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ORISSA ECONOMICS ASSOCIATION
BHUBANESWAR

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Editor :

Prof. Baidyanath Misra

17, Saheed Nagar

Bhubaneswar

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MID-DAY MEALS SCHEME AND LITERACY IN ORISSA

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FRONTIERS OF KNOWLEDGE

"A Poor Player,

That struts and frets up his hour upon the stage

And then is heard no more."

Education is no longer confined to stereotyped ideas. It is expanding beyond comprehension. There is so much explosion of knowledge that the major driving force in the world today is knowledge. Modern societies are not only based on knowledge, but knowledge driven. If one confines oneself to only one discipline, all our knowledge in the subject brings us nearer to; as T.S. Eliot says 'Our ignorance'. In fact, the areas of learning and knowledge cannot be compartmentalized. Goethe in his monumental work, 'Faust' says, 'I have studied now Philosophy', And jurisprudence, Medicine And even, alas, Theology. From end to end with labour keen; And here, poor fool, with all my lore I stand no wiser than before". This implies that knowledge of economics alone cannot broaden one's vision.

Even economics has become so comprehensive that one has to struggle hard in order to understand and appreciate some of the intricate issues of economics, not confined to one branch and call oneself a great scholar. Specialisation in one branch may improve one's knowledge (or information) on the subject, but not wisdom. An enlightened view will only be obtained when it is realised that an educated man must know something of the thoughts of those great minds enshrined in the great books of history, philosophy and literature, imperishable and surviving through all ages. Learning is the rowing up-stream. If you do not advance, you fall back. It is said that learning of any student in any subject is as deep as sea and as vast as the sky.

Again education should not mean accumulation of facts, since education is both a training of minds and training of souls, it should give both knowledge and wisdom. Plato distinguishes between factual information and understanding. Radhakrishnan Commission points out that no amount of factual information would make ordinary men into educated or virtuous men, unless something is awakened in them, an innate ability to live the life of the soul. This implies that universities should train intellectuals who become the sanctuaries of the inner life of the nation.

But what we see in the Universities today is outdated content and dubious quality of education. As stated by Deputy Director General of UNESCO: "The learning techniques---- remain the same: the rote method, the technique of cramming and, once the examination menace is passed, of forgetting all these useless impediments. The examination system is not an evaluation of a student's personality and intellectual equipment, his powers of thinking for himself, reflection and reasoning....... We find in education antediluvian technology which would not survive for an instant in any other economic sector. The teaching methods and learning techniques..... are rusty, cranky and antiquated". In the words of T.S. Eliot,

Where is the wisdom we have lost in knowledge ?

Where is the knowledge we have lost in information ?

All this implies that accumulation of facts cannot increase knowledge or wisdom. What is more, the acquisition of college certificates and higher degrees may not necessarily be associated with the students' improved ability to undertake productive work. Higher education is supposed to provide with competent men and women trained in different disciplines, which may provide them with technical knowhow for changing the economic system and social environment. Which means, the educational system should be more relevant to meet the social and economic needs of modern age. We may cite one interesting incident, how modern education is divorced from actual situation. This is what,a medical graduate writes :

"I spent years in medical college, studying the basic medical sciences. I developed my clinical skills, had a first rate hospital, and acquired all the conceivable medical, technical, diagnostic and therapeutic abilities. I graduated with absolute confidence in my ability to undertake patient care. What my education did not prepare me for was how to deal with my first patient, an elderly widow with 5 children lying ill at home in a room without light, running water or sanitary facilities."

This shows that a degree is not the end of education, because examinations cannot end the trials of life. Arnold Toynbee has rightly said, "It is both absurd and unjust to classify a person once for all, as being first class or third class when he is only twenty two years old. There are slow growers who blossom late in life and conversely there are brilliant starters who fail to fulfil their early promise.

Even Pandit Jawaharlal Nehru once said that the association of degrees with service conditions has deteriorated the quality of students who come out from the Universities. He, therefore, suggested to separate the two and properly train the students to acquire knowledge and technical know-how to mould the economic and social system so as to overcome the traditional boundaries. This implies that syllabi have to be put to the severest scrutiny and perhaps, drastically changed. The University should not play the role of a 'Wallmart' chain stores which exhibit for sale cheap and finished articles suited to the needs and capacities of its variegated customers. It should enable the rising generation how to think instead of instructing them what to think. The whole approach to the University's work is to prepare the students to forgo indoctrination but to enable them to form sound judgements and meet the exigencies of different situations.

It may be mentioned here that though our educational system can produce some good doctors, engineers, scientists, economists etc., there is no curriculum by which one can produce good human beings. The meaning and criterion for some one to be a good human being is that he will suffer and sacrifice for the happiness and prosperity of mankind as a whole. People in the past have suffered to make the future generations happy and prosperous. Unfortunately, in the present day society, most of the people are so self-centred that they never bother to undergo any sacrifice to ensure a better world for the future. Our greed and wants have increased so much that we may exploit all the natural resources within our life time. If we realize the damage which we are causing now, it may help us to restrict our consumption and make the world a better place to live in, today as well as tomorrow.

The process of separating vision from narrowness is full of 'agony and ecstasy'. If we want to prevent agony, we should light lanterns of hope in homes that have long endured the darkness of despair and sloth. As John Kennedy remarked, we should rediscover the frontier of knowledge and dedicate ourselves to the service of mankind so as to become

Torch Bearers of change that will improve the latent capabilities of each and every citizen. We may follow the following maxims of change in the educational system as pointed out by Mashelkar in his address to the Indian Science Congress, held in Pune in January, 2000.

1. Women centred family
2. Youth centred education
3. Human centred development
4. Community centred society
5. Innovation centred India

If the maxims are faithfully followed there will be a fundamental change in the frontiers of knowledge and those who follow such maxims leave their foot prints on the sands of time.

Baidyanath Misra

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SECRETARY'S REPORT

I feel privileged to accord a warm welcome to all the guests, President and Members of the reception committee to this 33rd Annual Conference of the Orissa Economics Association. We are singularly fortunate to have in our midst to day Hon'ble Minister for Food and Civil Supplies & Consumer Welfare, Government of Orissa, Shri Rabi Narayan Nanda to inaugurate this Conference. We are really grateful to you Sir, for your generous gesture.

I take this opportunity to present before you a brief profile of the Orissa Economics Association. This Association of ours was founded on 26th January, 1968 with the main objectives of improving the standard of teaching in Economics in different Colleges and Universities of the State, stimulating research on the contemporary economic issues of the Indian Economy and the State of Orissa and recommending measures to resolve the problems relating thereto. There has been constant and persistent endeavour on the part of the Association to accomplish these objectives by organising Annual Conferences, arranging Seminars, Symposia and publishing its mouthpiece– The Orissa Economic Journal regularly since the year of its inception. The Journal, enriched with the Conference papers of the members of the Association, has its pride of place in all important libraries of the country and has been a great source of information to researchers.

Ours is one of the oldest regional academic associations in the country with a total of 293 members of whom 3 are Institutional Life Members, 292 are Individual Life Members and 37 are Annual Members. We are all proud of the fact that the Orissa Economics Association is the only State level academic forum in which various economic problems of national, state and regional dimensions are debated and discussed at length. Distinguished economists, administrators, planners and statesmen actively participate in the deliberations and contribute their valued views.

The Association has the healthy convention of discussing two sets of issues in the two-day Annual Conferences: one relating to the Indian Economy and the other in the regional context of the economy of our State. We have chosen two subjects for discussion in this Conference.

1. Eleventh Finance Commission Award & Sustainability of Federalism in India.
2. Mid-day Meal Scheme & Literacy in Orissa.

