Planning in the real sense of the term, is very necessary in a country with ever-increasing population and paucity of resources. Planning is nothing but a preparation of an investment programme with a view to making the best use of the scanty resources available in the country. This would increase the standard of well-being of people far more than would be the case if unplanned use of resources were to be attempted.

Nobody can say that development expenditure was not being incurred in the field of education, public health, communication, etc. before 1951. But such investment did not have an integrated structure of objectives. Consequently, there was a possibility of the investment being frittered away on too many programmes with not-so-spectacular results. So Planning is a more rigorous tool according to which we formulate our objectives in very precise terms, compute our resources accurately and prepare a priority structure so that the resources available are put to the most urgent uses. This method eliminates less productive use of our capital. Further, need for investment to attain certain pre-defined goals makes it imperative on us to explore new avenues of resources so that in the shortest possible time the economy attains, what is popularly called, the state of "take-off". In India we have started with this objective. But due to faulty implementation and unrealistic formulation, our efforts have not produced the results we expected. This, to my mind, is due to a number of lapses referred to below.

In the past our Plans have been expenditure oriented. In other words, we prepared a financial plan with certain amount of

money to be spent on different projects and programmes from year to year. We assumed the success of the Plan if expenditure targets set out for the 5-year Plan, or for that matter, Annual Plans, are met. In the past, we have rarely emphasised achievement in physical terms. The efficiency of the implementing agency and the officials was judged if the financial target was achieved. This attitude has resulted in waste of money. It has resulted in the construction of magnificent buildings, which has little reference to the increase in production of goods and services. Some of the buildings were demonstrative in nature. We have come to a stage now when we do not have the means to maintain these buildings. So while constructing such buildings we should have thought whether a poor nation was really in need of such magnificent structures. In future, therefore, we should restrict expenditure on construction of office buildings or other institutional buildings which we can ill afford. Unfortunately, however, we have not bothered very much to construct residential houses to the extent necessary. If in the 4th Plan period we concentrate more on construction of residential houses for the teeming millions, it would make a real impact on the economic well-being of our people.

Similarly, adequate attention has not been focussed on construction of drinking water sources, digging up wells, tanks and supply of piped water should have been given more emphasis. These schemes would have been as much employment-oriented as the sky-scrapers. A nation which generates real surplus out of production in the primary and secondary sectors of the economy can think of building big buildings to demonstrate its wealth. But not a people who find it difficult to get their elementary requirements of food, clothing, housing, education and medical attention.

Being guided by sophisticated theories we talked too much of public sector activity. Gradually in our exuberance to demonstrate our adherence to the theories of Planning, we expanded our public sector without considering whether it is performing well. To our regret, we have found that the public sector has expanded much but has not produced wealth commensurate to investment made therein. We did not profit by the experience of West Germany which, during the same period as we have been planning in India, by the operation of private enterprise, has built up a very powerful economy in the world today.

Planning does not necessarily imply that public enterprise is sound if it is unable to deliver the goods. One would, therefore, expect that, in future, operation of private enterprise should be given its due emphasis. We can have strict laws to prevent monopolistic tendencies. In India, due to our

large human resources, we should develop the technique of labour-intensive production in the same way Japan utilises its labour force in agriculture and cottage industries.

I am convinced that a very high rate of growth can be achieved if private enterprise is given full freedom within certain institutional framework to be built up in future. It might be mentioned here that our licencing policy, capital issues and distribution control have been at fault. Theoretically, these are very sound tools for proper utilisation of our scarce capital. But capital issues control has resulted in unusual delay in the establishment of an industry. Small scale industries where relatively small quantity of capital saved by individual entrepreneurs or a family of industrialists is required, have not been able to start or expand according to need. On the other hand, certain big industries have not been able to utilise their capacity to the fullest extent. This has resulted in underutilised capital in big industries and scarcity of the same for a number of other viable schemes.

The licencing policy is geared to a sound investment Plan. In actual practice, the implementation of the licencing policy has led to frustration and corruption. Sometimes, in order to obtain a licence, we have been unduly keen to arrange a collaboration programme with a foreign industrialist. As a result, we have attracted less investment from abroad than we have been forced to export profits as a result of the collaboration arrangement. It is, therefore, desirable to work out a very realistic licencing policy. For certain sectors, the prevalent licencing policy should be relaxed or given up. Similarly, entrepreneurs should be given complete freedom to invest in productive activities if that does not make any unreasonable demand on the foreign exchange resources of the country.

Distribution controls have been undesirable. In the past we have given up a number of controls. But even now we are saddled with many others which impinge adversely on the productive machinery built up in the past. It would be desirable to eliminate all controls except where the producer is likely to hold the society to ransom by restricting supply of his products. Such products could be easily identified. They are bound to be few in number. Excepting those, distribution controls should be given up completely. I would like to make it clear that distributive justice comes second only to production of essential goods required both for consumption and investment.

In the past, Plans attempted to implement all types of schemes without reference to their impact on the welfare of the people. Sometimes, projects have been included in a Plan without adequate pre-investment scrutiny. As a result certain schemes which, from the strict priority point of view, should

not have been included, have actually been included and capital has been less productively invested. If a proper priority structure could have been worked out, a number of schemes would have been disqualified and the really viable schemes would have been implemented. So, in future Plans, we must have rigorous standard of pre-investment scrutiny if as a result of this policy a Plan assumes a smaller size, we should not worry very much as a bigger Plan has resulted in waste of resources. It has led to unduly long gestation period both because the project was not properly formulated in the past nor adequate resources were earmarked for it. Consequently, the project goes on from Plan to Plan and the spill-over schemes increase progressively. For a small state like Orissa, the spill-over schemes before the 4th Plan is Rs.100/- crores. This may be as much as one Five Year Plan. So, in future, we should include those projects in the Plan which are expected to be completed within the Five Year period. This could be ensured if we look into the resources required for the projects both in physical and financial terms. Our obsession for a big Plan has led us to failure in the past. Such costly mistake should not be repeated in the future.

III

The growth rates envisaged for the 4th Plan for agriculture, industry, etc. appear to be quite realistic. But it is not enough if we lay down the growth rates and do not take appropriate steps to ensure that the investment envisaged in the Plan generates the desired growth rates.

The writer wants to emphasise the overwhelming importance of the agricultural sector. As is well known, a large proportion of the population of India depends on agriculture. Similarly, more than half of the national income is derived from this sector. The trend of urbanisation revealed by the past censuses would make it imperative on us to develop larger food surplus for feeding the urban population. Let the so-called "green revolution" be not another catch-word....In order to be self-sufficient in the production of food, we should emphasise on production of fertilisers in the country. The distribution of fertilisers should be free from control so that fertiliser reaches the farmers at the right time and in the right quantity. Similarly, emphasis should be put on expansion of irrigation facilities. Instead of investing a lot of money on a big multipurpose project it would be desirable to concentrate on minor irrigation projects so that the gestation period would be cutshort and the farmers get irrigation water at the quickest possible time.

In order to have a realistic investment programme in the 4th Plan period we should strive to maintain the existing level of prices. Inflation, it is alleged, is one of the evils of planning. Whether this allegation is

true or not, people have shown their apathy towards Planning due to constant erosion in their income as a result of inflation. The inflation is due to the deficit financial policy in the past. It would, therefore, be desirable to give up the policy of deficit financing during the coming decade.

IV

Coming to Orissa, we have a big problem to tackle. For historical reasons Orissa has been neglected in the past. In course of last three Plan periods our *per capita* income has not caught up with the All-India standard. From the beginning of 3rd Plan onwards, we have been always pressing for larger investment in the State, Central and private sectors of the economy so that the *per capita* income of Orissa comes to the All-India level. But instead of closing the gap, it has been widened. At present the *per capita* income in Orissa in current price is about Rs. 300/- against Rs.500/- for the country as a whole. The current gap of Rs.200/- was not the case 15 years back. So we have gone back instead of advancing forward. The common man has not therefore benefitted by the implementation of the last three Plans. We have certainly built a good deal of infra-structure and have created more social amenities in schools and hospitals. Further, a large proportion of population in the rural and urban areas of Orissa live below the poverty line which might be defined to be an income of Rs.20/- *per capita* per month. Unemployment is mounting up daily both among unskilled workers and educated young men and women. Regional imbalance among districts is similarly one of the problems that is worrying us very much.

In order to solve these problems we have to invest more in the economy of Orissa than that in the past. But we are in a vicious circle. Unless we raise more resources we cannot have a big Plan and the people being poor it is becoming difficult to raise more resources. In the past, due to the schematic pattern of central assistance, Orissa did not get as much central assistance as we should have or as the people need. Now a formula has been devised to distribute central assistance. This approach may be better than the previous one. But our problems are not solved by this approach. So some other methods have to be devised or some other policy decision should have to be made to assist those States whose *per capita* income is below the All-India level. Unless that is done, the State plan would be too small to be of any significance. It would, therefore, be desirable to prepare a Plan for Orissa on the basis of her genuine needs. Regional imbalance in the country cannot be removed unless States like Orissa get special consideration so as to look forward to occupying an equal position with the more advanced States of the Union.

ROAD TRANSPORT ENTERPRISES IN ORISSA

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Road transport is an important source of non-tax revenue of the state. At present there are two important road transport undertakings operating in Orissa. One is State Transport Service and the other is Orissa Road Transport Company Ltd. The former is entirely owned by the state and managed as a departmental concern. The latter is a joint stock company registered under the Indian Company's Act, in which the State Government hold 78 percent of the shares, the Central Government hold 20 per cent on behalf of the Railways and the general public hold the remaining 2 percent. These two undertakings practically operate passenger transport services in the entire state with the exception of a few private operators operating in some minor routes. The Orissa Road Transport Company is at present operating its services in the districts of Ganjam, Phulbani, Puri and a part of Cuttack district to the south of river Baitarani and in the remaining 9 districts of the state and a part of Cuttack district north of river Baitarani, the State Transport is operating its services.

The State Transport Service began on a modest scale in 1948-49, out of the few nationalised services taken over by the state from the ex-state areas consequent upon their integration with it. While taking over the services the State Government decided in favour of their management as a departmental concern. This was done with a view to give it a fair trial and to compare its results with that of the other types of management like the company form before finally deciding in favour of one or the other. The State Transport Services which had a vehicle strength of 43 in 1948-49, expanded to an organisation with a fleet strength of 454 in 1962-63 operating on about 220 routes with a route mileage of about 10,000 miles. The total operational mileage recorded for 1962-63 was 98,07,895 as against 5, 94,056 in 1948-49. The number of passengers carried in 1961-62 was 103,97,865 as against 451,478 in 1948-49. This shows the significant progress made by the State Transport Services during these years.

The Orissa Road Transport Company came into being from the 1st. January, 1951 as a tripartite organisation with the participation of State Government, Central Government, and the public including the employees of the company as shareholders. At the beginning it had a fleet strength of 55

buses which has increased to 182 in 1961-62. In 1960-61 altogether 79 routes extending over about 4,400 miles were under its operation. The total operational mileage in 1961-62 stood at 51,75,025 as against 1883 in 1951-52. Similarly passengers carried by Road Transport increased from 18,59,778 in 1951-52 to 77,76,105 in 1961-62. This shows that the progress made by the Orissa Road Transport is comparatively less than that of the State Transport Service. This was on account of refusal of the Controller of Capital Issues to sanction further issue of capital until a Road Transport Corporation was formed.

The financial position of these two undertakings needs examination in order to assess their importance as a source of non-tax revenue.

TABLE No. I

Particulars of Revenue from State Transport Service

(Rs. in lakhs)

Year	Capital at charge	Gross receipt	Total expenditure	Net receipt	Transfer to reserves	Net profit	Percentage of Col.7 to Col.2
1	2	3	4	5	6	7	8
1948-49 ..	10.33	8.28	5.06	3.22	1.53	1.69	16.36
1949-50 ..	11.43	13.94	9.94	4.00	2.31	1.69	14.78
1950-51 ..	16.30	21.90	15.19	6.71	4.08	2.63	15.93
1951-52 ..	17.09	24.47	17.22	7.25	4.28	2.97	17.37
1952-53 ..	20.04	26.20	19.60	6.60	4.83	1.77	8.83
1953-54 ..	27.38	29.72	19.31	10.41	5.94	4.47	16.32
1954-55 ..	39.59	34.75	23.16	11.59	6.28	5.31	13.41
1955-56 ..	54.29	43.55	26.84	16.71	18.97	7.74	14.25
1956-57 ..	63.34	60.10	35.40	24.70	13.63	11.07	16.94
1957-58 ..	70.13	77.73	43.84	33.39	16.50	17.39	24.79
1958-59 ..	64.38	90.99	48.64	42.35	19.49	22.86	35.50
1959-60 ..	68.00	104.00	58.80	45.20	22.20	23.00	33.82
1960-61* ..	71.00	115.00	92.00	..	..	23.00	32.03
1961-62* ..	85.11	144.00	110.00	..	..	33.00	39.80

Source :—Orissa Taxation Enquiry Committee Report, p. 346.

*Administration Report of Nationalised Road Transport Services, Government of Orissa. (Col. 4 : Total expenditure includes transfers to reserves)

TABLE No. II
Particulars of Revenue from Orissa Road Transport Company

(Rs. in lakhs)

Year	Paid up capital (progressive)	Cross income	Accumulation under different reserves	Net profit after deduction of income tax	Col. 5 as percentage of Col.2
1	2	3	4	5	6
1951-52	8.43	17.53	2.87	0.83	7.51
1952-53	21.16	15.82	5.87	0.03	0.16
1953-54	26.77	22.65	10.95	1.26	4.69
1954-55	26.77	29.69	11.85	2.82	10.53
1955-56	29.98	31.07	18.87	3.73	12.44
1956-57	30.00	33.85	22.45	4.05	11.89
1957-58	30.00	40.27	21.84	6.78	18.43
1958-59	30.00	45.63	24.99	5.45	18.16
1959-60	30.00	54.74	27.51	7.49	24.96
1960-61	30.00	68.40	41.75	14.84*	49.46*
1961-62	30.00	81.72	51.89	14.79*	49.30*

* Net profit shown excludes provision for income tax.

Source :—Administration Report of Nationalised Road Transport Service, Government of Orissa, 1961-62.

Table No. I and II present the detailed statement relating to the financial position of State Transport Service and Road Transport Company respectively from their inceptions to 1961-62. From 1962-63 onwards the particulars of revenue of the State Transport is not available, as its accounts have not yet been audited. Comparing the net profits earned by both the undertakings, it is observed that the State Transport Service earns at a higher rate than the Road Transport. But in view of the fact that the former does not pay income tax, as it is a departmental concern, while the latter pays it : it is necessary to deduct income tax from the net income of the former for any realistic comparison between the two. Comparison between both the undertakings can also be made on the basis of net profit before the deductions of income tax. After making due allowance for the deduction of income tax, the State Transport Service earned net profits for 1957-58, 1958-59, 1959-60 at the rate of 10.68 per cent, 17.27 per cent and 16.44 per cent respectively.⁴⁷ Comparing this with the corresponding percentages of Orissa Road Transport Company as given in Table No. III it appears that the latter earns profit at a higher rate than the former. Similarly, comparing the net profits excluding the provision for income tax of both these undertakings for 1960-61 and 1961-62,

⁴⁷ Orissa Taxation Enquiry Committee Report, page 347.

it is also observed that Orissa Road Transport Company earns higher profit than the State Transport Services. "This is said to be due to comparatively greater paying capacity of the routes under the control of Orissa Road Transport Company which operates in the more economically advanced districts"⁴⁸. Besides greater leakage of revenue, higher maintenance and servicing costs in the State Transport Service may be some of the other factors responsible for its comparatively lower rate of profit. Of course substantial leakage of revenue in case of both the undertakings are a matter of common observation and the Orissa Taxation Enquiry Committee have also borne testimony to this fact.

Table No.III shows the total investment made by the State Government in the Orissa Road Transport Company and the dividend accrued to the former. It is observed from the Table that out of the 13 years dividend was declared for 11 years. From 1959-60 to 1963-64, it appears that the dividends to the State Government on their investment have stabilised at 10 per cent which is considerably less than the rate of net income accrued to the state Government from the State Transport Services. This shows that as a source non-tax revenue, the state investment in State Transport is more paying than that of the Road Transport. The higher revenue productivity of the State Transport appears to be the main factor responsible for the State Government's preference for the departmental management of the transport services.

It is now for more than one and half decade that the state Government has introduced nationalised bus services either through direct management or through majority share basis. There are very few minor routes operated by private persons and they are also likely to be taken over by the proposed Road Transport Corporation, soon after it comes into existence. There has been practically little resistance to the operation of the transport service by the state, rather the popular opinion in the state strongly favours the state's taking over of the existing private routes on the ground that the state operation has conferred significant benefit to the travelling passengers and has augmented the non-tax revenue of the state. It shows that the monopoly operation of transport service by the Government has come to stay in the state. However, this does not mean that the transport services run by the State are without any shortcomings. The shortcomings may be noted as follows :

(i) There is substantial leakage of revenue through the fraudulent practices of the subordinate staff of the State Transport Service and Orissa Road Transport Company.

48. Ibid, page 347.

TABLE No. III

Investment in the Orissa Road Transport Company by the State Government and the dividends accrued to it.

Year	Investment Rs. in lakhs	Dividend Rs. in lakhs	Remark
1951-52	7.65	0.32 (4%)	Credited in 1952-53
1952-53	17.44	N.D.	
1953-54	20.04	0.72 (3.5%)	Declared and credited in 1955-56.
1954-55	20.15	1.41 (6.5%)	Declared and credited in 1955-56.
1955-56	23.34	N.D.	
1956-57	23.35	1.17 (5%)	Declared and credited in 1957-58.
1957-58	23.35	1.40 (6%)	Declared and credited in 1959-60.
1958-59	23.35	1.86 (8%)	Declared and credited in 1960-61.
1959-60	23.35	2.33 (10%)	Declared and credited in 1960-61.
1960-61	23.35	2.80 (12%)	Declared and credited in 1961-62.
1961-62	23.36	2.34 (10%)	Declared and credited in 1962-63.
1962-63	23.36	2.34 (10%)	Declared and credited in 1963-64.
1963-64	23.36	2.34 (10%)	Declared, but not credited to Government till November 1965.

Note :—(Figures in bracket indicate the percentage of dividend.)

Source :—Orissa Budgets.

(ii) In certain routes the demand for passenger transport has outrun the supply.

(iii) Inadequate maintenance and servicing of the vehicles result in heavy wear and tear.

These shortcomings are not insurmountable. Greater administrative vigilance by the appropriate authority can check the leakage of revenue to a very great extent and substantially can increase the income from the transport undertakings.

There is considerable scope for improving the organisation relating to the maintenance of the vehicles and their servicing. Proper maintenance and servicing would considerably reduce the cost of maintenance and improve the profit. The expansion of transport facilities in those routes where there is heavy demand would not only relieve the difficulties of the passengers, but would also augment revenue. This requires increase in the fleet strength of the transport undertakings. These measures are likely to be better implemented by the proposed Road Transport Corporation which would replace the present duality in the organisation of the transport services in the state. The Corporation will have Rs.5 crores as its capital investment to start with, which would be jointly contributed by the state and Central Government on the basis of 80 percent and 20 percent of the shares respectively. The formation of the corporation for the transport services in the state would facilitate their expansion by better planning on long term basis, would free it from Governmental encumbrances and can lead to a more business like operation. Along with these beneficial effects, there may be certain difficulties. Since the corporation is subject to income tax and a portion of its income would accrue to the Central Government as dividend on account of their 20 percent share, the revenue of the state Government from transport services may be reduced to a level lower than prevailing at present. With a view to compensate this loss, the state Government are contemplating to levy a tax on all kinds of passenger fares and freights at the rate of 25 per cent, the proceeds of which would entirely accrue to the state. However, this levy is likely to increase the passenger fare and freight to some extent.

So far the operation of the transport services by the state has been restricted to passengers only. The question of nationalising the goods service has often engaged the attention of the state Government both from the point of view of developing goods service in a coordinated manner for meeting the deficiencies of the railway communication in the state and as a measure for augmenting the revenue from this source. At present the interest of the private entrepreneurs in the field of goods service is quite substantial, and any sudden dislocation is bound to invite stiff opposition from the private interests. Moreover any large scale intervention by the state in this field, although desirable in the long run in the interest of systematic and coordinated development of the goods service in the state, would impose a heavy burden on the state both in terms of capital investment and management. The Orissa Taxation Enquiry Committee have also cautioned the State Government against a hasty policy of outright nationalisation of the goods service. The Committee have stated their opinion in the following words :

“We would however, warn against any large scale incursion into this field of goods transport as the business bristles with complexities

and the responsibilities and risks attached to public carriers are quite onerous".

However, there is considerable scope for developing the goods service by the state, in view of the poor railway communication in the state and the inadequate capacity of the private operators to meet the demand. In view of the existing gap between the demand for and supply of the goods transport the state may take up the goods service on certain selected routes on a competitive basis. This would not dislodge the private operators from the field and at the same time would be helpful in reducing the gap between the demand and supply, while increasing the non-tax revenue from this source for the state.

A COMPARATIVE STUDY OF THE WORKING OF THE INDUSTRIAL DEVELOPMENT CORPORATION OF ORISSA LIMITED

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The operation of the public undertakings in a mixed economy like ours oriented towards planning for growth and welfare has profound bearing on the price, employment, income distribution and investment policy of the entire industrial sector. Their achievements affect the economy as a whole in large measure. The tremendous growth of the public sector in the country since inception of planning has devolved upon it a heavy responsibility. Investment of the Government establishments excluding power which was only Rs. 50 crores at the beginning of the First plan touched the height of Rs. 2,400 crores at the end of the Third plan. Government companies that accounted for 3.4 p.c. and 6.5 p.c. of the total corporate sector's paid-up capital at the beginning of the First and Second plan respectively, formed 43.3 p.c. of the entire corporate sector's (i.e., 26000 companies) paid-up capital aggregating Rs. 2,881 crores in 1965-66. In terms of total asset and total sale of the entire corporate sector, the shares of the Government companies are 30 p.c. and 10 p.c. respectively.¹ Such a sizeable expansion of Government companies will have inevitable influence on the economy.

Judgement on the working of the public undertakings becomes difficult as the objectives pursued through them are diverse and often conflicting. The objectives are enumerated as follows²: (i) Social objective—to benefit the society as a whole through the creation of employment opportunity, reduction of concentration of economic wealth and regional imbalance ; (ii) Economic objective—such as promotion of investment beyond the reach of the private individuals, stimulation of sound economic activities in wide areas through multiplier effect and prevention of profiteering in essential goods ; (iii) Commercial objective—Creation of capacity to earn adequate profit.

“Broadly speaking it is to the public enterprise that is assigned the greater part of the task of laying the basis upon which the structure of the dynamic and

1. Raju. K. Nigam and V.G. Kesary—The growth and performance of Government corporate sector of India—Lokudyog—April, 1967.

2. See Report of the Evaluation Committee on Public undertakings in Orissa, Planning and Co-ordination Department, Orissa, P. 3.

diversified economy is to arise"³. To the extent the above objectives are realised, public enterprise remains not only a mere business concern but grows into an institution of growth and well-being.

Notwithstanding, the recent studies on the working of public enterprises in India have been prone to analyse mainly in term of profit as other effects are less tangible and more difficult to measure. A study of the working of the Industrial Development Corporation of Orissa Limited will be more rational if its performance is set against the performance of other Government enterprises. This is being done in the following paragraphs.

II. Working of the Government undertakings in India

We may state here the findings of two studies on the working of the Government undertakings. One study is made by the Economic and Scientific Research Foundation, New Delhi covering the period 1958 to 1965. The other one is a continuous study of the Reserve Bank of India. The E. S. R. F. study gives the following table regarding the relative profitability of the public and private undertakings.

TABLE—I
Ratio of Profitability of Public and Private Undertakings

	1958-59		1964-65	
	Public enterprise	Private Enterprise	Public enterprise	Private enterprise
1. Gross profit as p.c. of capital employed.	5.36	10.59	5.73	15.42
2. Net profit as p.c. of net-worth	4.27	9.77	8.91	10.67
3. Divided as p.c. of net-worth	0.32	5.22	5.31	10.67

Source—For and Against Public enterprise—One view E.S.R.F. Study. Lokudyog—September 1967, p. 71.

The table shows far better performance of private undertakings than the public ones in terms of profitability. The study covering 32 out of 37 running companies observes that the return on capital in private sector is three times the return on capital in public sector undertakings excluding steel. According to the E.S.R.F. study, every 100 Rupees invested in public sector yielded an income of Rs. 13.4 in 1958-59 and Rs. 10.2 in 1964-65. The level of income produced in private sector, however, rose from Rs. 26.6 in 1958-59 to Rs. 34.6 in 1964-65 per 100 Rupees. The study estimates that because of the poor results of the public undertakings the economy is incurring an avoidable

3. Hansen, A. H.—Public Enterprise and Economic Development, London, 1960, P. 183.

loss of Rs. 588 crores worth of industrial output per annum and lamentingly observes: "It is a staggering thought that we permit for reasons that have never been made very clear an avoidable waste of resources amounting to over 10 p.c. of national income or double the rate of growth actually achieved during the last few years."⁴

The results of the study may be taken at a discount in as much as it has certain pitfalls. The study is based on the assumption of maximization of output at a minimum cost within a given environment. It adopts "marginal cost pricing" irrelevant to the condition of "administered prices". The principles adopted are inapplicable to a dynamic environment. The study does not take into consideration that Government investment has been made in time of inflation while private investment was made in a period of low prices for which capital of Government undertakings has been greatly inflated. The higher return may not be an indicator of higher efficiency, it may be due to monopoly price or sudden scarcity of goods. Besides, the goal of the public sector investment is not so much the profitability at point of time as the rate of growth over time, a point completely overlooked in the study.⁵

Despite the limitations, the gap revealed between the public and private undertakings serves a purpose by drawing the attention of the authority to the short comings, if any, in the management of the public undertakings.

The Reserve Bank of India also undertakes comparative study of the performance of the public undertakings and private undertakings. In the following tables are given profit ratios of the Government and private companies as per the R. B. of India's study.

TABLE—2
Profit Ratios of the Govt. Companies, 1960-65

Items	1960-61, 61-62, 62-63, (44 companies)			63-64, 64-65 (47 companies)		63-64, 64-65 (6 Big companies)	
1. Gross profit as p. c. of Sales	9.6	8.9	9.6	7.2	6.4	6.5	4.7
2. G. P. as p. c. of capital employed	5.3	5.2	5.8	2.6	2.3	1.8	1.3
3. Profit after tax as p. c. of net worth	6.0	5.4	5.6	1.0	0.4	0.1	0.8
4. Dividend as p. c. of net worth	1.4	1.4	1.2	0.4	0.4	..	..

4. For and Against Public Enterprise—One view E.S.R.F. study—Lokudyog—Sept., 1967 P. 69.

5. Dr. P. Prasad, Lokudyog Sept. 67—The other view—A Review of Article on E.S.R.F. study.

TABLE—3

Profitability Ratios of the Public Ltd. Companies in the Private sector

Items	1960-61,	61-62,	62-63,	63-64,	64-65
1. Gross profit as p. c. of sale	10.3	10.2	10.2	10.3	10.0
2. G. P. as p. c. of capital employed	10.2	10.1	10.2	10.6	10.3
3. Profit after tax as p. c. of net-worth	10.9	10.0	8.6	9.4	9.2
4. Dividend as p. c. of net-worth	6.6	6.3	5.8	5.8	5.6

Source—Raj K. Nigam, and V. G. Kesary—"The Growth and performance of the Govt. corporate sector" in Lokudyog April, 1967.

The tables 2 and 3 show that while profit ratios for the public limited companies remain more or less stable at a higher level, the profit ratios for the Government companies, remaining at lower level, go on declining over the period. Here also we are to keep in mind that the likes are not compared with the like because the two sets of companies differ much in their objectives and maturity. The heavy investment made under the circumstances of "high level prices" in public enterprises gave lower percentage results of earning as compared to those on the investments made by established and older companies in private sector.⁶ Even then the declining tendency of profit should cause concern.

We may, now, compare the working of the Industrial Development Corporation of Orissa Limited with the Government undertakings discussed earlier.

III. Industrial Development Corporation of Orissa Ltd.

The need for the expansion of public enterprise in the state led to the formation of Industrial Development Corporation of Orissa Ltd. in March, 1962 as a public limited company with an authorised capital of Rs. 50 crores, fully owned and managed by the state. The objectives for which the corporation was formed are :⁷

(i) to promote, establish and execute industries, projects, and enterprises which would advance industrial development of the state.

6. Raj K. Nigam & V.G. Kesary, Lokudyog, April, 1967.

7. By courtesy of the Industrial Development Corporation, Orissa Ltd.

(ii) to aid assist and finance industrial undertaking projects and enterprises, howsoever owned, with capital, credit, means or resources for the prosecution of their business and

(iii) to seek for secure openings for the employment of capital in remunerative industrial enterprises.

The total investment of the state Govt. in the share capital of the company till 31-3-68. has been Rs. 1139.11 lakhs. Besides, the State Govt. has also sanctioned Rs. 540 lakhs as loan to the company.

The corporation comprises the following projects (i) Hirakud Industrial Works (2) Kalinga Iron Works, Barbil (3) Cement Factory, Bargarh, (4) Cable plant, Hirakud (5) Tile Factory, Choudwar (6) Re-rolling Mill, Hirakud (7) Ferrochrome Plant, Jajapur Road (8) Salt Factory, Sumandi (9) Talcher Industrial Complex (the project has been stopped for the present due to non-availability of funds).