While the former is of national importance and has profound significance in the realm of centre-state financial relations, the latter has a strong relevance in the context of development of human resources and empowerment of weaker sections in the State of Orissa. Besides, we will also have an open discussion on "**Tribal Demography and Development with special reference to Koraput**" to focus on the inter-linkage between demographic peculiarities and economic development of tribal areas in a regional perspective. Since 1987 we have been organising an endowment lecture in honour of Bhubaneswar Mangaraj– an illustrious teacher from Banki. One of the former Presidents of the Association is invited each year to deliver the Mangaraj Memorial Lecture at the venue of the Conference. Dr. Adwait K. Mohanty, Prof. of RBI chair in the Department of Analytical and Applied Economics, Utkal University has kindly consented to deliver this year's Lecture on a very important issue titled, "**W.T.O. and Indian Agriculture**". On behalf of the Association, I express my sincere thanks to Prof. Mohanty for having accepted our invitation to deliver the lecture.

I deem it a unique privilege to express my deep sense of gratitude to the Planning Commission, Government of India for sanctioning a grant of Rs. 50,000/- to the Association in 2000 and for that matter, I am deeply indebted to the last year's Conference President Prof. Satya P. Das, ISI, Delhi Centre and to Dr. Anup K. Pujari, Additional Director General, Directorate General of Foreign Trade, Government of India, New Delhi without whose sincere efforts we would not have been able to get the grant.

Let me take this opportunity to express my grateful thanks to the Chairman Organising Committee and Principal, D.A.V. College, Prof. Ayyangar, Convenor of the Committee, Dr. Mohapatra, Local Secretary, Dr. Samal, Office Bearers of the Local Organising Committee and other members of the staff and employees of the College for the trials and tribulations they have taken in organising this Conference in a befitting manner. I am very much grateful to the Collector and District Magistrate, Koraput Mrs. Sarangi for her active guidance and timely action in successfully organising this Conference. No thanks are adequate for Prof. Baidyanath Misra, who is unfortunately absent here because of ill health for his ungrudging help in all activities of the Association and for sparing some of his precious time in editing the journal. My special thanks are due to my teacher Prof. Bhabani Prasad Dash for the keen interests and pains he has taken in nurturing this Association and for steering this year's Conference activities. I express my sincere gratitude to all the members of the Executive Body, President Dr. Das, Vice-President Shri Mishra and Asst. Secretary Dr. Lenka for their unstinted co-operation and unhesitant support in managing the activities of the Association. My thanks are due to the student-volunteers of the college for their active involvement in arranging the Conference and looking to the comforts of the delegates and guests.

I am grateful to M/s Das & Associates, Chartered Accountants, Cuttack for having audited the accounts of the Association for 1999-2000 without charging any fees. I really owe a great deal to the delegates, paper writers, invitees, guests, and media persons and to you all ladies and gentlemen for having given me a patient hearing.

Thanking you all

Rabi N. Patra

Secretary,

Orissa Economics Association.

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Presidential Address

TRAVESTY OF DEVELOPMENTALISM IN INDIA

Dr. Kumar B. Das
Professor of SBI Chair,
Utkal University

Respected Chief Guest, eminent guests on the pendal, respected Chairperson of the Reception Committee, President of the organising committee, esteemed Principal of this College, Vice President, Secretary of the Association, distinguished guests in the audience whose gracious presence in this meeting is highly inspiring to us, faculty members of all departments and non teaching staffs of this college, other officials of the Govt., media personnel, my dear students, volunteers and scholars, ladies and gentlemen.

Man is ceaselessly striving for riches. His obsession for achieving economic development is termed here as developmentalism. He is enslaved to and obsessed by technological advancement and higher economic performance measured in terms of various indices. This obsession has despoiled the environment and is tending to generate a growth trajectory that bypasses the society at large. The environmental and social stances are in fact an assault on modernity in all its forms whether capitalist or socialist. There are contradictions and incompatibilities between: (a) development and society and (b) development and environment. Developmentalism and Environmentalism are conflictual. The riddle that mankind faces is how to resolve the development-environment conundrum and development-society conundrum. Accepting these challenges involve many shifts and huge costs. But not accepting the challenge spells heavier cost to the present society and its posterity.

In the current decade, globalisation has become a worldwide movement of economic development. The influence of this model has become all pervasive. India has become a very active participant in this process. This shock therapy model has a very substantial core of truth, which spreads the message of overoptimism of instant change. This policy advocates for liberalisation, privatisation and globalisation of the economy. The main thrusts of this model are three: (a) Marketisation for optimal allocation of resources, (b) Modernisation for international competitiveness and (c) Multinationalisation for international specialisation. This is logically very powerful. It has gained the academic approval of the professional therapists working at the inner sanctums of Yale and Harvard. After adopting this policy of free marketisation in 1991, Govt. of India dismantled its development strategies and very enthusiastically overhauled its entire economic system.

It is interesting to note that, for the first time there was convergence of views of both North and South on LPG model. It holds the center stage of attention of both groups of economists of advanced industrial countries and developing countries. The policy of free market mechanism was proclaimed as the benign means of relieving the West from 'recession' and developing world from 'stagnation'. By now, India has got the experience of a decade in this development paradigm. Indian economy has become externally more vulnerable and internally less egalitarian. Thus, it is imperative to analyse the achievements of Indian Economy under the globalisation regime.

1.1 Statelessness of the State:

In the seventies, we noticed a gradual opening up to capitalist forces. By the end of eighties the corporate capitalist and the national chauvinist forces converged to make the state a prisoner of right wing reaction in the body politic losing all sense of autonomy. It has resulted in an ideology of nation state which despite its chauvinist noises become an instrument of extraneous forces. It is completely opposed to the social democratic ideology of the state being an instrument of liberation and emancipation of the masses. State resisted cultural penetration of global mass media and other purveyors of the consumerist culture. State pursued a different package of strategies for realising socio-economic goals of the country. Crucial to this pursuit was the central role of the state in both undertaking social transformation at home and pursing simultaneous goal of self reliance. Today both the visions of democratic and self reliant nation building and concept of positive state that carry out the vision are in total disarray. This accompanied by a complete mismanagement of the economy which has been hijacked by the corrupt bureaucracy and opportunistic elite, producing in its wake massive inequities at home and deepening dependence on external forces. These forces bail out the countries by furnishing more and more foreign capital and technology. In the process they engulf the countries in ever worsening debt trap. It is no longer the sole arbiter of force. It has become the passive onlooker of other purveyors of lethal power and violence. More astoundingly the attack on the public sector has become an attack on the State. The Union Govt is now trying to enhance the marketability of India. The State Govts. are also in strong competition with each other, initiating their own reforms and sending their officials around the globe for FDI and loans. Whether it is Andhra or Karnataka or Gujrat or UP, states are trying hard to woo foreign investors on a priority basis. Reforms are not easy to execute through political process. Because it involves various conflicting and competing interests in shaping them and widening their acceptability. They are increasingly being pushed through a growing army of consultants, who make them technically sound and indisputable. Even State Govts are turning towards consultants for advice on matters of policy. These firms are winning assignments and big money worth crores in some cases from the govt. These include both Indian and foreign firms. Earlier consultants were hired for projects. But now they are appointed for every purpose. Perhaps the bureaucracy is not as competent as professionals to sell the state to the investors and funding agencies. Now business houses and associations have also taken up the role of consultants. For example CII has carried out a project in the area of Total Quality Management (TQM) for Andhra Govt. Thus, there is continuous erosion of self-reliant statehood and a growing hold over the state by transnational interests and their technocratic agents including economists, managers and bureaucrats etc. at home occupying very key positions within the Govt. establishments.

1.2 Paradigm Shift:

With the acceptance of the new development doctrine, the pendulum of economic growth has swung from over commitment of public sector to over enthusiasm of the private sector.

The structure of the economy has markedly changed after the reforms. In the pre-reforms years the share of agriculture was 35 percent, which has decreased to 25%. But industry's share in the GDP has increased from 22.8% before 1991 to 25.4% during 1992-94.

Looking at the GDP growth rate in isolation is misleading without reference to employment, prices, inter-sectoral terms of trade, sectoral composition of output and relative performance of various sectors and segments of the economy is meaningless. Because it is possible that a country becomes worse off with higher growth, as the benefit does not automatically trickle down. Disproportionality of workforce and income reveals the tip of the iceberg of deepening inequalities and growing marginalisation of the large majority. There is continuous structural retrogression i.e., growing hiatus between the sectoral shares in GDP and workforce. Over 60 per cent of the workforce engaged in farm sector gets about 25 percent of GDP while a little over one fifth of the workforce engaged in service sector obtains more than half of GDP and about 15 percent of the work force in the industrial sector obtains a quarter of the total GDP.