In addition to this, the corporation has invested Rs. 3 lakhs in Aska Sugar Factory, Rs. 22.00 Lakhs as Equity Share Capital in M/S Indian Metals and Ferro Alloys Ltd., Rs. 14.96 Lakhs as Equity Share Capital in M/S Jayashree Chemicals Ltd., invested Rs. 11.46 Lakhs and advances Rs. 18.50 Lakhs to the East Coast Salt and Chemical Industries Ltd., and has sanctioned a loan of Rs. 6 Lakhs to the Managing Director of Indian Metals and Ferro-Alloys Ltd., Rayagarh.

All projects except Ferro-chrome project, Salt Factory and Talcher Industrial complex have been commissioned to production. Of course most of them started production very recently. The corporation is producing or will produce through its projects commodities and services like portland cement, Tile presses, sheep-foot rollers, Rice-milling, Hard-road manufacture and galvanisation of transmission line towers, reconditioning of spare parts, ACSR, AAC enamelled copper wires and paper cover wires and strips, bar, square-rod, ferro-chromium, roofing tiles and ridges, pig iron and salt. Thus the products produced are mostly basic materials essential for industrial development and construction.

In an industrially backward state like Orissa where in 1965 productive capital employment, and gross output of industries registered according to the Factory Act, 1948, constituted 5.50%, 1.73% and 2.20% of the All India Total⁸. The entrepreneurial role of the Government is extremely essential for exploiting the unexploited resources, mobilising dormant saving towards diversification of the economy and above all for brightening the prospect of industrialization in the state and encouraging private entrepreneurs to step in.

8. Annual survey of Industries—(provisional) General Review 1965 P—X Deptt. of Commercial Intelligence and Statistics, Government of India.

The Evaluation Committee on public sector undertakings in Orissa, expressed dissatisfaction over the performance of the undertakings and drew attention to the lack of cost consciousness in many enterprises. This is quite evident from the tables below.

TABLE—4

Gross Profits of the Govt. Undertakings, Orissa

Items	1961-62	62-63	63-64	64-65	65-66	66-67
Gross profit (in Lakhs of Rupees)	—2.28	—0.62	9.26	30.40	1.12	1.45
Gross profit as % of capital employed	loss	loss	2.07	5.97	0.13	0.17
Gross profit as p. c. of gross sale.	loss	loss	4.38	9.95	0.18	0.49

TABLE—5

Net Profit of the Govt. Undertakings, Orissa

Items	1961-62	62-63	63-64	64-65	65-66	66-67
Net profit (Rupees in Lakhs)	—2.24	—1.72	3.04	10.54	—6.35	—5.74
P. c. of net profit to equity capital	loss	loss	0.61	1.24	loss	loss
P. c. of net profit to networth	loss	loss	0.61	1.23	loss	loss

(Sources—Report of the Evaluation Committee on public Sector undertakings in Orissa—Planning and Coordination Department, Government of Orissa—ps. 33 & 34)

Gross profit in the table means excess of income over expenditure before providing for interest, tax and appropriation to reserves. Net profit means gross profit minus provision for interest and taxes and nonoperating expenses.

In terms of gross profit as p. c. of capital employed, the performance of the State Government undertakings is better than the Central Government undertakings only in 1964-65. In other years from '61 to '64, its performance is worse (vide table 2 and 4). The worse performance of the Government undertakings in the years 65-66 and 66-67 is deplorable.

Consequently the committee, of which Mr. P. S. Loknathan was Chairman observes, "These undertakings do not appear to have fulfilled adequately the objectives for which they were originally envisaged ; on the contrary they have spent vast amounts of public funds with poor results."⁹

The operating results of the I. D. C., Orissa Ltd., may well be compared with that of other Government undertakings. At the outset it must be mentioned that by March, 1967 only, three units, namely Hirakud Industrial Works, Kalinga Iron Works and Tile Factory, Choudwar were commissioned to production. Choudwar Tile Factory started production in June, 1966, and in 1962-63 only Hirakud Industrial Works, was the producing unit.

TABLE—6

Operating Results of the I. D. C. Orissa

Year	Earning (Rs. in lakhs)	Net profit (Rs. in lakhs)	P. C. of net profit to earning	P. C. of wage & salary to earning	P.C. of raw materials cost to earning	P. C. of business expenses etc. to earning
1962-63	5.25	1.18	..	46.67	12.76	12.56
1963-64	83.05	5.83	7.06	20.84	43.6	14.00
1964-65	123.40	23.46	19.1	16.14	45.18	14.58
1965-66	92.02	17.00	18.07	24.10	40.44	15.26
1966-67	98.73	-0.42	Loss	24.85	55.30	14.96

Source :—Annual Reports of the I. D. C. Orissa Ltd., 1962-63 to 1966-67.

The above table compared with the table 4 and table 2 shows that net profit as percentage of earning or sale in I. D. C., Orissa is higher than the gross profits as p. c. of sale both in the undertakings of the Central Government and the entire Government undertakings of Orissa till 1965. In 1966-67 the I. D. C., Orissa had a net deficit. This loss is due to the fact that the Hirakud Industrial Works incurred a loss of Rs. 2.25 lakhs in the year owing to the continuous strike for two months, and that the Kalinga Iron works had to spend an extra sum of Rs. 5.25 lakhs towards commission, discount and rebate to clear up huge stock accumulation arising out of slump in the pig-iron market in the first half of 1966-67. The loss in Tile Factory is due to its inability to produce at its full rated capacity on account of lack of orders.¹⁰

9. Report of the Evaluation Committee on Public Undertakings in Orissa. P. 85.

10. See. Annual Report 1966-67—I.D.C., Orissa Ltd. P. 8 & 9.

In terms of the ratio of net profit to capital employed that is equity share plus Government loan excluding reserves, the performance of the I. D. C., Orissa is more encouraging than that of the public sector as a whole.

TABLE—7

Ratio of Net Profit to Capital, I. D. C.

Year	Share capital and Govt. loans (Rs. in Lakhs)	Net profit (Rs. in Lakhs)	P. C. of 2 to 1
	(1)	(2)	(3)
1963-64	334.00	5.83	1.74
1964-65	560.21	23.46	4.10
1965-66	1181.21	17.00	1.43
1966-67	1414.2	(—)0.42	Loss

Source :—Calculated from the figures in Annual Reports 1963-64 to 1966-67 and the unpublished brochure of the I. D. C. dated 31-3-1968.

Net profits as p. c. of equity capital in entire public sector, Orissa were lower in 1963-64 and 1964-65 and was negative in 1965-66 (vide table 5). The comparable figures of profit after tax as p. c. of net-worth in the Central Government undertakings in the R. B. I. 's study stood at 5.6 in 1962-63, 1.0 in 63-64 and 0.4 in 1964-65 (vide table 2). Thus the performance of the I. D. C., Orissa stands better in comparison with that of aggregate public undertakings of the State or of the Centre.

It will not be just and proper to compare the I. D. C., Orissa with other private companies which are much older and whose capitals have been considerably written off during their long working period.

The cost analysis in the table .5 shows that business expenses, rent etc. remain more or less stationary. Wage and salary as p.c. of earning rose by 50 p.c. after 1964-65. There was a great rise in the ratio of the raw-material cost to earning in 1966-67 i.e., from 40.44% to 55.30%. Such rise in cost is sure to adversely affect profitability.

The employment positions of the I. D. C., Orissa, were as follows: 1882 on 31st Dec., 1966, 2769 on 31st Dec., 1967 and 2688 on 30-6-1968. There was significant expansion in employment during 1967 followed by a decline in 1968.

The average earnings of the employees in Hirakud Industrial Works and Kalinga Iron Works marked an improvement from Rs.992.7 in 1965-66 to Rs. 1092.6 in 1966-67. But wages, salary and employees' welfare expense per head of the three operating units stood at Rs.1714.8 in 1965-66 and Rs.1455.4 in 1966-67.¹¹ As against these the average earning of workers earning less than Rs.400 per month in Orissa were as follows :—

Years	1960	1961	1962	1963	1964	1965	1966
Average earning	1105	1180	1336	1374	....	1881	....

These figures of earning are again lower than corresponding figures in many States like W. Bengal, Maharastra etc.¹²

Thus the corporation cannot be blamed for paying unduly higher wages. The fact that wage cost constitutes more than 20 % of the total earning may be explained by the relative low productivity of labour occasioned by factors other than labour itself.

Conclusion :

The preceding discussion indicates that the operation of the Industrial Development Corporation of Orissa Ltd., within its short period of working compares very well with that of other public undertakings. The corporation holds out high hope.¹³ The Ferro-chrome Plant, when in full production will earn Rs.656/- per tonne on average before tax and will yield 10 % return on capital employed, the cement factory will yield a return of 8.3 % on equity, the Cables Plant will produce profit before tax at the rate of 15 % on the equity base of Rs. 108.00 Lakhs, the Re-rolling Mill will give a return of 17.4 % on the equity base, the Hirakud Industrial Works, fully worked out, will give 10 % return on total capital base; the Kalinga Iron Works will yield a return of 15.5 % before tax on equity capital base. Whether these hopes will be realised or not will depend on the proper management of the concerns. The results in the short period, when compared with other Government undertakings generate hopes not despair. Private undertakings may be doing better now. This may be primarily due to their rich experience and solid foundations built over the years. There are other grounds like creation of a strong infrastructure, diversification of economy and generation of an industrial tempo for which the public sector undertakings, despite their low profitability at present, are to expand and take the lead in the race for industrialisation. Rightly it

11. Figures arrived at by dividing wage-bills of by total number of employees as given in Annual Reports 1965-66 & 1966-67.

12. Indian Labour Statistics 1965 P. 47-48, 1968 P. 62-65.

13. See the type brochure of the I.D.C., Orissa 31.3.1968.

has been observed by Dr. P. Prasad: "The ethics of public enterprise cannot be transformed to conform to the economic ethics of performance in private sector. If investments were made on private sector criterion, the horizons of investment will be narrow; objectives of long term growth would suffer and what is no less important advance timely investment in national interest would not be made and the divergence between private and social costs as reflected in the present and perspective rates of investment would go on increasing¹⁴".

While serving other purposes, the public sector undertakings make profit-not just cover the cost—in order to produce revenues for the State's development. Orissa needs substantial augmentation of revenue. The yearly *per capita*-tax in Orissa is Rs.24.55 when it is Rs 33.39 in Andhra Pradesh, Rs.27.68 in Bihar, Rs. 42.15 in W. Bengal, and Rs. 33.07 in Assam.¹⁵ The poverty of the people, inadequate industrialisation of the state account for the low level of tax payment. Expansion of public undertakings oriented towards more profit will serve the double purpose of augmenting revenue and generating a momentum of industrial growth through multiplier and acceleration effect. Besides, the planned development of the economy through utilisation of its hidden resources with a long-run objective calls for a direct and positive role of the Government in the economic field. This is more so when breaking of the stagnancy and opening of new avenues of development are essentially required. There is much truth in the observation, "Public enterprise without a plan can achieve something, a plan without public enterprise is likely to remain on paper."¹⁶

Considered in its broader perspective, the role of public enterprises including the I. D. C., Orissa Ltd., should not be undermined. No ideology should blur the economic necessity of the expansion of public sector in a backward economy. With bold optimism, strong determination and right judgement the public enterprises in the state should move forward to end the age-old neglect and usher in a new era of rapid industrialisation. We may plead for reorganisation and revitalisation of the Govt. undertakings, when and where necessary, but never its annihilation.

14. The Other View—A Review of Article on E.S.R.F. Study by Dr. P. Prasad, Lokudyog Sept., 1967 P. 75.

15. R. B. of India Bulletin May, 1968 P. 586-594.

16. Hansen A. H.—Public Enterprise and Economic Development London, 1960. P. 183.

***PUBLIC SECTOR ENTERPRISES : A REVIEW**

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Unhindered and unfettered private enterprise played a conspicuous role under the domain of laissez faire prior to the 1st World War with certain inexorable laws: action and reaction, distress and luxury, starvation and plenty, affluence and indigence. With the advent of democratic socialism, the ideal of social justice and economic equality dominated the war-shattered economy that required reconstruction and restoration. State regulation and intervention in the socio-economic functions became a necessity to attain the greatest good of the greatest number. Under private enterprise the social interest was subordinated to the individual interest. The marginal social net product lagged behind the marginal private net product. The tide turned in a different direction. The citadel of laissez-faire crumbled down and private enterprise lost its importance yielding place to the public sector enterprises.

In the present day world there is hardly any country where the government has not taken a direct and keen interest in setting up public undertakings. Starting from Soviet Union and other Communist States where private enterprise is not a welcoming feature, to the other extreme, the U. S. A., where State enterprise is an anathema to most people, government has actively participated in the industrial and economic field. An absolutely free economy is not the rule of the day.

In a developing economy public enterprises play a different role from that in developed countries. History of economic development of the advanced countries of the world reveals that in the initial stages of their development, Public enterprises prepared the foundation for economic progress. The prosperity of U. S. A. has been accounted not for private enterprise only, but the public enterprises have greater share in it. In the pre-take off period the entrepreneurial function was scarce and the shove, the pull for economic growth came from the public sector. 'Public enterprises played a crucial role in American economic development in the pre-take-off period. And in so far as parallels are any good, no one should be surprised that public enterprise will play similar role in comparable phase of economic development in other countries.'¹

Public enterprises, in an underdeveloped country, unleash forces to alleviate the economy from the grip of numerous impediments. They lay the basis

* With reference to Orissa's Public Undertakings.

1. Prof. Arthur M. Schle Singer Jr., *Efficacy of Public Enterprises*, Edited by V.V. Ramnadhani.

upon which the structure of a dynamic and diversified economy is to stand. Expansion and extension of their activities accelerate the pace of economic development even in the absence of a coherent economic plan. 'Public enterprises without a plan can achieve some thing, a plan without public enterprise is likely to remain on paper'². It is implicit, therefore, that public enterprise with the machinery of planning can accomplish all that is required to promote economic growth.

In an advanced economy, as the Schumpetrian growth model depicts, the creative response to set up new production functions is provided by the private entrepreneur who "seizes the gain where it is immediately before his eyes"³. His role is a crucial one'. He breaks the familiar routine and falls within the sociological category of 'elite or creative leadership' and overcomes all initial obstacles.⁴ Such entrepreneurial class is absent in an under developed country which necessitates the public enterprises to come forward to stimulate the private initiative and take up the responsibility for specifying social and economic priority and thus provide guidance for the course of development.

In the early stages of development the main task of the public sector is to build up the infra-structure of the society. Private business investment for these lines of activity is very shy because it involves uncertainty of sufficient rewards. Moreover, these projects have a long gestation period to come to fruition and inflict much risk. Further, the planned investment in these lines, is, by nature lumpy, and the private enterprise may fail to invest such enormous capital. Private concerns are always guided by profit motive. The return from these lines accrue to the society as a whole.

In India the problem of unemployment is an alarming one. Avenues of employment are limited. The unemployed persons can be diverted to different investment projects set by the public enterprises where they can be gainfully employed and can contribute something positive to the society. 'Public enterprises have been favoured by modern planners as a great instrument of economic development, and an effective tool of planning, coordination and control, which is essential to avoid the wastes of competitive economy characterised by private enterprise and actuated by profit motive.'⁵ India has made a comfortable compromise between free private enterprise and controlled and regulated State enterprise. Being wedded to the principles of mixed

2. A.H. Hanson—Public Enterprise and Economic development Ch. 5.

3. Schumpeter—Theory of Economic Development.

4. Sampatlal—Schumpeter and His Ideas on Economic Development—Indian Journal of Economics, July 1955.

5. Sohan Raj—The nature and Limitation of Public corporation in the Future pattern of India—Indian Jr. of commerce, Dec. 1950.

economy she has guaranteed the coexistence of both. 'Democratic Socialism' or 'Socialistic pattern of Society' are not political ideals in India but economic necessity. The role of the State in this country is to pioneer the process of economic development. The State also plays a leading role to wrest the economic power from the hands of a few persons and diffuse it as to create conditions for an egalitarian society. The most important task of the public undertakings is to augment resources for the developmental scheme so as to contribute their quota to development.

The public undertakings, in Orissa, have been set up to achieve certain specific objectives.

- (a) The State has abundant natural resources which need to be properly exploited for industrial development.
- (b) People in this State are very much sceptic about industrialisation and hence they do not make any deliberate conscious efforts to industrialize the economy. Through the development of public enterprises they would realize the fruits of industrialization.
- (c) Private initiative is lacking very much in Orissa. Development of public enterprise would encourage the private initiative by acting as a forerunner in the industrial field.
- (d) Lastly, public enterprises, providing commercial surplus, would increase capital formation.

The problem of capital formation through public enterprises is an intricate one. They can contribute to capital formation by creating a surplus or by reaping profit through a sound pricing policy. Price policy of public enterprises has entered a field where a wrangle of controversies and entanglements of different camps is met. 'Level of profitability of an enterprise will provide some indications of its degree of efficiency, eschewing profits by public enterprises concerned means that there is no capital formation on its part.'¹

Pricing policy is no doubt a potential device in a planned economy like ours where it can be used in such a way as to bring about a proper allocation of resources according to planned priorities. A planned economy should have a planned price policy if the benefits of planning are to be realized. The traditional view on the pricing policy of the public enterprises is that they should not be guided by profit motive as the private enterprises do. Production in their cases is not for profit but for public interest. This view envisages that if profit becomes the be-all-and-end-all of these undertakings

1. A.H. Hanson—Public Enterprises and Economic Development—Chap. XIV.

their very purpose will be defeated. This view has been relegated to the wall in the present day. A view has been widely circulated that 'in public enterprises, as in private ones, the principle of profit making must be maintained.'² This idea had its origin in the Nagpur Congress and it has since been underlined in a note submitted to the A. I. C. C. by Dr. V. K. R. V. Rao and accepted by the Planning Sub committee of the Congress. Public enterprises, by creating a surplus can mitigate the dearth of capital for investment. It is, therefore, of prime necessity that they should realize a surplus to finance their growth and expansion, to lessen their dependence on the State and divert the tax revenue to meet the non-investment activities. No-profit no-loss policy in pricing has no place in a developing economy. 'In considering the pricing policy of the State undertakings in a comparatively underdeveloped country like ours regard must be had to the need for relating them to the economic and institutional context in which they operate rather than to the standards that are more appropriate to the conditions obtaining in the advanced economies such as those of the Western countries.'¹

In India public undertakings are divided into two broad classes—(a) those which work in the competitive field and (b) which operate in the monopolistic or semi-monopolistic conditions. Undertakings that belong to the first group should maximize their profit and their price policy should have this objective in view. It is wise to reap more profit not by charging high price but by reducing the cost of production so as to prove their efficiency. They should also improve the quality of the product.

Undertakings in the second category as they are monopolistic or semi-monopolistic by nature, can charge a high price for their product. Even they can go to the extent of discriminating the prices among different customers on the principle of what the traffic will bear. Their success would depend upon the elasticity of the demand for their product. But in case of public utilities deliberate profit making should be avoided for in such cases, the level of profit provides no index of efficiency. Normally, such undertakings should recover their full costs, including provision for depreciation and reasonable return on capital. This principle may not be rigidly followed in an underdeveloped country.

The crucial point is that the price policy should be resource or needs oriented. It is necessary that where a State makes a substantial investment the price policy must be so regulated that it will bring forth an adequate return,

2. Das Gupta—'No Profit, No Loss.'—Economic Weekly—Special Number, July, 1959.

1. Taxation Enquiry Commission Report—Volume I.

jest it will impose a direct burden on the State. Thus the primary purpose of public enterprises is the creation of surplus. In India the public undertakings present a dismal picture as to the accomplishment of this objective. 'They have failed in blazing the trail of India's economic development. Instead of providing resources, paradoxically enough, they drain away the resources. This is a matter of national concern and is of staggering magnitude.'¹ If the performance of the public enterprises will not be up to the mark, people will lose confidence in it and its future will be bleak.

* In Orissa, the public undertakings show a deplorable performance. The criterion of profitability has not been satisfied. They have failed to contribute to rapid industrialization. They have not been able to realize any surplus, rather the magnitude of loss is alarming. In some cases, although, profit accrues in some years, the heavy loss in the other years washes it away. Instead of being an asset to the government for development, they have constantly become a liability and a source of anxiety.

The poor performance of the undertakings is the product of certain discernible shortcomings in the planning and management of those undertakings.

(a) 'These undertakings work under the framework of company form of management, obtaining bulk of their funds by issuing equity shares which are fully subscribed by the government and hence, there is no yardstick to measure their performance constantly'.² 'In the private sector the poor performance of units is revealed by the shares being depressed. It is, therefore, imperative that a substantial amount of equity shares should be subscribed by the private investors.

(b) The undertakings are managed by Board of Directors to which government officials are recruited or by General Managers mostly top government officials. The civil service mentality still rules its sway. They take up the responsible assignments as sine cures. To most of them the management of these enterprises is more a pastime. Again, these officers are deputed to the Board for a temporary period and whenever they like, or the employer desires, they can be transferred to their original department. This is purely antithetical to running a business. 'The attitude, philosophy and outlook of a government official make him slow moving, cynical, anti-risk

1. M. V. Pyle—Public Sector Enterprises—Commerce, Annual Number, 1967.

* An Annexure depicting the performance is given in the last page. (10 & 11).

2. Report of the Evaluation Committee on Public Sector Undertakings in Orissa—P. 86 (25. 2).

bearing, playing safe and procedure dominated'.¹ 'Again, the appointment of government officials involves all the drawbacks of a government department such as bureaucracy, red-tapism, nepotism etc. This vitiates the whole working of the enterprises.

What is necessary is that Public undertakings require a more or less permanent Board of Management consisting of men of abilities, training and long standing experience. It is a fact that there is a paucity of such trained and technical personnel to man the enterprises. But an alluring salary and other facilities are to be provided by the enterprises to divert them from the private sector.

(c) The theory of improved management embodies a policy of adequate decentralization and coordination amongst different departments of the undertakings. This factor has been grossly ignored by the undertakings. Powers are concentrated at the top ; coordination amongst different departments has not been maintained satisfactorily. In some cases the sanction of the government for trifle matters is awaited. This does not allow the public enterprises to take immediate decision on a particular issue.

(d) It has been alleged that the officials in charge of the management lack in positive approach. Too much of managerial interference hampers the smooth running of the undertakings and also their efficiency. 'A vicious circle is, thus, set up, departmental interference results in managerial staff being self-reliant ; this factor breeds sloth and inefficiency, which in turn provokes further departmental interference.'² It is warranted that each department should be granted autonomy. Their efficiency should be judged by their operational results. Every failure should be severely dealt with and every success should be properly rewarded.

(e) Another factor that has contributed to the inefficiency of these undertakings is the employment of a disproportionately large number of workers in these concerns. This results in slackness and frustration.

(f) Lastly, the undertakings do not follow a sound accounting policy and some of them do not have compilation of statistical records and special reports as required. 'In many of the undertakings the Account is not up to date and in others proper methods of accounting is not followed.'³ 'But to compare the performance with operating plans and standards and to report

1. M.V. Pyle—Public Sector Enterprises—Commerce, 1967.

2. Report of the Evaluation committee—P. 25.

3. Ibid., P. 26.

and interpret the results of operation to all levels of management, it is necessary that upto date account must be maintained. A monthly bulletin recording the estimates, expenditures and performance of the undertakings may also be issued to the public. All these remedial measures are to be taken to cure the enterprises from various anomalies and ailments.

The heartrending performance of the public undertakings in Orissa has raised a doubt as to their survival. It may be imperative that they should make room for private enterprises, where they have failed. But this kind of conclusion sounds very much unpalatable and incongruous in a developing socialist economy. It is necessary and desirable that public enterprises, as instruments of democratic socialized planning should have a bigger share in the economic and industrial field. It is a hard reality that public enterprises in Orissa, have not functioned effectively and efficiently. But there is nothing to be very much pessimistic about their future roles. As a matter of fact, in the early stages of development the nascent public enterprises confront certain obstacles on the way of their marching ahead. No change can take place overnight. Sufficient time gap should be allowed for their development. The various ills should be remedied. Constructive measures should be taken by the government in the direction of reorganizing and reorienting the undertakings so that they can successfully cater to the economic needs of the State.

*ANNEXURE—I

Resources Available :—

	As on					
	31-3-62	31-3-63	31-3-64	31-3-65	31-3-66	31-3-67
	(Rs. in Lakhs)					
1. Equity Capital ..	75.00	297.51	500.27	848.69	1,178.21	1,278.71
2. Loans from Government of Orissa. ..	..	..	62.50	130.29	582.79	712.50
3. Other Loans ..	..	139.99	225.62	465.44	710.29	990.33
4. Reserve and Surplus ..	1.85	—2.91	7.17	19.13	13.34	11.20
Total ..	73.15	434.59	795.56	1,463.55	2,484.63	2,992.74

* Report of the Evaluation Committee.

Annexure II

Gross Profit :—

		1961-62	1962-63	1963-64	1964-65	1965-66 (Rs. in Lakhs)	1966-67
1. Gross profit	..	—28·8	—0·62	9·26	30·40	1·12	1·45
2. Percentage of gross profit to capital employed.	..	Loss	Loss	2·07	5·97	0·13	0·17
3. Percentage of gross profit to sales	..	Loss	Loss	4·38	9·45	0·18	4·49

Net Profit :—

1. Net profit	..	—2·24	—1·72	3·04	10·54	—6·35	—5·74
2. Percentage of Net profit to equity	..	Loss	Loss	0·61	1·24	Loss	Loss
3. Percentage of Net profit to net worth.	..	Loss	Loss	0·61	1·23	Loss	Loss

The Annexure concerns the following Undertakings :—

- (a) Industrial Development corporation
- (b) Orissa Mining Corporation
- (c) Construction Corporation
- (d) Forest Corporation
- (e) Fisheries Corporation
- (f) State Transport Corporation

Annexure IV

- (1) Percentage of Net profit to paid up capital :—
- (2) Percentage of Gross profit to capital employed :—

		1961-62	1962-63	1963-64	1964-65	1965-66 (Rs. in Lakhs)	1966-67
1. I. D. C.							
(a) Net Profit	..	..	0·42	0·88	1·65	0·55	Loss
(b) Gross Profit	..	..	1·09	2·76	17·93	3·22	Loss
2. O. M. C.							
(a) Net Profit	..	Loss	Loss	Loss	Loss	Loss	1·42
(b) Gross Profit	..	Loss	Loss	Loss	Loss	Loss	0·51
3. O. C. C.							
(a) Net Profit	..	..	4·90	0·20	10·70	4·84	0·72
(b) Gross Profit	..	..	0·84	Loss	3·86	3·48	2·42
4. Fisheries Corporation							
(a) Net Profit	..	..	0·36	0·06	0·17	Loss	..
(b) Gross Profit	..	..	1·00	Loss	Loss	Loss	..
5. Forest Corporation							
(a) Net Profit	..	..	4·36	11·29	5·02	Loss	..
(b) Gross Profit	..	..	8·87	15·15	12·26	Loss	..
6. Commercial Transport Corporation							
(a) Net Profit	..	..	..	..	Loss	Loss	..
(b) Gross Profit	Loss	Loss	..

WORKING OF PUBLIC SECTOR ENTERPRISES IN ORISSA

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With the advent of independence and particularly with the adoption of the Industrial Policy Resolution of the Government of India in 1948, public sector undertakings have come to figure prominently in the Indian economic scene. Following the lead by the Central Government, the Government of Orissa had started public undertakings since 1958-59.

In their original conception, public sector enterprises were launched as a component part of the overall strategy of economic development. They were designed to pioneer the path for quick industrialisation, to promote capital accumulation and to achieve a set of well-articulated socio-economic goals. The Approach Paper on the Fourth Five Year Plan has recently drawn attention to profits of public enterprises as a means of raising resources for financing the Fourth Plan and has emphasised the need for "better performance and price adjustments" of these undertakings.

Of late, a spate of criticism has been directed against the public sector enterprises on grounds of their low profitability, sub-standard operation and considerable wastage of valuable resources. The Lokanathan Committee set up by the Government of Orissa to investigate into the working of public undertakings in the State has compiled an array of statistics to demonstrate the low rate of profitability of these enterprises. Prof. B. R. Shenoy in his reform programmes submitted to the Government of Orissa is reported to have advocated a policy of progressive denationalisation of public undertakings in view of their serious deficiencies and low rate of yield on investment. In such a context, it is imperative to make an objective assessment of the working of public sector enterprises in the country and in our own state particularly where resource bottleneck for planned development has become much more acute at present, in order to identify the areas of weakness of these undertakings and to correcting the deficiencies by appropriate economic and organisational measures so as to make the units economically more efficient and operationally viable.

It must be admitted that the public sector enterprises should not be judged by the economic ethics of performance in private sector. The rule-of-thumb principle of commercial profit can not be the sole criterion of the efficiency of public undertakings. A proper evaluation of these enterprises on the

basis of cost-benefit accounting should make due allowance for indirect social and economic benefits which accrue to the community from these undertakings. G. S. Das rightly observes that "while public enterprises should earn a surplus it is no less important to recognise the wider economic, social and welfare objectives of these undertakings". According to R. C. Patnaik, 'there is need for public enterprises in Orissa to create social overhead capital, to open up employment opportunities and widen the investment base of the economy'. B. P. Dash states that 'public enterprises in an underdeveloped country unleash forces to alleviate the economy from the grip of numerous impediments. They lay the basis upon which the structure of a dynamic and diversified economy is to stand.