In order to bridge the gap between savings and investment and to move towards achieving the targets of US $ 10 billion capital inflow per annum, a great deal of reliance was placed on foreign direct investment. The red carpet has been rolled out for FDI and hot money inflow by way of portfolio investment by foreign institutional investors (FIIS). It has brought a sum of $ 11.4 billion since 1993, accounting for 40 percent of the equity of Indian companies. Despite liberal showering of incentives, FDI inflows have slowed down from the peak of $3557 million in 97-98 to a trickle at $ 1610 million and $ 1330 million in April November 98-99.

1.3 Perils of Agriculture:

There has been an impressive growth in the production of food grains. Its output has registered a four fold rise from 50.8 million tonnes in 1950-51 to 198.2 million tonnes in 1996-97. Per capita food availability has increased from 395 grams per day in 1951 to 507 grams per day in 1995. More impressive has been the growth of non food grains. Production of major non food grains like oilseeds, cotton, sugar has recorded almost five-fold increase. But during the post reforms period, the slow down in output growth has been recorded in respect of both food and non food production. The deceleration is more pronounced in case of foodgrains mainly because of the decline in area by 0.65 percent. It is also observed that the relative contribution of area and yield to output growth has fallen during the reforms period. It is also puzzling to observe that investment and production in the agricultural sector are inversely related. During eighties when GFCF declined output growth accelerated and in the nineties when GFCF recorded a positive growth output slowed down. It raises a serious question in the growth theory.

The advocates of the free marketism believe that agriculture can work as the biggest safety net in the process of adjustment by softening the rigors of inflation as well as by raising income and employment for the common man in the villages. It is misconceived. It is true that the country needs reforms and liberalisation measures for the organised sector of the economy. But unfortunately, a large part of the economy particularly the agricultural sector still remains unorganised and backward. This vast unorganised sector can not be integrated automatically with the mainstream of market-led economy. The problems and constraints associated with the agricultural sector seem to have worsened under the new reforms regime. The root of this incompatibility lies in the growing urban bias and rural neglect.

1.3.1 Fatigue in Green Revolution :

The optimism created by Green revolution has receded. There is onset of production fatigue in successful states like Punjab, Haryana and western UP. The green revolution has produced gray areas in the entire country. The fatigue here connotes the deceleration in the growth of total factor productivity. Higher output is achieved with heavy cost. This technology is always hungry for fertiliser and thirsty for more water. So it requires huge investment for the development of agricultural sector. It has created new environmental problems, adverse changes in physio-chemical properties of the soil, inefficient water use, soil water and water pollution and changing pest-disease-weed syndrome. In the entire country now 194.4 million hectares (a frightening 60.6% of the total cultivable land) are degraded. It raises another vexing question about modernisation of agricultural sector.

1.3.2 Food Insecurity:

Food insecurity has become a matter of growing concern in India. Despite sharp increase in per capita income and decrease in relative poverty in the present decade, every third Indian suffers from food insecurity and undernourishment. The great challenge comes from the demand side. There is no commensurate rise in the purchasing power of the common people. Suitable measures for promoting rural employment may clear the pressure emanating from the demand side. Food security implies right to food. It implies availability, accessibility and affordability of balanced food and nutrition for all. So food security involves: (1) adequate food production, (2) stability of food supply and (3) accessibility of food for all sections of the society. Fast pace of urbanisation and transnational urban culture is likely to cause shift in the food habit of the people. Secondly, millions of hectares of cropping area are likely to shift away from food grain to non food grain production. So public intervention is very much necessary to ensure social desirability of this trend. Public distribution system is based on a network of subsidy which is highly predatory and unproductive. Food and fertiliser subsidies prey upon the national exchequer. They are eating away a lion's share of the non plan expenditure of the nation.

1.4 Moribund Rural Credit:

It is an irony of history that India which was the pioneer in evolving its own brand of institutional framework for rural credit should today find its entire credit system in moribund state. This holds true for all three wings of the rural credit delivery system– commercial banks, cooperatives and RRBs. What is more disturbing is that this deterioration in the status of the rural credit system is not by default but by design. The near total neglect of rural credit by the policy makers during the period 91-96 is largely attributable to the adverse environment created by the financial sector reforms. Economic reforms have crowded out rural credit from the agenda of modernisation of the financial sector. Banking sector reforms do not only mean ATMs, computerisation of treasury operations, credit cards, NRI branches dealing with derivatives. They should involve lending to the productive sector and priority sector and small borrowers. Developing viable credit institutions and providing credit to the rural poor within the parameters of broad objectives of poverty alleviation are well established development policy.

1.4.1 Wrong Attitude :

The standard conceptualisation about poverty is defective. It does not help poverty alleviation. It is based on the wrong assertion that the poor are responsible for their poverty. They are poor due to their laziness. They are too many. They are poor because they lack skills, initiative, ambition or entrepreneurial spirit. They are poor because they suffer from cultural backwardness or they have bad habits (drugs, alcohol, opium etc.). The banking system in the country has created a new caste of poor people. Who are untouchable in their eyes. In polite language, the banks describe them as "not being credit worthy". With this understanding we produce programmes and projects to make the poor to give up their bad habits and acquire skill and attitudes that we think they should have. Obviously, we don't make much headway through these efforts because of the wrong start resulting from wrong understanding. Wrong diagnosis can not be expected to give correct prescriptions.

But poor people in the villages are as capable and enterprising as any body else in the world. Circumstances have just pushed them to the bottom. They work harder than any body else. They have more skills than they get a chance to use. They are physically very sound and morally straight. They are honest and sincere. With a supportive environment they can pull themselves up from the bottom. It is proved by the success of Grameen Bank of Bangladesh.

1.5 Bloated Tertiary sector:

There is hyper growth of the service sector and excessive growth of many superfluous things like financial services, policing, entertainment etc. The extent of growth acceleration seen during 90s is attributable mainly to the service sector having half real and half illusory output. The demand for services compared to a variety of goods has relatively low priority for the majority of Indian. In the private final consumption expenditure the goods segment account for over 65 percent weight. The low income groups of the rural sector spend the larger part of their income on consumption of goods not services. The per capita monthly expenditure for rural people in real terms has come down from Rs. 164 in 1991 (47 round of NSS) to Rs. 153 (54 round of NSS) in 1998 though for urban people an increase is recorded from Rs. 257 to Rs. 269 during the same period. With the preponderance and dynamism of the tertiary sector the needs for the goods can be hardly met. In fact, with growth of information and entertainment services, Indian economy seems to follow the dictum of Cicero, i.e., "If the people cant not be provided with food, feed them on circus". Entertainment is accepted as the end of economic life. The service sector predominance is a premature replication of a feature of the industrially advanced countries. Thus, we notice a clear trend of growth of the economy without involving mass of our people or reflecting their needs and requirements. It may be noted here that these elitist services have relatively low labour absorption. In this, there is a bias against the wage goods in the product mix. There is appropriation of the surplus by the non producers.

1.6 Jobless Growth:

The employment in the organised sector has grown. It is observed that since the Govt. is withdrawing itself from active participation in production activities, the growth of employment in the organised sector has remained very slow. Employment in the public sector has increased from 190.57 lakhs to 194.18 lakhs during 91-98. On the contrary, the employment in the private sector has risen from 76.7 lakhs to 87.48 lakhs during 91-98. During 1998 the growth rate of employment in the public sector was –0.09 percent while it is 1.72 percent for the private sector. The private sector has contributed predominantly to the increase in the employment in the organised sector except in the year 1993 under the reforms regime. The growth rates of employment in the organised sectors reveal that the employment in the public sector has become negative while in the private sector it is not very impressive. In the entire country the employment has grown by 281.66 lakhs during 91-98. The rate of growth of employment is only 0.46 percent.