In respect of profitability of public undertakings, B. P. Dash remarks that "the criterion of profitability has not been satisfied in the public undertakings in Orissa". B.K. Mahapatra points out that "of all public sector undertakings it is only the Orissa Construction Corporation which has shown some profits, though very meagre in amount." S. C. Patnaik has shown that the State Transport Service has yielded a lower rate of net profits compared with that of the Orissa Road Transport Co. Ltd. B. Sahoo and P. Padhi have, however, demonstrated that "the net profit as p. c. of earning or sale in I. D. C., Orissa Ltd., is higher than the gross profits as p. c. of sale both in the undertakings of the Central Government and the entire Government undertakings of Orissa. In their view, the results of the I. D. C. in the short period when compared with other Government undertakings "generate hopes, not despair."

All the contributors of papers on the topic have, however, deprecated the current tendency to run down and decry outright the public undertakings in the country. Poor performance of public sector units is a hard fact to be reckoned with. But the way to deal with this problem is to remedy the deficiencies, to improve and better the management, to adopt principles of business organisation, etc., and not to scrap and abolish the entire super-structure. Most of the reasons for poor performance of public enterprises lie mainly in factors internal to them: incompetent management, ill defined lines of decision making and responsibility, faulty demand estimation and the like. B. K. Mahapatra is of opinion that "there can be significant qualitative improvement in managerial efficiency of the units provided performance budgeting, cost accounting and work-study methods are adopted." G. S. Das suggests 'drawing up a cost-benefit matrix in respect of each enterprise as well as the public sector as a whole. These methods of toning up managerial efficiency are helpful; these can also be supplemented by setting up *ad hoc* investigating bodies; but, however, useful these devices might prove, one thing they can

not replace is "managerial self-criticism" and the means of such self criticism should be "built into" the enterprise. The Lokanathan Committee has advocated policy measures to rehabilitate the public undertakings by plugging the loopholes in management, by adopting scientific cost-accounting techniques, eliminating corruption and checking revenue leakages. Besides, the Committee has also suggested participation of private equity capital in these undertakings "so that shares of the undertakings could appear for buying and selling at the various stock exchanges, which would help to gauge performance of the undertaking just as the share market acts as the barometer to gauge the performance of private industries." Professor Shenoy's reported suggestion favouring transfer of public sector undertakings to private entrepreneurs has been vigorously challenged by some of the writers. P. Panda argues that such a line of action, if implemented, would open the floodgates of exploitation of Orissa's economy by outside capitalists and the real interests of the people and workers of Orissa would be affected adversely as a consequence. According to R. C. Patnaik such a policy can not be worked out in Orissa in isolation from the rest of the country in so far as such a policy measure must be compatible with the broader national policy framework in this regard.

In respect of pricing policy of the public enterprises, B. K. Mahapatra advocates a profit-price policy. B. P. Dash while favouring profit in public sector enterprises, however, qualifies his advocacy of a profit policy by observing that "it is wise to reap more profit not by charging high price but by reducing cost of production." The strongest objection to a profit-price policy in the public sector is that most state undertakings are monopoly producers and hence the consumer is likely to be exploited in such a dispensation. "A monopolistic or quasi-monopolistic nationalised industry to yield profit may try the easy way of solvency through the consumer's pocket in preference to the hard road through improved efficiency and economic use of manpower and other resources." The principle governing the pricing of product/services of public enterprises is a subject fraught with serious controversies. The case for marginal cost pricing is made out on the ground of allocative efficiency. But the difficulty in applying the marginal cost rule in that setting prices equal to marginal costs rarely gives a revenue equal to total cost; usually it would result in either a deficit or a surplus. The way out of this dilemma is sought in the two-part tariff formula. But "its equitable use raises the problem how to distribute over-head costs between different products and buyers." Where such costs are undifferentiated and cannot be ascribed to particular parcels of out-put, the best way is to apportion them among buyers in proportion to their expenditure on the product/service. Shadow-cost pricing may be an alternative method for combining optimum efficiency criterion with a

positive profit margin in the matter of pricing of public sector enterprises. G. S. Das, however, sees little point in a uniform price policy for all types of public undertakings. According to him, we can identify three categories of public undertakings in Orissa viz ; primary producing, tertiary and manufacturing establishments. He, therefore, suggests three types of pricing principle. In respect of the primary group, he advocates the profit norm ; for the tertiary establishments, a competitive price policy while for the manufacturing units, the break-even or no-profit, no-loss principle. The three-tier pricing system advocated by Das deserves special consideration.

S. C. Patnaik in his paper on " Road Transport Enterprises in Orissa " has shown that though the O.R.T. Co. has shown greater net profits compared to that of the S.T.S., yet as a source of non-tax revenue, the state investment in S.T.S. is more paying than in the O.R.T. in which the State Government owns a certain percentage of shares along with the Central Government and the general public. Mr. Patnaik favours the implementation of the proposed Road Transport Corporation which, in his opinion, would eliminate the present duality in the organisation of the transport services in the State. While favouring the nationalisation of goods services in the state both from the point of view "of developing goods services in a co-ordinated manner for meeting the deficiencies of the railway communication in the State and as a measure for augmenting the revenue from this source, he, however, suggests a phased implementation of such a programme taking into account the heavy initial investment outlay it would entail and the possible resistance and opposition from private entrepreneurs operating in this field at present."

J. K. Misra's paper on " Planning with Private Enterprise " seems to be an apologia for free private enterprise. One finds it difficult to justify. Misra's view that " a high rate of growth can be achieved if private enterprise is given full freedom." This might be so under the highly idealised, abstract conditions of a perfect market order but can hardly be sustained in the imperfectly competitive market set-up of the present day economy. There is truth in his contention that planning in India has suffered from unrealistic formulation and faulty implementation. It is also admitted that the complex governmental machinery of control and regulation sometimes bordering on excesses has stifled private initiative and enterprise to the detriment of economic growth of the country. But the panacea for this is not to substitute and supplant " planning with state agency " by " Planning with Private Enterprise." But then Misra's paper is an act of articulation of the prevailing state of disenchantment and steady erosion of faith in the planning mechanism to deliver the promised goods.

Participating in the discussion, Dr. B. Misra referred to the present trend of thinking of the Government of Orissa to have less of public enterprises and more of private enterprises. In his opinion, comparison between public and private enterprises must be made on a comparable basis. In their respective objectives, goals and end-products, the two categories are not identical. Further private enterprise can deliver the goods only in the context of a Smithian perfect market economy. He admitted that public undertakings by and large, have failed to pay their way. Investments have not yielded commensurate returns. There was inefficiency in management. But then, in his view, we should seek to reform and not to abolish these undertakings.

B. C. Parida made out a case for expansion of public sector industries. In his opinion, public sector units were started to act as pace-setters of economic development, as instruments of resource-mobilisation and inflation-control. These needs still persist. The present inefficiency of the undertakings is largely due to lack of proper accounting techniques, excessive bureaucratic interference, and absence of a cadre of trained personnel to man these enterprises. Efforts should be directed to removing these shortcomings and to run the enterprises on an efficient footing.

Dr. D. C. Misra opined that the proper criterion for measuring efficiency of public enterprises should be the social cost and benefit accounting. He posed the question : Whether investments should be made on long gestation schemes, operating as we do under severe constraints on resources. According to him, the principle of mixed economy necessitated that where private enterprise could be started and could operate successfully, it should be encouraged and offered suitable inducements. In regard to profit of public sector undertakings, he pointed out that it is not wise to insist on profitability in all cases. In certain areas of production e.g. fertilizers, it is prudent not to insist on profit criterion.

PART III

EMPLOYMENT AND MANPOWER PLANNING IN ORISSA

URBAN UNEMPLOYMENT AND MANPOWER PLANNING IN ORISSA IN LAST DECADE

An analytical study

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A rational utilization of labour force constitutes an important aspect of man-power planning in developing economies. Capital is necessary but not a sufficient condition of progress.¹ In fact, the role of human capital has been well borne out in the detailed estimates made by Edward P. Denison who analysed the issue on the basis of Cobb-Douglas Production Function. An extreme under utilization of labour is a primary cause of poverty. The human capital formation, is therefore of vital importance to an economy for breaking the vicious circle of poverty. Gunnar Myrdal aptly remarks "A large Volume of unutilized labour possessed by these countries is thought to have a productive potential that can be used to eliminate poverty. The supreme task of planning is thus to drain this labour reservoir by creating work opportunities and by channelling the unemployed and under-employed into productive work".² Thus unless the indigenous labour is absorbed in productive occupations, the achievement of technological transformation of a stagnant economy and the consequent take-off shall continue to remain a far cry. The present colossal wastage of human capital formed at considerable private and social cost must stop and sufficient employment opportunities must be created so that this human capital can generate further capital and there by make significant contributions to the cause of ordered economic growth. Thus there exists sufficient justification and reason for development of an employment-approach to planning in under-developed economies.

For obvious economic, political and sociological reasons, the urban unemployment has attracted much greater notice than the unemployment and under-employment among the rural population. Urban unemployment has been prevalent in India ever since the twenties of the last century. But this urban unemployment problem became rather acute only after the First World War.³ As a result a number of provinces set up special committees to investigate the

1. R. Nurske—Problems of Capital Formation in Under-developed countries.

2. Gunnar Myrdal—"Asian Drama": An Inquiry into the poverty Nations—page 962.

3. Nabagopal Das:—Unemployment, Full Employment in India page 38.

nature and the extent of the problem. Even the Royal Commission on Labour (1931) discussed the subject. The reports of all these Commissions and Committees showed that the problem was not localized but had an all-India character. However, an attempt has been made in this paper to study this problem of urban unemployment in Orissa since 1957 and to review the magnitude of the problem which the state is likely to face during the Fourth Five Year Plan, if and when a plan under such a name comes in to operation. This study has been made with secondary data and non-availability of such secondary data on employment conditions in Orissa has been a serious limiting factor of a comprehensive analysis.

The data provided by the employment exchanges continue to be the only regular source of information about the behaviour of unemployment trends in the urban sector of Orissa. These data, no doubt have their limitations but, however, these do indicate the broad trends. The number of applicants on the live Register and the number of employment exchanges since 1956 can be seen from the following table 1.

TABLE No. 1

Period ending in March	No. of Employment Exchanges.	Applicants in the Live Register.
1956	3	9,593
1957	6	12,914
1958	7	19,225
1959	9	20,992
1960	13	39,026
1961	13	70,371
1962	13	77,340
1963	13	82,836
1964	15	78,425
1965	15	87,874
1966	15	84,124
1967	15	85,706(b)

(a) Economic Base of Orissa:—Prepared under the auspices of the Steering Committee (Planning and Co-ordination Deptt Government of Orissa page 22.

(b) From the Annual Progress Report of the National Employment Service in Orissa for 1966-67 page. 2.

This table lays bare the fact that there has been a steady upward trend in the number of applications on the Live Register of the exchanges. The increase in the number of persons on the live register can not really depict a comparative picture of the employment trend because of its incomplete coverage. It is therefore, necessary in order to form a comparative picture of the period

under review allowance has to be] made for the increase in the number of exchanges. These allowances however, do not significantly affect the trend. So it can be said that from the year 1961 onwards, it is observed that there is a steady rise in the number of applicants on the live register. Although there has been an increase in the number of applicants registered at the exchanges, as has happened in most of the states, the increase in the live register, however, does not present an accurate picture of the state of affairs. The increase in the live register has been primarily due to the limited demand for personnel as compared with their supply.

The next aspect of the subject demanding analysis is the total number of fresh registrations, the total number of vacancies and the relation between the actual expansion of employment opportunities and the registered persons seeking jobs. This picture can be formulated from Table-2.

TABLE 2
(a)

Year ending in March	Registrations	Vacancies	Percentage of vacancies to the registration.
1956	32,702	8,180	25.0
1957	38,878	7,452	19.2
1958	50,766	12,851	25.3
1959	61,649	14,678	23.8
1960	81,589	27,296	33.5
1961	125,793	39,356	31.3
1962	159,536	43,687	27.4
1963	152,606	39,515	25.9
1964	153,255	44,169	28.8
1965	165,722	40,013	24.1
1966	167,335	34,303	20.5
1967	165,438	33,819	20.4(b)
1968	154,309	10,480	6.7(c)

(a) Applied Economic Studies. Vol. No.2. Bureau of statistics and Economics. Government of Orissa. page 58.

(b) Annual progress Report of National Employment Service in Orissa in 1966-67. page 2.

(c) Assembly Question: Answer by Minister of Labour on 11.12.68. Question No. 611.

This data indicate that there has been an upward trend in the fresh registrations as well as employment opportunities from year to year. The rate at which the employment opportunities expanded, however, lagged behind the pace at which the requirement in terms of employment increased during the period. The proportion of vacancies notified to the total number of fresh registrations declined from 25.0 per cent to 6.7 per cent in 1968 (the reasons for

this decline have been analysed in a paragraph coming later) and this proportion had substantially increased during 1956 to 1961 and then again in 1964 when it increased upto 28.8 per cent.

This method of estimating the volume of unemployment in a backward state is subject to serious limitations. Every unemployed hand does not open up the gate of employment exchange office. Hence the method of estimating the volume of urban unemployment as suggested by Dr. V. K. R. V. Rao would be more appropriate. He said that for every one registering in the Employment Exchanges in India, two persons did not register.⁴ To find out the total volume of unemployment in urban area we should first deduct from the registration figure the proportion known to be employed and then find out the total volume of unemployment in Orissa. Calculated on this model the present volume of urban unemployment in Orissa would be of the order of 431,457. Various estimates regarding the total volume of urban unemployment has been made from time to time during the period under study. In spite of the wide variations in the figures in these studies one basic thing that comes out is, there is existence of an alarming volume of urban unemployment in Orissa in the present period.

Thus it is necessary to make a detailed examination of the forces and factors that brought down the proportion of vacancies notified to the total number of fresh registrations in 1968. During the year 1967 and 1968, a declining trend in every sphere of economic activities was noticed due to general recession in the country. The recessionary trend which started towards the middle of the year 1966 was naturally reflected in different items of work performed in employment exchanges. The restraint in expenditure observed in public sector establishments, non finalisation of Fourth Five year Plan schemes for various reasons beyond the scope of this paper, suspension of construction works and the stoppage of works projects connected with drought and gratuitous relief operations have left no scope for creation of new employment opportunities. The impact of recession has been more pronounced on the private sector establishments (the few numbers in Orissa) engaged in mining, quarrying and construction. Due to non-availability of foreign exchange, industries in the private sector have to postpone their expansion programmes. Uneconomic raising of ores coupled with unfavourable market conditions and labour disputes have affected the establishments in the private sector engaged in mining and quarrying. Due to want of funds establishments engaged in the

4. Applied Economic Studies Vol. I. page 116. Issued by Bureau of Statistics and Economics, Government of Orissa.

construction works have stopped work to a large extent since 1967. As regards the supply side it would be enough to say that during this period under consideration, Orissa witnessed an expanding phase in the promotion of educational facilities, both general and technical. Increase in the number of educational institutions added to the number of unemployed personnel in the urban sector. An increased awareness among the people for education and jobs is also conspicuously visible in the period under examination. Hence it is just natural that the unemployment situation in Orissa has become explosive.