The employment trend shows that the large scale centralised approach with its heavy emphasis on capital-intensive industrialisation takes most of the investable capital. This approach has never raised volume of employment and has never served the common man or the vulnerable poor. The type of industrialisation that the NEP contemplates is going to be of little benefit to the rural poor. Industrial growth and employment are not related to each other. During 1983-88 Planning Commission of India itself admits that highest growth rate is associated with lowest growth of employment. SAP and NEP are not attuned to increasing employment in the small scale sector. At the most, it may generate very few job opportunities, for highly skilled people. Industries under globalisation regime require labour which cannot be supplied by the villages. They produce the goods which can not be consumed. Hence, the industrial activity with the euphoria of high tech is ignoring the common man.

1.6.1 Pyrrhic Victory:

As we have already seen, these are obvious neglect of the problem of unemployment in the country.

The rate of capital formation has been negligible. Whatever has been invested has not helped employment. The external advocacy are found convenient vehicle by the urban-rich elite class for promoting their narrow sectional interests. The power to implement SAP regarding disinvestment, power purchase agreements, sanctioning of mega projects, tax and incentive policies for industry and trade, huge defence deals etc. open up enormous scope to follow the model of cronyism for the ruling party and bureaucracy. So SAP inevitably leads to crony capitalism. True but insidious western cultural influences are inherent in western FDI, technology, foreign travel, freedom of media and internet. (The expenditure on foreign travel has gone up from Rs. 703 crores in 90-91 to over ten times to Rs. 7326 crore in 98-99). All these things are conducive for the power game. Besides these, other routes are also advocated. Constitutional reviews, electoral reforms, public funding of elections, media management, saffronisation of bureaucracy, intimidation of dissidents, attack on minorities, uleashing of cultural terrorism etc. are parallel routes for realising the power goals. The consequences of the NEP would travel far and wide not only for specific industries, groups, or regions but for the whole economy, polity and people at large. Its success can at best be treated as a pyrrhic victory, which means win and ends lose. Majority of the rural sector and the unskilled and illiterate section of the urban sector tend to lose their right to livelihood and economic citizenship. With inadequacy of public services carrying unaffordable user charges caused due to inefficient and corrupt bureaucratic mismanagement and inflationary situation, the common man will be pushed into vicious circle of vulnerability. Optimism of the elite may go haywire.

1.7 Rural Misery Go Round

The poverty profile has worsened in the last decade. The poverty ratio in fact has risen after 93-94. The absolute number of poor has risen by almost 50% during the liberalisation decade. Rural poverty ratio has increased by almost 12 percent over 33.7 percent in 89-90 which implies that the ratio has itself increased by 1/3rd. The current rural poverty ratio is much higher than the base poverty ratio when the reforms began. The combined ratio is much higher than what it was at the beginning phase of reforms. Therefore, the economic growth did not help in eliminating poverty. In the midst of trumpeting infotech revolution there are more than 40 crores of poor in the country. Economic growth rate after a certain threshold level holds the key to poverty reduction. The threshold suggested was 3.5 percent. Now although the growth trajectory has altogether shifted from 3.5 to almost 7 percent, poverty ratio has gone up in rural areas instead of going down. The shrinking employment opportunities aggravated the poverty situation in the country. The rate of employment has declined rather very fast and came to the lowest ever in 1998. With the rise in poverty ratio there was decline in the wage rate or worsening terms of trade for the product the poor produce. Action is necessary to build a poverty free country and hunger proof society. Hunger is the worst form of deprivation of human being. It is only a powerful symptom of poverty. We have to root out the systemic cause of hunger i.e., poverty. Poverty is the creation of man, policies and institutions. It is not created by the poor men themselves. It is simply the denial of human rights. It is created by the barriers and chains created by the society. The various constraints set by the society make them disabled and refuse them to any work or income. More than a billion people around the world are deprived of their human dignity. We do not feel concerned about it, because that is the way the system makes us look at it. The present system promotes indifference towards poverty. They continue to suffer from miseries and indignities all their life because they never get any chance to use their capabilities, which Prof. Amartya Sen emphasises. It happened because those who plan and design the system do not care to give them a chance. All they offer them are pity and handouts. The potentials of the poor man remains unknown to them. The whole country is deprived of their productivity and ingenuity.

1.8 Hunger Syndrome:

With the euphoria of globalisation and 'high-tech civilisation', the concern for poverty, hunger and inequality virtually are dismissed as an obsession of egalitarian romantics. This attitude has generated dangerous consequences. Both first generation and second generation reforms overlook various social objectives such as eradication of poverty, prevention of economic power in private hands, regional imbalances, promotion of small scale industries, khadi and village crafts etc. It rather runs counter to these objectives. Although reduction of poverty ratio in India from 55 percent to 36 percent during the period of two decades is significant, India's performance in reducing poverty has been weak as compared with some of the east Asian countries.

Chronic hunger persists. Nearly 1 billion people silently suffer from chronic hunger in the world. They do not earn enough to secure an adequate diet. Hunger in the midst of plenty is one of the serious challenges to policy makers. Every day 40, 000 people die from hunger related causes. There are many other forms of hidden huger referring to micronutrient deficiencies and problem of diet diversity. Hunger is the most abhorrent physical expression of absolute poverty. Brutality of hunger can be understood by global inequality of income. At the top, the richest 20 percent receive and control 82 percent of the global income. At the bottom the poorest 20 percent of the people share 1.4 percent of income and wealth of the world. The standard prescriptions for growth have not ended poverty or hunger. Poverty reduction is the bench mark against which success of developed institution must be measured. We must grapple with the monolithic nature of the existing policies and procedures, which serve to shut down the voices of civil society. Food production is endangered because of the damage to the environment. Land degradation, water scarcity and growing vulnerability to stress are real threats to food security. The danger is that we tend to treat hunger as the result of underdevelopment. It is a wrong notion. Hungry children become disadvantaged adults. It perpetuates the state of underdevelopment. The chance for a change begins and ends with the people on the ground, because, very simply nothing grows from the top, not trees, not economies and certainly not people. In order to be free from the 'hunger trap' we must have sufficiency of food on a sustainable basis and food security for the common man. There is need for appropriate mix of resources, food, water, land, credit, training, market and technology etc. in order to create enabling conditions for the poor.

1.9 Tribal illfare:

The history and culture of tribals imply a way of life in balance with nature and its environment. Their dependence on the forest is symbiotic. Their relationship with the forest is just like the relationship of fish with water. Their way of life has a long history of adaptation to the various constraints and possibilities these impose or offer. Unfurtunately today, they stand to lose in the development process. Mines, industries and dams have caused serious havoc to the tribal population. They are uprooted from their traditional occupation and homelands. With the process of modernisation and industrialisation the self sufficient tribal economy is being undermined as a result the gravity of tribal "illfare" worsens. The mainstream ideology is to make the tribals adjust to a development centered process. It willy nilly still adheres to the trickle down theory in spite of its repeated failures over last fifty years. Collection and selling of forest products like timber, fuel wood, kendu leaf, sabai grass, honey etc. constitute one of the major sources of subsistence of the tribal community. However, continuous degradation of forest resulted by reckless felling of trees and podu cultivation in which the forest area is burnt to reclaim cultivable land, has resulted in the loss of major sources of livelihood of tribals. The situation has been further aggravated by large scale excavations in search of mineral reserves, causing severe damage to the forests. Lack of adequate irrigation facilities, low water retention capacity of the soil, continuous denudation of forest, rapid erosion of soil account for the growing infertility of land. Poverty and malnutrition are common among the tribals. They are born in debt, live in worse debt and die in worst debt. They have neither any productive asset nor have any gainful productive activity. They are mostly unorganised. Having very low purchasing power, they are subject to high deprivation and dependence. Incidence of poverty is very grim in tribal areas. They forget their wives, mortgage their children and sell their cattle. With the onslaught of drought, people are used to sell their landed property every year. There are many classic cases of starvation deaths every year. They make distress sale of land, labour and their products to the monopsonistic traders. The functioning of PDS in tribal areas is very inefficient and discriminatory. The schedule tribes till today virtually have remained isolated from the main stream of national life. About 50 percent of the main workers are cultivators and 34 percent are agricultural labourers. Household industries and other non farm activities offer marginal employment opportunities since only 2.43% and 14.4% of the main workers find employment in these two sectors respectively. The infrastructural development of tribal areas is very unimpressive. The drop out and push out rates in the schools are alarmingly high, despite the operation of Mid-day Meal programmes. The level of illiteracy is very high. Lack of education is the major barriers in accruing the developmental benefits and stands as a major deterrent for ensuring better quality of life. Health care system in tribal regions is also equally dismal. Each health centre serves as many as 19,097 persons on an average. Similarly, the rural credit system is in moribund state. Till today the village money lenders have deep rooted grip over the rural credit market through bonded trade practice. The denial consumption credit by the banks tends to drive the tribals to the clutches of the money lender which promoted bonded trade. There is no link between production, credit and marketing. They suffer from vicious circle of indebtedness and exploitation.

1.10 Regional Disparity:

There is a disquieting trend in regional disparity. Firstly, the rate of growth of SDP of green revolution states has declined. Secondly, industrially advanced states except Gujurat have made marginal progress. Thirdly, except West Bengal, the whole east and north east states have recorded a declining growth. The present development process and policies for combating backwardness, unemployment and poverty are constantly being distorted by the new political and bureaucratic practices. A society as prismatic and unequal as ours simply can not afford to regard distribution merely as an offshoot of development process. The development process has to have a very clear accent on raising the productivity of all classes and particularly of the weaker and poorer sections of the society. The trickle down effect of SAP gets neutralised by corruption, bureaucratisation, and low productivity. These problems can not be handled by safety nets. Low industrial growth and inflation aggravate the poverty profile of the economy. Fiscal compression is creating 'double squeeze' and failing to yield the expected reduction in Govt.'s fiscal deficit. It has produced: (a) joblessness in the industrial sector and (b) price rise of essential goods. Therefore, globalisation is likely to lead to continuous stagnation rather than a meaningful structural adjustment. It fails to bring, the majority of rural people into the vortex of economic development. The functioning of the Indian economy today is consistently leading to widening of disparities of incomes among states of India. Private investment is channelised more in favour of developed states and so is public expenditure. The income gap among the states have consistently widened. The situation has worsened during the last decade. It is observed from a principal component analysis that there is the persistence of inter regional divergence in the agricultural infrastructural and overall development.

Inter State Development Disparity

Highly Developed	Developed	Backward	Highly Backward
Agricultural Development			
Punjab Haryana UP	Bihar	Gujarat, TN, AP WB, Orissa, MP Assam, Rajasthan	HP, Maharastra Kerala, Karnataka
Infrastructural Development			
Punjab, Kerala Haryana, Gujrat	TN, HP Maharastra	AP, Assam Karnataka	Orissa, Bihar, UP Rajsthan, MP, WB
Overall Development			
Punjab Haryana UP, Kerala	Gujarat TN	AP, Maharastra	Orissa, WB, HP, MP, Rajsthan, Karnataka, Bihar, Assam

1.11 Worsening Vulnerability:

It is not very difficult to observe anti-poor bias in the reform process. While permanent workers of the organised sector are at least offered some benefits in exchange for voluntary retirement, in a shocking display of lack of sensitivity, large number of daily wagers, employed for decades are being sacked as a part of the down sizing drive of the Govt.

1.12 Social Development:

India ranks very low in terms of social indices. The social obligations of the states are diminishing. Education, literacy, health, women and child development and development of backward castes and disadvantaged groups have recorded uneven progress in the entire country. The committed budgetary allocations for education and health as percentages of GDP remain very meagre at present. It is seen from the Economic Survey that the total expenditure on social sector constitute only 10 or 11 percentage of the total expenditure of the Govt. Expenditure on social services constitutes only 1.58% of the GDP in 97-98.

Table: 1 WOMEN DEVELOPMENT

Country	HDI	GDI	GEM
India	139	128	95
China	106	93	33
USA	4	6	11
Canada	1	1	7

The comparative picture of human development and women development of India is seen in Table-1. India having the rank of 165 in terms of per capita income has the 139 rank in terms of Human Development Index. Canada has the first position both in terms of HDI and Gender Development Index (GDI). In terms of Gender Empowerment Index (GEM), India's position is 95, while China's position in all these indices is much better. It depicts the social backwardness of India.

1.13 Health Sector:

Health of the people is the natural wealth of the nation. The axiom, 'health is wealth' is relevant in all ages. It is the health of people on which survival of the people and wealth of nation depends. The modern concept of human development depends on health status of people. It is an inseparable dimension of development process. But unfortunately in India after 5 decades of independence there is benign neglect of the majority. Govt's high priority on rural health is not effectively translated into the budgetary priorities.

HFA (Health for All) slogan, which has become the powerful leverage of the officialdom is likely to be a myth for the majority. The enjoyment of the highest attainable standard of health (if not living) is one of the fundamental rights of every human being without distinction of region, race, caste, religion, political belief, economic or social status. There should be deprofessionalisation of the health sector. HFA strategy should meaningfully lead us to a state of complete physical, mental and social well-being, where health should become the fundamental human right.

1.14 Gender Bias:

The division of labour by gender within the household of developing countries is stubbornly cultural. Women as a class are oppressed and subdued by the hegemony of social patriarchy. The gender inequality is very sharp with the rural households. Since the employment options available to the rural women are severely limited and since the opportunities for skill acquisition and job mobility are more limited for the rural female than the male, the work-force participation for the poor female in the rural areas means the relentless weariness of too heavy work loads and the deprivation of childhood care and schooling for their children (particularly for the girl child).

The most serious aspect of gender inequality is the gender gap in literacy level. The highest gender gap is noticed in Rajsthan followed by UP, Bihar, MP and Orissa. The dividing line between productive work and domestic work is not only arbitrary but also tends to underestimate the women's contribution to domestic work. The women as a class is saddled with 'triple burden'. If one takes into account the unpaid work in these countries, women in poor household work much longer hours and have no or less leisure time than their male counterparts. The votaries of SAP argue that now there is a trend of continued 'feminisation of employment' in all developing countries. It does not reflect the sign of progress or prosperity. It does not imply the success of LPG or emergence of new technological breakthroughs or improvement in the efficiency in the secondary sector either. But there are two major reasons which make us believe the feminisation of work : (1) The structural shift of employment from manufacturing to service sector, and (2) The incidence of poverty (economic strain on the household inflicted by double squeeze) and question of survival.

1.16 environmental implications:

Around the world, throughout the history of economic expansion has led to the reckless exploitation of natural resources with little or no concern for their renewal. Therefore, one point is very clear that developmentalism and environmentalism are conflictual to each other. The success of developmentalism is misconceived from environmental point of view. It in fact tends to generate an industrialisation process which is not environment friendly. No matter what type of SAP is adopted, the process of extraction, imning and large scale industrialisation is certainly going to pose problems of environmental degradation. The advocates of developmentalism are very optimistic. They hold that exhaustion of natural resources and environmental crisis are simply an event but not a disaster. Market can solve the problem. Scientific development can always produce substitutes to the people. On the contrary, the votaries of environmentalism contend that as population tends to surge ahead the world is heading towards a catastrophe. They say that the natural resources and the environment which are already burdened by the present population growth will simply collapse under the weight of the demand and pressure of future population growth. But in reality, the environmental crisis is neither as grim as the pessimists believe nor as rosy as the optimists claim. The most plausible outcome is that we are feeding ourselves at the cost of our grand children. Over ploughing, over hunting, over grazing, over fishing are possible only in the short run. But in the long run, the dietary intake would creep in, food availability shall fluctuate, crop shall become more vulnerable to pest, weather will fluctuate. The atmospheric concentration of carbon dioxide has increased by 25% over the past century and is growing at double that rate. The ozone is becoming depleted. There is rapid increase in the green house effect, acid raining and global warming. Flotilas of garbage ride the currents of every ocean. Dozens of species do extinct every month as a result of the expansion of deserts in one hemisphere and denudation of forest in another hemisphere. The rich of the north do not curtail their luxurious habit of over consumption, while the poor of the south can not stop their habit of exploiting the environmental resources. It is a survival problem for the poor. Both are responsible for environmental degradation. The pattern of production and consumption which would be environment friendly, necessarily calls for regulation, govt. intervention and proactive planning. It can never emerge from the free play of market forces. Growth of market can not solve the very problem it creates. Healthy economy and healthy environment do not coexist automatically. State intervention is inescapable.