It would not be out of place here to make a brief study of the pattern of employment position in Orissa at present. As a result of economic recession less employment opportunities were created during 1968 and those available in the state government establishments were mainly filled by absorption of surplus personnel through the planning and Co-ordination Department of Government of Orissa. The employment situation in the state so far as it relates to the highly qualified persons has definitely recorded a downward trend.⁵ The most disturbing has been the unemployment among the graduate engineers and the diploma holders in engineering branch. However, there is still a shortage of mechanical engineers.

So far as the pattern of employment opportunities is concerned it can be said that the fresh graduates, matriculates, unskilled officers etc., are found in surplus. This is primarily due to their increased turnouts from the colleges and schools and contraction of availability of employment opportunities. In contrast to this there is still short supply of certain categories of labour like Trained Mistress, Geologists, Lecturers in English, Mechanical Engineers, Doctors, Accountants with Co-operative training, Mechanical Overseers, Pharmacists, Painters, Electroplaters and Pump drivers etc.⁶ But the total demand for labour on these sections constitutes a very insignificant proportion of the surplus labour force.

The study shall remain incomplete without an analysis of the magnitude of the problem that the planners in the state are likely to face during the Fourth Five year Plan. The employment outlook for the succeeding year is not bright in view of the financial problems prevalent at present. It is apprehended that the continued financial stringency and the discontinuance of the collection of land revenue and other taxes would serve as a brake on the growth of economic activities in the state adversely affecting the employment market where the job seekers are increasing. However some new employment opportunities are likely to be opened up after the expansion of

5. Report of the Utkal University Employment Information and guidance Bureau.

6. Annual Progress Report of National Employment Service in Orissa 1967-68.

Paradeep Port, Baragarh Cement Factory, Ferro-Cilica factory at Raygada, Hindustan Steel Limited and other industrial and the Mining establishments. But this meagre increase in the avenues of employment is not at all likely to make up the fall caused by the factors analysed above. So the fourth Five Year Plan shall have to tackle this gigantic problem of urban unemployment in Orissa. This automatically raises the issue of investment in the economy in the years to come. In the last fifteen years of planning on the employment front, situation has been most disappointing mainly because of our limited resources available for investment and a sizeable portion of our investment being diverted to the development of "infrastructure" industries essential for the balanced integrated development of the economy. Secondly, the rapid increase in the population also brought in additional urban labour force. Thus the Fourth Plan must approach the subject in this light. This question has been examined in detail by Dr. P. S. Lokanathan in "Techno-Economic Survey of Orissa". This report points out that there are three sources of supply of labour available :—the backlog of unemployed persons, excess of immigrants over migrants and the new entrants to the labour force and of these, the third source is the most important. Dr. Lokanathan says that for the urban labour force the results of National Sample Survey provide a basis for estimating unemployment. According to this report ⁷ 1.75 per cent of the urban population was unemployed in 1955. Urban population in 1961 is estimated at 1.11 million. On the assumption that roughly the same proportion of the population is unemployed in 1961 as in 1955, the unemployed in 1961 would number 19,000. This is taken as the backlog of unemployed for the decade 1961-71⁸.

As regards the second point, the report concludes that for estimating the supply of man-power during the period 1961-71 the net migration is assumed to be negligible. Then the report examines the question of new entrants to labour force and the requirements of labour and concludes saying that "It will thus be seen that in the aggregate a little more than sufficient man-power would be available in the state to meet the requirements of the non-agricultural sector"⁹.

In fact such a situation would be really very encouraging for Orissa by eliminating the backlog of unemployment and absorbing the new entrants to the urban labour market. This can only be achieved by having a high rate of investment over a long period of time. Dr. Lokanathan's survey projected the investment to be of the order of Rs.1400 crores over a decade.

7. National Sample Survey Report No.15.

8. Techno-Economic Survey of Orissa page 131. Chapter—12.

9. Techno-Economic Survey of Orissa page 132.

But the real state of affairs till the end of the Third Five Year Plan has been very far from this and this fact alone is able to explain the situation in employment front. Hence, if the desired target of having an employment oriented plan is to be achieved it might even be necessary to have a higher rate of investment than envisaged by Dr. Lokanathan because of the deficiency in the volume of investment in the recent past.

Another analysis comes from a study made by Bureau of Statistics and Economics, Government, of Orissa, regarding the creation of additional job opportunities and the availability of urban labour force. This study points out that "At the end of Third Five Year Plan, the backlog of unemployment was 2.62 lakhs and during the Fourth Five Year Plan the new entrants to the labour force would be about 8.73 lakhs. In other words the total job requirements during 1966-71 (now that the commencement of Fourth Five Year Plan has been extended by 3 years, this number would have to be revised upwards) will be 11.35 lakhs. This however does not include the surplus manpower in the agricultural sector as well as the proportion of the unemployed among the non-workers. Since the additional capital needed per worker in Orissa is Rs.4000.00/¹⁰ the creation of additional job opportunities of 11.35 lakhs would require an additional investment of Rs.454 crores during the Fourth Five Plan".¹¹

Thus this analysis clearly shows the necessity of a higher tempo of investment in Orissa if this backward state is to free herself from all the economic, political and social implications of wide spread unemployment in urban sector. The enormity of the problem of unemployment has naturally caused unbearable strain on the economy of the state and it is retarding the rate of growth of this economy. In spite of this Orissa has not yet been able to see the emergence of a realistic and positive employment policy. The realization of this objective presupposes that the unemployment problem in the state should be treated not as a residual problem but as a primary problem.

10. An Employment Approach to planning in Orissa—by Dr. C. Misra and Sri R. N. Behera.

11. Applied Economic studies Vol.II. Bureau of Statistics and Economics, Government of Orissa, page 75.

EMPLOYMENT AND MANPOWER PLANNING IN ORISSA

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Manpower and material resources are the two important factors for the economic development of a country. The former is a great asset but this may turn into a liability if adequate employment opportunities are not created. So planning of human resources is highly essential in any policy for national development. In this paper an attempt is made to study the behaviour of employment trends in Orissa during the last three plans and the manpower planning of technically qualified labour alone.

Table 1 shows the registration and vacancies notified during 1956—1967.

TABLE—1*

Year	Registration	Vacancy	Percentage of vacancies to the registration.
1956	32702	8180	25.3
1961	125793	39356	31.3
1965	165722	40013	24.1
1967	165438	33819	20.8

*Source :—Director of Employment Services, Orissa.

Table 1 shows that there has been steady upward trend in the number of applicants on the live Register of the exchanges but the rate at which employment opportunities expanded, however, lagged behind the requirements. The proportion of vacancies notified to the total number of fresh registrations increased from 25.3 % in 1956 to 31.3 % in 1961 but thereafter it has declined to 24.1 % in 1965 and 20.8 % in 1967. This table gives an idea of the general un-employment trend. As regards the causes of such unemployment, the report of the Annual Administration of National Employment Service in Orissa for the year 1966-67 is worth quoting here. The report observes : "The restraint in expenditure in public sector establishments, the non-financialisation of Five Year Plan schemes for inadequate funds, suspension of construction works and stoppage of works projects connected with drought and gratuitous relief left no scope for creation of new employment opportunities". In 1966-67 out of 1091 factories in Orissa 134 closed their production. The plan expenditure, which is the major source of developmental finance, has declined since

1964. In the year 1964 it was Rs.61.60 crores, but it was Rs.57.54 crores in 1965-66, Rs. 7.05 crores in 1966-67 and Rs.48.19 crores in 1967-68. Private investment is absent due to lack of entrepreneurial ability, capital and skilled personnel. So the Government's plan expenditure is the only autonomous investment but that also has started declining since 1964 as pointed out earlier.

Table 2 shows the backlog of unemployment during the last three plan period :

TABLE—2
(in lakhs)

Backlog at the end of	Ist Plan 1.64	2nd Plan 3.07	3rd Plan 4.44
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Source :—The Economic base of Orissa for Fourth Five Year Plan Prepared under the steering Committee, Government of Orissa.

Let us investigate the problem sector-wise and occupation-wise. It has been estimated that of those who remained on the live register at the end of the Third Plan, 65.7% were without professional or vocational training or previous work experience, 23.5% were labourers with work experience, 2.2% were crafts men and production process workers, 3.8% were service workers, 2.6% were professional, technical and related workers, 0.1% were administrative executive and managerial workers and 1.7% were clerical, sale and related workers.* This is the total supply of different categories of people (those who registered). Their respective demand position must be analysed and short supply would lead to non-utilisation of the output targets, whereas, excess supply would imply an over allocation of scarce resources. So a comprehensive planning for all these categories of labourers is essential. But this paper analyses the technically qualified labour alone. Technically qualified workers here include the medical personnel, the Veterinary and Animal Husbandary personnel and Engineering personnel.

Medical Personnel :—There are three medical colleges in Orissa and at present the intake capacity of all the colleges is 500. The outturn of the Doctors was 43 in 1950-51, 45 in 1955-56, 51 in 1960-61 and 170 in 1965-66.

As regards the requirements, the Mudaliar Committee observed, "we feel, therefore, that it would be perhaps a safe target to aim at, to have one doctor for every three thousand or three thousand and five hundred population at the end of the Fourth Plan period." By the end of the third plan, at the All India level for every 6157 persons there was one doctor, whereas in Orissa

* Source—Director of Employment Exchanges, Orissa,

for every 9711 persons there was one doctor. If we have to reach the target set by the committee, that is to have one doctor per 3000 population in 1971, it must be properly planned. In the light of the recommendation, the norm may be phased in the following manner. Up to 1966, one doctor : 5000 population; 1971 one doctor 3500 population; 1976 on wards, one doctor: 3000 population. On the basis of this ratio, it has been estimated that the number of doctors required would be 3,845 by 1966, 6065 by 1971, 7862 by 1976 and 8784 by the end of 1981.* From this analysis, it is clear that we have a shortage of doctors to the extent of 1900 by end of 1966. We would be requiring 4,120 additional doctors during the Fourth plan period.

So from the above analysis it can be concluded that if expansion of medical colleges is not possible due to paucity of resources, the existing ones should be strengthened and the intake capacity may be increased.

Ancillary Health Personnel :—For optimum utilisation of graduate doctors and for expanding the medical and health services commensurate with the growing needs of society, middle level medical manpower like nurses, mid-wives, health visitors, pharmacists etc. will also have to be trained in adequate numbers. The total number of ancillary health personnel in the state was 461 in 1951, 796 in 1956, 1423 in 1961 and 2421 in 1966. Out of the total number of ancillary health personnel in the state, nurses formed 35.32%, mid-wives 24.29%, Health visitors 3.46%, auxiliary nurse and midwives 13.07% and nurse and Dhais 23.86%.

Along with the increase in population and the doctors (on the basis of recommendation of the Mudaliar Committee), the requirements of ancillary health personnel would also proportionately increase. During the Third Plan, the target of the ratio between the different categories of ancillary Health personnel was as follows.

<i>Category</i>	<i>Ratio</i>
1. Nurses	.. 1:10,711
2. Auxiliary-nurse midwives & midwives	.. 1:9,938
3. Health Visitors	.. 1:137,714
4. Nurse-dhais/dhais	.. 1:12,050
5. Sanitary Inspectors	.. 1:25,104
6. Pharmacists	.. 1:10,042

* Fact book on manpower, 1966, Bureau of Statistics and Economics.

These ratios are comparatively lower than the All India ratios. Even without changing the ratios, the total requirements of ancillary Health personnel by end of 1966 would be much above the total supply of such personnel. The following table will show the requirements of ancillary Health Personnel during 1966 and 1971.

Category	1966	1971
Nurse	... 1795	1982
Auxiliary Nurses, midwives etc.	.. 1935	2136
Health visitors	... 140	154
Nurse-dhais/dhais	... 1596	1762
Sanitary Inspectors	... 766	846
Pharmacists	.. 1915	2114
	8147	8994

The total requirement of all these categories of personnel during 1966 was 8,147 whereas the total supply was about 3597.*So there was a shortage to the extent of 4550 and by the end of the Fourth Plan, this would increase substantially. So the existing annual intake should increase, so that the additional requirement is met with.

Animal Husbandry Personnel :—The Orissa College of Veterinary Science and Animal Husbandry was started in the year 1955 with an intake capacity of 39. The capacity increased from 39 to 105 in the year 1961. By end of 1965 the total number of graduates who came out successful was 407. The requirements, on the basis of the assumption that for every 25000 live-stock one doctor and for every 5,000 live-stock one stock man will be required during the period 1966-81, have been estimated and shown in the following table.

**Year	Requirements		Additional requirements
	doctors.	Stockman	
1966	648	3236	178
1971	722	3606	252
1976	804	4016	374
1981	894	4472	424

So if the present rate of production of 75 doctors continues, there is no necessity to reduce or increase the intake capacity of the Veterinary College.

* Source—Director of Health Services.

** Source—Fact book on manpower, 1966, Bureau of Statistics & Economics

Engineering Personnel :—There are two Engineering Colleges in Orissa and the out-turn of Engineering graduates (subject-wise) during 1960-65 is given below.

Year	Civil	Mechanical	Electrical ***
1959-60	32	8	8
1960-61	59	12	15
1961-62	73	18	13
1962-63	60	33	20
1963-64	60	37	22
1964-65	134	92	46

The requirements of Engineering personnel during the first year of the Fourth Plan period is known from the budget of 1966-67. The following table shows the requirements in the public sector.

Sections of Engineering	Degree holders
Civil	92
Electrical	55
Mechanical	30
Others	10
Total	187

If we compare the two tables, we find that the supply is more than the demand and there is severe unemployment. This unemployment is due to restraint in expenditure in public sector establishments, the non-finalisation of five year plan schemes for inadequate funds and suspension of construction works. The Engineers have to play a prominent role in the economic development of the country. The development of irrigation-minor, medium and

*** Source—Utkal University.

major is indispensable for the modernisation of agriculture and reducing its dependence on nature. The civil engineer, in the guise of town planner, comes to the rescue of the society. The Mechanical and Electrical Engineer would modernise agriculture and industry by generating and distributing hydro-electric power. So the problem of unemployment is a temporary one due to temporary causes. When we plan Engineering manpower, it should not be decided that some of the colleges should close down or the intake capacity should be reduced. The out-turn of Engineering graduates per one lakh population is only 0.46 in Orissa, probably the lowest in India.

The supply of trained man-power constitutes a major determinant of economic development. It is necessary to review continuously the estimates made in order to ensure that economic development and man-power development do not move out of step with each other. There is a special need to estimate and provide for the requirement of high level personnel in both technical and general fields for which there will be a growing demand as the economy develops. Provision of suitable in-service training and refresher courses deserves urgent attention in this context.