1.18 Looking Ahead:

Rigidity and regulation breed corruption, which is the biggest, most pervasive and corrosive problems of India. They weaken the links between policy decisions and their implementation. The real problem does not lie anywhere other than 'economic rigidity and non-accountability'. India has not yet achieved that flexibility in the domestic economic system in order to reap the benefits of the modernisation process.

Thus, India instead of mindlessly marching with the new developmentalism, requires a type of structural reforms, before complete opening up its economy to the competitive regime, which should ensure :

- Higher standard of living to the village people.
- Production by and for the masses.
- Organisational and institutional reforms.
- Bureaucratic and political reforms.
- Educational reforms and effective programmes for skilling.
- Effective healthcare system.
- Use of labour intensive technology.

(1) Efficient public sector:

According to Oscar Lange and others, there is no theoretical base to establish the cause and effect relationship between efficiency and ownership of any organisation. We have seen few cases where privatisation improves the efficiency or productivity level and ownership merely correlates efficiency but not the cause. Private sector also suffers from same kind of inefficiency, but only it is a matter of degree. Management and work culture in both private and public sectors suffer from same kind of inefficiency, corruption and inflexibility. Hence Indian economy needs an efficient and sizeable public sector with multi year and multi objective planning. It warrants to invigorate and revitalise the public sector and promote efficiency. It needs restructuring, reorientation and radical resurrection but not a whole sale retreat. Proactive public policies are very much warranted in both health and education sector of the nation.

(2) Economic Accountability:

The root of India's economic malaise lies more in political and bureaucratic forces. Corruption afflicts every section of the society and every sector of the economy. Economic rigidity and irresponsibility will not go with globalisation or privatisation. Hence India needs to have economic flexibility in the domestic economic system and accountability in the bureaucratic practice. We must achieve transparency in all transactions of the Govt. In this country the politicians, businessmen and bureaucrats are not accountable to any forum. The bureaucracy has in fact an effective command over not only the administration but also on economic policy making. They derive larger benefits from the developmentalism. So we need debureaucratisation, flexibility and accountability. The major problem is centralisation and rigidity. There has to be a national consensus on the desired degree of domestic autonomy, flexibility and decentralisation.

(3) Macro Economic Consolidation:

In the free market regime, economic imbalances have become more pronounced. It is highly imperative to take a critical overview of the performance of the different sectors of the economy. We need to pinpoint the structural and strategic deficiencies. The obsession with vertical economic growth has attuned fiscal policy to make Indian economy more vulnerable externally and less egalitarian internally. Our economy requires positive and more effective fiscal policies in order to direct investment and production in tune with national priorities and potentials. Even Japan and many other developed countries of the world had consolidated their economy through protective measures before opening up their economy. Without solid macro economic foundation, the unbridled process of privatisation may falter.

(4) Empowerment of people:

The incorporation of the social and environmental dimension in the regulation of economic choices is only possible in the context of a decentralised democratic framework. Decentralisation should extend beyond the restricted field of politics into the field of environmental and economic, social and human development. It is only under this framework that the individualism can be reconciled with humanism. Now we realise that if man has to exist in this finite system, then he has to operate with the rules of nature, under which he himself has evolved. Economy, society and environment are the three components of sustainable growth. It consists of all the objectives of narrow economic system.

This approach necessarily has to have decentralised pattern of development. This approach is not anti-life, nor welfare reducing. Its fundamental objective is total well-being of the society at present and in future. This is the only approach, which can ensure a sound and sustainable balance between a productive environment and a protective environment. In view of protection and preservation, the negative effect of the rise in material welfare requires reorientation with respect to certain prevailing economic tendencies, so that in addition to economic development, the protection of environment and social transformation have to be conceived of as an explicit aim in planning and in political decision making. Decentralism is the most appropriate movement which can reconcile the contradiction between developmentalism and environmentalism. It is the only process, which can achieve sustainable growth with higher Green GNP. It can ensure spatial, sectorial and operational balance. It creates functional peoples participation and a bottom-up approach to every problem. People's participation has unfortunately been distorted in both purposes and spirit. It has created a patriarchal set up where dole culture flourishes inside the brutal socio-economic structure. But genuine peoples participation ensures **'empowerment' and 'entitlement' of people**. It ensures entitlement from below but not endowment from above. It ensures 'empowerment' by right but by discretion and majority rule with minority rights, but not minority rule with majority despair. Empowerment emerges slowly from within through awareness of people. It brings a balance among problems, potentials and priorities of local people. It is the correct development strategy which can develop the economy consisting of vast un-organised sector and build up the society consisting of vast vulnerable sections. It can instil flexibility to the entire system and facilitate organisational institutional reforms according to the social and environmental imperatives.

Thanking you all.

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ELEVENTH FINANCE COMMISSION AWARDS AND SUSTAINABILITY OF FEDERALISM IN INDIA

ELEVENTH FINANCE COMMISSION AWARDS AND SUSTAINABILITY OF FEDERALISM IN INDIA

Keynote Address

Sri Trilochan Kanungo
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It is a proud privilege on my part to present before this august gathering of galaxy of eminent economists of national and international repute a keynote address on the ***Eleventh Finance Commission award and sustainability of federalism in India.***

Transfer of resources from the centre to federating units is a common phenomenon in all large countries having a federal constitution. It is because of the fact that there is always a mismatch between the responsibilities of the federating units and their ability to raise adequate resources. Certain resources are best raised only at the central level, both on ground of equity and efficiency. At the federating States level, because of their proximity to the people, they are over loaded with enormous responsibilities from welfare to developmental needs; from infrastructure to growth oriented programmes. Certain programmes are best implemented at the State and local level than at the national level. Some States due to various genuine reasons find it impossible to mobilize adequate resources at their respective levels to meet their just and imminent needs. These necessitate transfer of resources from the centre to the states in order to correct what is termed as vertical imbalance.

Besides, States are also at various levels of development, both administrative and economic. Such imbalances are generally attributed to historical, geographical and anthropological reasons– some are manmade caused by deficiencies in governance at both levels and some others are natural. Regional disparities thus deserve to be corrected through meaningful distribution of central resources among the federating States. Horizontal distribution of central resources in order to achieve the above ends is meant to bring about horizontal equity.

In Indian Constitution, Finance Commission is the only statutory body created under *Article 280* by the President every five years or earlier if required, to transfer resources from the centre to the states. Besides deciding the principles of devolution of central resources among the states, successive Finance Commissions have also been entrusted by the President with the task to award grants to States 'in need of assistance', since no law has yet been enacted by the Parliament as required under *Article 275.*

Article 282 however is only a wicket gate– envisaged by the founding fathers of the Constitution to transfer central resources in exceptional cases. But over the years, this provision has been regularly used by the central Government for plan transfers and for other discretionary purposes. This executive discretionary grants to the states have often been criticized, for they do not have adequate Constitutional authority.

Regional disparities have been widening glaringly, not withstanding the awards of ten Finance Commissions, and guidance and grants from the Planning Commission. During last fifty years India has progressed no doubt, but neither it has achieved the desired end nor moved in the projected direction. Apart from rational widening of regional disparities, sluggish rate of economic growth, poor export performance and skewed infrastructural development, the fiscal situation has over the years deteriorated both at centre and state level to its abysmal low. The first issue now deserves to be addressed is fiscal correction with stern measures.

Being greatly concerned with the continuous fiscal ill health of both the central and State Governments, the President of India at his discretion, *inter alia,* asked the Eleventh Finance Commission "to review the state of the finances of the Union and the States and suggest ways and means by which the governments collectively and severally, may bring about a restructuring of the public finances so as to restore budgetary balance and maintain macro economic stability".

For the first time such term of reference (paragraph 4) was explicitly mentioned in the Presidential Order in appointing the Finance Commission [S.O. No 557 (E) dated 3rd July, 1998].