SOME ASPECTS OF THE PLANNING OF ENGINEERING MAN-POWER IN ORISSA

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Engineering man power generally includes the degree and the diploma holders in engineering subjects. The need for engineering personal in the economic development of the back-ward state of a back-ward country like Orissa can hardly be emphasised. From the beginning of the era of planned economic development there has been a steady demand for the high level manpower like engineers and engineering diploma holders. But in the beginning of the Fourth Five Year Plan we are not only faced with unemployment in an increasing scale in other sectors of the economy but also in the demand for high level critical manpower like the crisis of unemployment for the engineers. The following table clearly brings out this point.

TABLE I **

Number of persons with Matric and above educational standards on
Live Register 1956—65

Period quarter ending June	Matricu- late	Inter- mediate	Graduates		Others	Total
			Engineer- ing	Medical		
1956	1445	375	..	..	144	1964
1960	4239	339	4	1	370	495
1965	12372	892	73	1	1119	14457

It is evident from the above table that in the concluding years of the Third Plan we have faced acute lack of job opportunities to the extent of 73 engineers which constitute near about 14% of the annual outrun of engineering graduates of the state, even though many of the engineering graduates might not have registered their name on the Employment registers'. The position regarding the diploma holders and other technical workers also indicates more miserable picture than the graduate engineers. Table 2. brings this fact into clear focus.

** Compiled from Applied Economic Studies Vol. 2—600.

TABLE II

Occupational Distribution of Applicants on Live Registers of
Employment Exchange in Orissa

Occupation	Number of Live Registers			
	62	63	64	65
Professional, technical and related workers.	2817	2224	2013	2322

* Quoted from Applied Economic studies Vol. II, page 59

The position of the Engineering Personnel since the beginning of the Third Plan:—

We have already known that the problem of unemployment of engineers began with the sixties in the State. This calls for a scrutiny of the supply of engineering personnel from the institutions in the state. By 1956 the first engineering college was established in Burla with 120 seats and the annual out-turn of the engineers, civil, mechanical and electrical, was to the extent of 104 in '62 barring the students of Orissa reading in other engineering colleges outside the State. "As the demand for engineers is considerably more than the output in Orissa it was originally proposed to expand the admission capacity of Burla Engineering Colleges from 120 to 200 during the Third Plan period.

Accordingly the college was expended in 1963. One more engineering college has been established at Rourkela in the year 1961-62. The college has an admission capacity of 250 students". Table 3 shows the intake and the out-turn of engineering graduates in the state by the end of the Third Plan.

TABLE III*

Outturn of engineers—1959-60 to 1965-66

Year	Number of colleges	Intake	Outturn	Percentage of outturn
59-60	1	120	48	
60-61	1	120	86	
61-62	2	430	104	24.27%
62-63	2	490	113	23.1%
63-64	2	430	120	
64-65	2	430	272	63.3
65-66	2	510	259	50.8

* Compiled from pages 207 and 222 of Fact Book On Manpower.

By the end of the Third Plan we were producing 260 engineering graduates every year. Though a portion of the graduates passing from Roukela engineering college belong to outside the state, their number should be taken as having marginal influence on account of the fact that many of the students of the State are reading engineering courses outside the State and many of the private institutions also train A.M.I.E. students who are for all practical purposes taken as engineers. If the Fourth Plan of Orissa begins from April, 1969 and if it is granted for all practical purposes that a sum of Rs. 230 crores is the tentatively proposed outlay for the Fourth Plan, then what would be our requirements for the engineers from 1966-1974 and what would be the backlog or unemployment among graduate engineers? This has been explained in relation to plan expenditure and the employment potential it creates for the engineering personnel.

TABLE IV*

Proposed outlay 1966—74	
Year	Outlay (Crores of rupees)
1966-67	47.5
1967-68	48.39
1968-69	31.5
1969—74	230
By the end of the Fourth Plan	357.39 = Rs. 360.00 (roughly)

* Orissa Review, Independence Number, August 1968.

In the 2nd Plan the actual expenditure was Rs. 865.9 crores and the total investment under the Third Plan was Rs. 223.9 crores. Both second and Third Plan contained schemes like the Hirakud Project and Paradip port and Express High way. They were intensive engineering projects which absorbed a large number of engineers. By the end of the Third Plan in '65-66 one could only absorb roughly 200 engineering graduates annually.

An estimate in the budget of '66-67 makes a forecast of the appointment of engineers in public sector as indicated in Table—5.

TABLE V*

Requirements of Engineering Personnel during the 1st year of the Fourth Five Year Plan in Public Sector

Section of Engineering	Degree holders	Diploma holders	Certificate holders
Civil	92	200	
Electrical	55	51	70
Mechanical	30	19	
Others	10		
Total	187	270	70

* Source—page 16. "Fact book on Manpower." Govt. of Orissa.

The year '66-67 contained a plan expenditure of Rs. 47.5 crores which was 2.5 crores more than the annual coverage plan expenditure for the Fourth Plan.

The demand of the private sector should also be taken into consideration while making an estimate of the demand for engineers. The inflationary recession has hard hit the industries in Orissa. Out of 1091 factories in Orissa, 134 closed their production. Suspension of construction works and stoppage of works projects left no further scope for employment of engineers. In the estimate one can come to the conclusion that both public and private sector taken together will not employ more than 200 engineers annually whereas assuming constant 50% result we are producing every year 260 engineers. The economy requires for all these 8 years $200 \times 8 = 1600$ engineers roughly, whereas the graduates to be produced would be $260 \times 8 = 2080$. By the end of the Fourth Plan, 480 engineers or more than that would be unemployed in the whole of Orissa.

The case of the diploma holders also needs a scrutiny for any planning. In the beginning of the Second Five Year Plan there were 4 engineering diploma institutions with 180 seats and annually only 64 students passed out of these institutions but by 1965-66 the number of institutions has increased to 7 with an intake of 1270 and annual outturn has been 612 students. In the meantime Government has abolished the engineering school at Kendrapara

and Bhadrak and as such the annual intake has been reduced by 300 seats. So about 970 students being the intake and assuming a 50% ratio as the result, 485 students will seek employment every year and if the figures of the 66-67 budget would be taken as a standard budget of the plan expenditure for the years to come then every year out of 485 students only 270 will be absorbed and as such 50% of the engineering diploma holders will not find out jobs every year. Over a period of 8 years from '66-'67 to 1974 about 1600 diploma holders will not be able to get any job for them.

In the light of the above discussion it can be easily concluded that the out-turn of our engineering graduates and diploma holders has far exceeded our ability to employ them both in the private and in the public sector.

Whenever we compare with the all India level our engineering education has not made any steady progress. Though Orissa is ahead of many States like Rajasthan and Assam, it is far behind the States like Mysore, Gujrat and West Bengal. Table 6 clearly indicates this fact.

TABLE—VI*

**Outturn of Engineering graduates and Diploma holders per 1,00,000
Population**

States.	Degree holders.	Diploma holders	Total
Mysore	2.30	5.51	7.81
Gujrat	3.10	4.28	7.38
West Bengal	2.77	4.42	7.19
Delhi	5.30	1.66	6.96
Madras	2.75	3.22	5.97
Andhra	0.99	2.56	3.55
Orissa	0.46	2.68	3.14
Assam	0.38	1.24	1.62
Rajasthan	0.84	0.57	1.41
U. P.	1.10	1.12	2.22

* Quoted from page 229, "Fact Book on Manpower", Govt. of Orissa.

This comparison leads many people to the conclusion that since the percentage of technically trained people in Orissa is lagging behind many states we should go on expanding more of technical education in the state, but this is not desirable because the employment of Orissan engineers outside the State will not be a feasible proposition because the Indian scene does not provide any optimistic trend, and hence the employment of engineers outside the State or in the Central Sector is not possible.

Secondly some people are of the opinion that by 1970 some new job opportunities may be created for the engineers because established industries have been working at low capacity and if the existing excess capacity in the industries will be fully exhausted this may create more jobs for the engineers. But this is also not a safe conclusion because Orissa is industrially backward nor there large number of small industrial units which will absorb a large number of engineers to the extent of thousands. Thus the excess of engineers has created a serious problem in our planned economy and needs careful consideration.

Follow up Action :—Any manpower planning atleast requires three essential things. In the first place it must take into account short term and long term requirements of man power in the country. This requires estimation and forecast of the total manpower resources and gross national income at different points of time. Secondly, manpower planning must make projections about aggregate high level manpower requirements of each and every branch of economic activity and then by regions and specialised professions and then to co-ordinate with it the educational and economic progress. Thirdly we have to plan our education and works programme with an eye to future requirements of the country.¹

Keeping in view the above conditions the following follow up actions have been recommended. (a) In the first place there should be a detailed stock taking of newer job opportunities in industrial enterprises for the period of the Fourth Plan.

This is essentially necessary to provide guide to the number of engineers and the subjects in which they should specialise. This has not been done, even approximately, in the successive Plans. The fourth plan report should contain a scheme like this.

(ii) Secondly we are producing low quality engineers. "The rapid expansion of facilities during recent years has severely strained the resources of the existing institutions. A survey in 1964 revealed that engineering colleges and polytechnics had an overall shortage of 35 per cent in equipment, 51 per cent

1. Tapan Piplai and Niloy Mazumdar—"Manpower Planning in India, A Review, Economic Affairs. July August 1968.

in institutional buildings and 55 per cent in hostels.¹ It is not necessary to produce engineers without giving them proper facilities both in teaching and in other amenities. "The situation in India to day is an excess of low quality engineering degree holders with no practical factory training, an excess of diploma holders whose course is a shortened version of the engineering degree and not thorough training in workshop practice, production planning and supervision. There is acute shortage of good supervisors. The time has come to examine the costs of quantity and the benefits of quality in engineering and Industrial training,² Similar has been the case of I. T. I.s State Government persist in cutting I. T. I. investments and attempt to economise by buying poor equipment and paying poor salaries to the instructors. If these are the conditions of education then a sincere attempt has to be made to raise the level and quality of our engineering graduates and diploma holders. Some people have gone to the extent of arguing that admission capacity to the extent of 20% may be reduced so that quality of education may be improved.

Thirdly the requirement of the regional industries should form a part of the curriculum of the regional engineering institutions. In this connection some people have argued in favour of the diversification of the engineering education in different fields. In the decades to come the T. V. revolution would be an important revolution in India and this requires a large number of technicians. We should from the beginning redesign our courses in such a manner to meet the demand of the television industry. Lastly so far as educational curriculum is concerned it is felt that an emphasis should be made on the job training. "The diversification and not expansion of graduate education and the promotion of migration among engineering personnel will be able to solve the problem considerably.³

Fourthly, we have to examine the question of employment of engineers in the small scale industries. Though hit by recession recently Orissa has a large number of small industries. But most of these small industries employ few engineering graduates. Here appointment of graduate engineers will result in displacement of low grade technical workers. No private enterprise is willing to train its workers at considerable cost if there is no chance of getting him back after the training is over for a reasonable period of time to recoup the expenditure. In many cases they do not abide by the rules of promotion and do not grant reasonable benefits. They do not appoint highly qualified engineers and diploma holders for fear of organised labour activity

1. Page 319. "Fourth Five Year Plan—A Draft Outline".

2. Angus Home—"Economics of Improving Technical Education, Economic and Political weekly Annual Number 1968.

3. G.R. Reddy, "Engineering Manpower and Economic Development, I.J.L.E. Conference Number 1968.

like the growth of a trade union. In this regard it has been suggested that the State Government should impose a levy on all the firms of a particular industry. The levy would be administered by the representatives of the Government and the Industry concerned. The collected levy would be spent to expand the training schemes in the regional Polytechnics or engineering schools concerning the particular Industry. This will not only raise the standards of the trainees but also integrate regional demand with regional training. The resentment aroused by the industrialists for its cost may partly be made by employing the trainees at a slightly lower scale than what is defined for and the other part may be adjusted to the increase in efficiency of the trainees resulting in higher production.

Fifthly, many economists in India have suggested to employ the engineering personnel in the allied agricultural occupation. Consolidation of cultivable land may enhance the demand for agricultural engineers. Tractorisation of agriculture and electrification of the village will offer new types of employment to our young engineers. Such a possibility should be explored further and thorough investigations may be made about this prospect of employment.

Lastly the industrial development of the State has a positive role to play in determining the size of the engineering personnel in the State. The accent on the Fourth Plan industrial policy has been to attract private initiative by giving a large number of concessions and facilities. This may be a welcome feature for the overall growth of the economy. But in our rush for growth we should not lose sight of the inherent conflict of maximum output with maximum employment. Whether it is the private sector or the public sector, whether the owner industrialist belongs to the State or comes from outside the State in the micro decisions of output and cost and employment should be kept as a predominant objective. In between maximum output and maximum employment the immediate short run factor of unemployment of high level manpower like engineers should not be lost sight of. One of the basic limitation of manpower planning arises from the impact of technological change on the skills and occupations. If we introduce an automatic machine it has two aspects. In the first place it decreases the skill requirements and degrades a highly skilled citizen into a machine attendant and secondly it calls forth brand new occupations which are highly skilled¹. The industrialists or the enterprisers in their pursuit for cost reduction should not be allowed a free hand for automation and the consequent displacement of employment.

1. R. S. Mathur "Estimating Demand for Technical and Specialised Labour", Indian Journal of Labour Economics, January 1967.

PATTERN OF EMPLOYMENT IN WESTERN ORISSA DURING 1951-61

(A COMPARATIVE STUDY WITH COASTAL ORISSA)

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and

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Model :—(Western Orissa is considered as comprising of the four western districts of Orissa namely, Kalahandi, Bolangir, Sambalpur and Sundargarh. The coastal Orissa is considered as comprising of Puri, Cuttack and Balasore district.

The definition of working population in the 1961 census was different from that of the 1951 census. The census report of 1961 points out that the increased employment in 1961 may be either due to economic development or the extension of the concept of 'worker' in 1961 or both)

The pattern of employment in an agricultural society is different from that of an industrial one. The proportion of the working population engaged in agricultural pursuits is greater in an agricultural society than in an industrial one. Therefore, there is likely to be a shift of employment from the primary sector to the secondary and tertiary sector in a developing economy. Employment of the people below and beyond the working age group is likely to be reduced due to economic development since the children will take to schooling and old men, to a retired life. The ratio of female employment to total employment is likely to be higher or lower depending upon the socio-economic factor. In a backward economy in the earlier stage of economic development, the ratio of female employment to the total employment is likely to be higher, if employment opportunities are available for them. In a sophisticated society, more of females of the working age group is likely to be drawn to the employment market in the white collar jobs.

But in a tradition-bound society, due to the prevalence of purdah, and the better standard of living, the ratio of female employment to total employment is likely to be reduced. It is, of course, a fact that economic status determines the social status of a man. So in a tradition-bound society, females

seek outdoor employment only due to their depressed economic status. It is in this background that we have to study the change in the pattern of employment in western Orissa during 1951-61.