Subsequently, an additional TOR [S.O. No. 425 (E) dated 28th April, 2000, New Delhi] was issued supplementing the original TOR (Paragraph 4) and making the term more specific and particular. This supplementary TOR had asked the Commission to "draw a monitorable fiscal reforms programme aimed at reduction of revenue deficit of the State and recommend the manner in which the grants to States to cover the assessed deficit in their non plan revenue account may be linked to progress in implementing the programme".

The reference to EFC for recommendations on restoring budgetary balance (at both levels) and maintain macro economic stability along with suggestions on "monitorable fiscal reforms with a view to reducing revenue deficits of the States" is no doubt wise so far as sustainability of federalism in India is concerned. But it is too late, however better than never. The contents of the recommendation of the EFC, particularly on these two items (original in Paragraph 4 and additional TOR) do not throw any convincing optimistic note. Perhaps they had not made any in-depth studies into the problems or they did not have sufficient time to probe and recommend.

In retrospect we see that the Union Government Budgets had never witnessed deficit on revenue account till 1978-79 excepting for the year 1971-72, when deficit on revenue account was found because of maintenance of huge Bangladesh refugees. The deficit was to the order of Rs. 100 crore. In 1979-80 the revenue budget closed with a deficit of only 18 crores of rupees. The deficits on revenue account have since been increasing at galloping pace and in this current fiscal year of 2000-01 the revenue deficit has been estimated to be Rs. 77,000 crore. Continuous expenditures on certain functional areas which in strict sense do not fall into the Union list; some populist so called welfare programmes, poverty alleviation measures and declaration for targeted groups with inherent defects in the plan, weaknesses in programme implementation and dishonesty and disharmony at each level of governance are the root causes of ever rising imprudent profligate spending and hence the galloping rise in revenue deficit.

Though the EFC has declared, "no sustained improvement can come about unless the root causes of the malaise that afflicts our public finances are correctly diagnosed and addressed frontally with a carefully designed plan of action" (page 7, para 2.5, The EFC Report 2000-05), the Commission has failed to identify the dispensable functional areas and measure the burden of expenditure and the relief (when dispensed with) over the period of years of their recommendation.

Table 10.2- PER CAPITA POST TAX DEVOLUTION NON-PLAN REVENUE SURPLUS/DEFICIT OF NON-SPECIAL CATEGORY STATES.

States	2000-05 (Rs)	Average per year (Rs)
Andhra Pradesh	5226.9	1045.38
Bihar	2002.66	400.53
Gujurat	6680.39	1336.08
Haryana	6741.42	1348.28
Karnataka	5875.82	1175.16
Kerala	2450.49	490.1
Madhya Pradesh	3308.6	66172
Orissa	47.12	9.42
Punjab	1310.61	262.12
Rajsthan	542.72	108.54
Tamilnadu	3252.32	650.46
Uttar Pradesh	986.42	197.28
West Bengal	(–) 67.16	(–)13.43

Source- EFC Page 96

Note: 1991 Census figures used to arrive at per Capita Surplus / Deficit.

The FFC has only touched the "root causes of the Malaise" tangentially and made abstract suggestion of remedial measures. I have earlier pointed out that the centre went into revenue deficit in 1979-80. The combined account of the centre and states went into revenue deficit in 1982-83. The states by themselves went into revenue deficit in 1984-85 for one year, and again in 1987-88. Since then, all accounts– centre, states and combined accounts have been in revenue deficit. Since 1991-92 revenue receipts could not even cover the non plan revenue expenditure for a number of states. They are Bihar, Kerala, Orissa, Punjab, T.N., U.P. and W.B. Orissa's case is however different. Orissa has been in revenue deficit right from the beginning of independence excepting for a few years of 70s.

Recommendations of the EFC on restructuring of revenue sources and Government expenditures are more presumptive than realistic. We are more concerned with revenue deficits rather than fiscal deficits. The definition of FD is inadequate, since it has not included borrowings of Public Sector Enterprises and Local Bodies. The state and the central government as the case may be stand guarantee for such loans and they have their impacts on the economy and fiances on the government too. The GDP at national level can be used as dependable economic parameter, but at the state level GSDP (Gross State Domestic Product) suffers both from conceptual and methodological weaknesses. State Domestic Product as everybody knows, is measured on income originating basis not on income accrual basis. Further, while computing state income, the outside remittances (both inter-state and foreign) are not taken into account. The EFC has used Tax-GSDP ratio and Debt-GSDP ratio. Such ratios can never stand as comparable instruments. Use of GSDP and/or state per capita income is a non-economist approach.

The EFC has made some bold and frank recommendations like the revisions of royalty on coal and minerals. However, the goal has not accepted the recommendation as yet. Coming to the devolution of taxes, the traditional gap filing approach of successive FCs has encouraged states for profligate spending beyond the reasonable means of their respective revenues. Whatever 'norms' have been decided by FCs to calculate the committed non-plan expenditure in the 'base-year' are not full-proof nor the forecasts in respect of revenue receipts and expenditures as assessed by the FC during the period of its recommendation have ever been complied by the states. Either the forecast assessments are not realistic or the states have least care for the assessments. The succeeding FC has to start anew taking the base-year as mentioned in the TOR. The EFC is no departure in this regard. We have always been insisting that after carefully assessing the revenue receipts and non-plan expenditures, the devolution of taxes should be made on 'per capita revenue surplus equalisation principle'. This would have been more reasonable and would have stood in good stead for weaker and backward states. We have always been elaborately mentioning the historical reasons of the backwardness of certain states during the British regime and after independence, the prevalent politics, constitution and laws made thereunder, attitude of the political and bureaucratic administrators at the centre and successive FCs and planning commission have been standing to the detriment of backward and weaker states. It is surprising to note that given their respective assessments of revenue receipts and non-plan expenditure, and the awards of successive FCs including TFC, Orissa was the only state which had deficit even after devolution of taxes. By the devolution principle of the EFC, Orissa has been left with a per capita surplus of Rs. 47.12. The TFC in their alternative scheme had recommended 29% of gross tax revenue of the central government except the CST under Act. 269 to be devolved among states. The central government of late amended the constitution for the sharing of 29% of net taxes except CST to devolve among the states for the period of 1995-2000. The EFC has recommended for 29.5% (28+1.5 A.E.D.) of the net proceeds of taxes excepting CST to be devolved among the states and not more than 37.5% of total revenue of the central government should be transferred to states as tax and plan/non plan grants devolution which Govt. had accepted.

Total Transactions Recommended By the Ninth, Tenth And eleventh finance commissions

Total Transfers (Rs. in Crores)

State	Ninth	Tenth	% of variation	Eleventh	% of variation
1	2	3	4	5	6
High income States					
1. Gujurat	3713.43	8875.59	139	12000.22	35.2
	*3.5	*3.9	*2.76		
2. Haryana	1194.81	2793.11	133.8	4205.77	5058
	*1.1	*1.2		*0.97	
3. Maharastra	6201.36	13709.08	121.1	19387.49	4142
	*5.8	*6	*4.46		
4. Punjab	167413	3589.47	11.44	5428.53	51.23
Middle income States					
1. A.P.	7239.22	18081.54	149.8	31011.18	71.51
	*6.8	*8		*7.13	
2. Karnataka	4063.27	105220.83	158.9	19691.98	87.17
	*38	*4.6		*4.53	
3. Kerala	3447.89	7721.81	124	12316.72	59.51
	*3.3	*3.4		*2.83	

4. Tamil Nadu	6198.2 *5.8	13360.57 *5.9	115.6	21601.43 *4.97	61.68
5. W. Bengal	7409.4 *7	14980.42 *6.6	102.2	35219.85 *8.1	135.1
Low Income States					
1. Bihar	11176.05 *10.5	24655.56 *10.9	120.6	56727.9 *13.04	130.08
2. M.P.	7843.29 *7.4	16093.97 *7.1	105.2 *8.05	34998.38	117.46
3. Orissa	5523.04 *5.2	9706.55 *4.3	75.7	20754.5 *4.77	113.82
4. Rajasthan	6525.62 *6.2	11400.87 *5	74.7 *5.42	23588.63	106.9
5. U.P.	17449.14 *16.5	36158.91 *16	107.2	78509.3 *18.05	117.12
All States (25)	106035.4	226643.3	113.7	434905.4	91.9