Agricultural Sector :—Census figures show that in the census of 1951, the total participants in employment for Orissa as a whole were, 4,374,804 which was 29.87 per cent of the total population of coastal Orissa where as in Western Orissa, the total number of members participating in employment was 1332030 or 36.7 per cent of the total population of Western Orissa. Thus the proportion of people participating in work was higher in Western Orissa than in coastal Orissa. The proportion of participants in work for Orissa as whole increased to 33 per cent in the Census of 1961. But the proportion of participants decreased in Coastal Orissa to 23.6 per cent of the total population of Coastal Orissa. In Western Orissa, on the other hand, proportion of participants increased to 37.3% of the total population. Thus the proportion of people participating in work increased in Western Orissa during 1951-61 whereas it decreased in Coastal Orissa.

So far as the male participants are concerned the percentage for Orissa as a whole rose from 45.3 per cent to 46.6 per cent. In Coastal Orissa it decreased from 44.2 per cent to 43.7 per cent of the total population. In Western Orissa on the other hand, the proportion of male participants increased from 49.0 per cent to 49.3 per cent. Thus in the field of male participants in employment, there is a slight shift in favour of Western Orissa.

In the field of female participants in the employment market, we find a significant departure between Coastal Orissa and Western Orissa. In Orissa as a whole, female participation in work has increased from 14.8% in 1951 to 19.4 per cent in 1961. But in Coastal Orissa, the percentage of female participants in employment has declined from 9.4% in 1951 to 3.5 per cent in 1961, whereas in Western Orissa, the proportion has increased from 24.5 per cent in 1951 to 25.2 per cent in 1961. It is because of the increased standard of living that the ratio of female employment has gone down in coastal Orissa where as in western Orissa, the ratio indicates a slight increase.

Non-Agricultural Sector :—In the non-agricultural sector, for Orissa as a whole, total employment has increased from 8.47 per cent in 1951 to 10.7 per cent of the total population in 1961. In Coastal Orissa, the percentage of employment has increased from 8.9 per cent in 1951 to 9.7 per cent of the total population of Coastal Orissa in 1961. In Western Orissa, on the other hand, the percentage of the workers has increased from 8.8% of the total population of Western Orissa in 1951 to 12.6 per cent of the total population of Western Orissa in 1961. The ratio of male participants for Orissa, Coastal

Orissa and Western Orissa has increased from 11.7 per cent, 12.5 per cent and 11.0 per cent respectively in 1951 to 14.6 per cent, 14.6 per cent and 14.9 per cent in 1961. Thus there is a greater percentage of increase in male employment in non-agricultural pursuits in Western Orissa.

In the field of female participants in employment the all Orissa figure indicates an upward trend from 5.3 per cent of the total population of 1951 to 7.2 per cent of the total population of 1961. But for coastal Orissa, the proportion remains the same whereas for Western Orissa, there has been a significant increase from 6.5 per cent of the total population of western Orissa in 1951 to 9.2 per cent of the total population of 1961.

Thus in coastal Orissa, between the agricultural and non-agricultural sector, we find a significant change in the percentage of female employment to the total population. Whereas in the agricultural sector there has been a significant decline in the ratio of female employment to the total population, the proportion remains the same in the field of non-agricultural employment. In Western Orissa, on the other hand, there has been a slight increase in female participation in work in the agricultural sector between 1951 and 1961 and a substantial increase in female participation in work in the non-agricultural sector during the same decade.

Service Sector :—Taking the service sector as a whole, one finds that whereas in Coastal Orissa, the proportion has increased from 4.4 per cent in 1951 to 5.0 per cent 1961, in Western Orissa, the proportion has increased from 4.3 per cent in 1951 to 6.4 per cent in 1961. This is due to the greater availability of employment opportunities in such urban areas as Rourkela, Rajgangapur and Hirakud, as compared to coastal Orissa. The ratio of male employment in Coastal Orissa has increased from 74.7 per cent in 1951 to 82.2 per cent in 1961. But the ratio of female employment to the total employment in the service sector has declined from 25.3 per cent to the total employment in the service sector in 1951 to 17.8 per cent of the total employment in the service Sector in 1961. That is due to the prevalence of a greater degree of sophistication and a higher standard of living which are normally associated with a reduction in female employment in outdoor work. In western Orissa, the ratio between male and female employment during 1951 and 1961 has remained almost the same.

In conclusion, it may be pointed out that the ratio of employment to the total population has under gone greater increase in Western Orissa than in Coastal Orissa. Therefore, one may point out that a given volume of investment may have greater employment potential in Western Orissa than in coastal Orissa.

MANPOWER PLANNING RAPPORTEUR'S REPORT

Sri J. K. Misra

Four articles on the problem of Manpower in Orissa were contributed by four teachers in Economics, two from Ravenshaw College, Cuttack one from B. J. B. College, Bhubaneswar and the last was a joint paper by two members of the staff of Rajendra College, Bolangir.

2. Sri Parida in his paper has focussed attention on engineering manpower. He has highlighted the critical unemployment position among the engineers in the State. He has made some attempts to estimate the requirement of engineers in the economy of Orissa. He has come to the conclusion that by the end of 4th Plan, 480 engineers or more would be unemployed in the whole of Orissa.

3. He has further analysed the problem of employment of engineering diploma holders. On the analysis of the available data he has come to the conclusion that 1,600 diploma holders will not be able to get any job by the end of 4th Plan.

4. Comparing with the all India level, he has made a point that Orissa has not made much progress in the field of engineering education.

5. In the view of Sri Parida manpower planning requires three essential steps, namely :—

- (1) short term and long term requirements of manpower should be estimated;
- (2) manpower planning should make projections of aggregate demand of every sector of the economy.

and (3) proper planning of education and work programme should be done with an eye to the future requirements of the country.

6. He complained that low quality engineers were being produced as a result of rapid expansion of educational facilities in engineering. Finally, he has made some general observations regarding scope of employment of engineers in different fields of economic activity.

7. Sri T. Satapathy in his paper 'Urban unemployment and Manpower Planning in Orissa in the last Decade' has made a systematic attempt to study

registration data of Employment Exchanges in Orissa. He has concluded that there has been an upward trend in the fresh registrations. This unfortunately, has been far more than new opportunities of employment. Expansion of educational facilities in Orissa has been alleged to be one of the reasons for mounting unemployment in the urban sector.

8. He has highlighted the shortage categories.

9. He has held out the hope that new employment opportunities would be available due to establishment and expansion of Paradeep Port, Bargarh Cement Factory, Ferroilica Factory at Rayagada, the Rourkela Steel Mill etc. Increase in employment thus created would not be able to absorb the unemployed already registered in the Employment Exchanges and those who would enter the labour market in future. In his view, therefore, the investment programme for 4th Plan should be considerably expanded.

10. The article by Tripathy and Das compared the pattern of employment in Western Orissa with that in Coastal Orissa. Western Orissa has been defined to be Kalahandi, Bolangir, Sambalpur and Sundergarh while Coastal Orissa, in their view, comprises of Puri, Cuttack and Balasore districts.

11. The writers have given elaborate statistics of the working force according to 1951 & 1961 Censuses. They have compared the pattern of employment in the two regions in the various sectors of economy, i.e. agricultural, non-agricultural, services, etc. Similarly, they have compared participation rates for male and female work force in the two regions.

12. In conclusion the writers have pointed out that a unit of investment in Western Orissa would produce relatively larger employment than that in Coastal Orissa.

13. Sri G. C. Tripathy, in his paper on 'Employment and Man-power Planning in Orissa' has analysed registration figures for a few years and has come to the conclusion that the vacancies as a percentage of registration revealed a declining trend. Over the Second and Third Plan periods the proportion of applicants on the live Register who were provided with employment declined from 31 % in the beginning of Third Plan to 20 % in 1967. This, according to Tripathy's analysis, was due to the declining investment in course of the 3rd Plan and subsequent Annual Plans. He has associated declining investment with increasing backlog of unemployment.

14. He has specifically chosen three areas for intensive investigation. The three areas relate to technically qualified workers in the field of medical and ancillary health services, animal husbandry and engineering.

15. He has highlighted the paucity of doctors. As compared to the all India average of one doctor for every 6000 persons, Orissa has one doctor for more than 9000 persons. The norm according to Mudaliar Committee should be 3000 persons for one doctor. Sri Tripathy was of the view that the intake capacity of the three medical colleges in Orissa should be increased to make up the short fall expected in the output of doctors. If possible, the question of establishing one more Medical College should be actively considered.

16. Similarly, the need for expanding the output of ancillary health personnel has been emphasised. Sri Tripathy has estimated the requirement of different categories of ancillary personnel for 1966 and 1971.

17. Sri Tripathy has estimated the requirement of veterinary doctors and stockmen from 1966 to 1981. On the basis of additional requirement, he has come to the conclusion that the present rate of output of veterinary doctors should neither be reduced nor increased. That is to say, the intake capacity of the veterinary college should remain constant for sometime to come.

18. The writer has given statistics of output of different categories of engineering graduates. He has argued in favour of maintaining the present level of output as Orissa has a very small stock of engineering graduates. In other words, he is firm that the intake capacity of the engineering colleges should not be reduced. This view is fully supported by the rapporteur as he, in his official capacity, has emphasised this view on various occasions.

19. Broadly speaking, the papers contributed to the Conference highlighted the problem of growing unemployment in Orissa. For data, the writers depend upon published sources, such as Census publications, publications of the Bureau of Statistics and Economics and those of the Rapporteur. It needs to be pointed out that the data published by Bureau are not primary data. They have been brought together from other published sources. Of course, the Bureau has brought in one volume some of the useful data not easily available to the research workers in this field. The articles in question have brought into focus the paucity of primary data in the field of manpower. It is, therefore, desirable that more research is done for obtaining certain essential data in the field of manpower planning. The data published in the 1961 Census report are obviously out of date. To make up the deficit, case studies would be useful. The case studies, in rapporteur's view, should refer to the employment potential of development programmes executed during the Plan period. On this subject the rapporteur published a paper in Applied Economic Studies, Vol.I where employment potential of Plan programmes have been elaborately studied. Since then no other study on the

subject has been made. The Orissa Economic Association might sponsor studies on the subject so that we would not be handicapped for lack of data for purposes of manpower planning.

20. In the rapporteur's view, three methods are available for making a manpower Plan for the State. The first method would be an analysis of time series data of different development programmes and different services such as educational, medical and agricultural services in the State. If we make an analysis of the employment in different services we could clearly work out a trend of increase in different spheres of activity. Basing on the trends we could make short term projections of requirement of manpower in different spheres of activity. It might be pointed out that in the field of manpower, the problem of supply is quite easy as we have to find out the output of different educational and training institutions in the State and the new entrants to the labour force. The problem that hampers any analysis of the manpower problem is projections of demand or the requirements of manpower for different activities during a course of five years. A best attempt can be made if we work out realistic trends for major activities.

21. A second method would be to estimate the requirement of manpower by applying recognised norms. For example, various commissions of enquiry and research bodies have worked out the norm for educational and medical facilities. One doctor for a unit of population or one nurse for a unit of population for the country as a whole or for developed countries in the West should be accepted as the norm. Creation of manpower to conform to such norms may then be attempted. Similarly we have recognised pupil-teacher ratio. Basing on such ratio, we can work out the number of teachers required in primary schools as the number of children entering into primary school going age can be easily computed from Census data. For secondary and University stages we have fair amount of knowledge regarding the proportion of pupils coming out successful from the primary stage. If such a figure is not readily available, we can make a realistic estimate of the proportion of drop out at the end of each stage. On this basis the requirement of facility for secondary and university stages, both for boys and girls can be worked out.

22. In the same way for development of road communication, we have recognised norms. So the method of estimation by adopting norms is primarily useful in social infrastructure.

23. A third method is to compute the volume of employment on the basis of investment employment ratio. This can be derived from historical data available for the last three Plan period. Presuming the investment pattern

for the 4th Five Year Plan and applying the investment-employment ratio derived on the basis of data available for the last three Plan periods, we can clearly work out the requirements of technical personnel for different spheres of activity. (The view that graduate and diploma holders in Engineering and medicine constitute alone the technical personnel is not adequate. *All jobs for which a specific qualification is required should be technical.* Any one with a B. A. or M. A. in third, second or first class in any subject could enter I. A. S. or O. A. S. but cannot be a lecturer in Economics unless he has a *second class M. A. in Economics*. So the job of a lecturer is technical but not that of a member of I. A. S.).

24. The estimates of requirements of manpower can be derived independently by each of the three methods suggested above and the results can be vetted to arrive at a consensus of requirement for the 4th Plan period. Once we have an estimate of requirements it will be easy to tackle the supply side of the programme by readjusting training facilities either by expanding in certain fields or by contracting in certain others. At present, we are expanding or contracting by a hit and miss method as a result of which we are often going wrong. If a continuous study of requirements of manpower and supply potential is made, the discrepancy between availability and requirement will be lessened. This will result in much less hardship than that currently experienced by youngmen coming out of schools and colleges.

25. In order to solve the problems of manpower planning, we could adopt a number of policies. One important method will be to provide retraining facilities for the existing surplus categories, so that they are retrained for new jobs which are currently in short supply or are expected to be in short-supply in future. One example could be provided from the field of engineering manpower. At present, a large number of civil graduate engineers are unemployed. They could be provided employment if they are retrained as architects. Orissa has an acute shortage of architects. By introducing a short course, the civil graduate engineers could be retrained at the minimum possible time. The problems of surplus could be partly mitigated by a small investment in a school of Architecture.

26. New avenues of employment could also be explored. One method, constantly discussed now a days, is to export manpower to developing countries in Asia and Africa. We could export some of our qualified engineers to these countries and for this purpose some concentrated action by the Government of India is necessary.

27. Another way is to find out precisely the shortage categories of manpower. This would be available from Employment Exchange data or by other

observations. For example, acute shortage is now being felt in the categories of Stenographers, Nurses and Pharmacists. Attempts should be made to divert some of the unemployed matriculates to these categories of jobs so that they are retrained for jobs currently in short supply.

28. Thus manpower planning should look into these aspects of the problem so that the problem of unemployment does not become as acute as it has been today. It should, however, be recognised that in the field of manpower planning there is bound to be some time lag which may range from 3 to 5 years. It is well known that certain categories of high level manpower require a minimum period of training of 5 to 6 years. So the time lag in manpower planning is dependent on the course of training required for different categories of jobs. Once we accept this view, we should be able to explain the discrepancy between supply and demand of manpower at any point of time. The problems arising out of this discrepancy can be mitigated only if the manpower planning is made on a realistic manner.

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7. Mohan Kumar, M. Sc. (Ag.) student, Utkal Krushi Maha Vidyalaya.

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8. Dr. S. Misra, Vice-Chancellor.

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