*NB: The Figures in the * mark percentage to the total transfer (25 States) by EFC.*

Source-EFC Report 98, Table 10.5

RBI Bulletin (State Finance 1995-96)

Debt:

The EFC was entrusted with the task of "assessment of the debt position of the states as on 31st March 1999 and to suggest-such corrective measures as are deemed necessary, keeping in view the long term sustainability for both the centre and the states" (Para 9 is the order S.O. No. 557 (E) dtd. 3rd July 1998). The EFC has made only a quackish prescription of fiscal performance related debt relief as envisaged by the TFC with a bit overdose, however limiting the total debt relief to the states during 2000-05 to Rs 700 crore only. On the other hand, the TFC (Rs. 495.22 crore) and subsequently GOL (Rs. 2917.89 crore) together had granted a debt relief of Rs. 3413.11 crore during 1995.00 to Punjab Govt. The EFC has further granted a moratorium on debt payment of Rs. 3396.15 crore (Principal Rs. 1810.84 and interest Rs. 1585.3 crore) during 2000-05 in order to, as the EFC says, to help the state "to build its (Punjab) economy. Punjab is a prosperous state having per capita GSDP (Rs. 18568) only next to Goa (Rs. 25075) and Maharastra (Rs. 19098) in whole of the country. So far as index of Social and Economic Infrastructure is concerned, Punjab (187.57) stands next to Goa only [Page 218 EFC (Report 2000-05)]. Debt retirement (debt repayment+interest payment) has been a serious cause of concern in the Fiscal Management of certain states particularly of some low income group states like Orissa, U.P. and Bihar not of course of Punjab. It is always advisable to compare the debt retirement of states by taking the ratio of debt retirement of the state to the own revenue of the respective State. Orissa, Bihar and U.P. are the three backward states where nearly 70 percent of state's own revenue makes reverse flow as debt retirement. The states are not to blame themselves only, for, the huge debt retirement, the central Govt. is also equally if not more responsible for staggering loan burden, for no state can avail even a loan of one paise from any source without the consent of the central government as required under Art. 293. Further, central Govt. loans form at least two-thirds of the states' total loan and this high proportion of central loan is due to the Gadgil factor in the central government plan assistance. As per Gadgil formula, 70% of the central plan assistance to general category of states forms loan component, and hence the unbearable loan burden. Further more, the interest rate has been raised from 6% to 12 and 13 percent as a result the interest outflow is growing in an ambling pace year after year. The EFC had paid no heed to this gigantic problem. If 'sustainability' is the requirement, the debt retirement-own revenue ratio of at least these three states should be brought down to 20 percent for at least five years time. The loan grant component ought to be reversed in the plan assistance. This can even be done by GOI independent of EFC recommendations.

The freedom to spend and raise resources according to State's own discretion is the essence of autonomy and basic foundation for healthy federalism. However, whether it is federating State or central government, they ought to restrain from improvident and profligate spending. Therefore, Finance Commission would require a standard to judge capacity and needs. Continuous monitoring and effective monitoring are *sine qua non* for efficient fiscal management. I am therefore, not of the view as pointed out by some states and also mentioned in the note of dissent of Dr. Bagchi that such an intervention is against the spirit and language of the Constitution. It is evidently clear that merely making available more and more resources for development planning or for filling gaps will not solve the financial problems of the states or of the centre either.

In conclusion, it can be said that the recommendation of the EFC in toto is not a panacea or macroeconomic stability or sustainability of fiscal federalism in India. However, it would serve as a step towards that healthy direction if followed steadily and diligently. I feel it imperative to remark that for the cure of twenty years of this visible fiscal chronic ailment, more indepth study is necessary, direct and stern measures are warranted in a span of ten years without breaking the tools.

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ELEVENTH FINANCE COMMISSION AWARD, GRANTS-IN-AID AND SUSTAINABILITY OF FEDERALISM IN INDIA

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I

Introduction

A chronic gap between the own resources and the expenditure potential of States seems to be an inherent feature of all established federations. The Indian Federation is not an exception. Being a written one, Indian Constitution has detailed provisions regarding the scheme of federalism. The scheme of distribution of power has clear demarcation of legislative, executive and financial between Union and the States. So far as the distribution of financial power is concerned, Indian Constitution lays down the elaborate provisions for distribution of financial powers, mainly with a view to have an equitable system of distribution of financial resources between the Union and the States. Firstly, the Constitution lays down the scheme of imposition and collection of taxes. While the taxes like the income tax, the custom duties and the excise duties are assigned to the Union, the taxes like the sales tax, passenger tax and the state excise duties are with the States. Secondly, the Union is also empowered to make grants-in-aids to the State under Article 275 of the Constitution. Thirdly, the Constitution also provides for setting up of a Finance Commission once in every five years to recommend the measures for distribution of the financial resources between the two units of federation.

Sharing revenue and grants are the two instruments : (1) to bridge the vertical gap, and (2) to redress the horizontal imbalances prevailing in a federation. To meet the vertical imbalances and the horizontal disparities among the States, it is the Union Government's revenue sharing and grants, which are meant for the same in our system. As a constitutional agency, the Finance Commission, plays a vital role in reducing the vertical financial gaps between the Center and State and horizontal imbalances among the states with the available resources, taking into account the current problems and controversies.

The objectives of setting up Finance Commission are to recommend to the President with regard to :

(a) The distribution of net proceeds of taxes to be shared between the Union and States and to be allocated among the States.

(b) The basis on which the grants-in-aid of the revenues of the States can be provided by the Union, and

(c) Any other matter concerning financial relations between the Union and States.

Since the inauguration of the Constitution, eleven Finance Commissions have been appointed. All the Finance Commissions had tried to keep some important considerations in view. Firstly, they viewed that the additional transfer of revenues from the center must be such that it should not impose heavy burden on the centre taking into account its responsibility for defence and economic stability of the country. Secondly, the basis of distribution should aim at lessening of inequalities between the states. Thirdly, there should be a uniform and appropriate principle for the distribution of revenues and for the determination of grants-in aid between the States. Fourthly, it is called upon to study the combined incidence of union excise duties, sales taxes and consumption etc.

The present study is an attempt to measure the gap, vertically and horizontally, between the Centre and States and among States respectively with regard to Eleventh Finance Commission's recommendations on grants-in-aid, with the help of which assessment can be made to measure the sustainability of federalism. Here emphasis has been given to find out the leakages, those are responsible for the inability to attain the fundamental principles of federalism, i.e., equitable distribution of financial resources between the Union and States.

II

Grants-In-Aid– The Principles

Under the Article 280 (1), (b) of the Constitution, the Finance Commissions have been given the right of making recommendations and principles, which should govern the grants-in aid of the revenues of the states out of the Consolidated Fund of India. Article 275 provides for the payment of such funds to these states, which are actually needy.

The First Finance Commission recommended for grants-in-aid on the following principles :

(a) budgetary need

(b) tax effort

(c) economy of expenditure

(d) standard of social services

(e) special obligations

(f) broad purposes of national importance.

On that basis, the First Finance Commission had recommended grants for four jute producing states[1] in lieu of their share of the jute export duty and for eight states[2] as special grants for increasing primary education.

The Second Finance Commission had considered revenue requirements for current (non plan) as well as plan expenditure in order to recommend grants and accordingly, had recommended grants for eleven states.

The Third Finance Commission had observed that no reliable data were available for determining needs of states, their tax potential and the economy and efficiency of their administration. It also admitted that their present method of assisting states amounted only to filling in the budgetary gap, what ever will be the case.

While the Fourth Finance Commission had tried to pay some attention to efficiency by its methods of calculation such as disallowance of additions to arrears and losses on public enterprises etc., this was an inadequate way of allowing for these factors.

The recommendations of Fifth Finance Commission were made after assessing the forecasts of revenue receipts and non-plan revenue expenditure of the states. The proposal was that the states should be given more assistance for certain period during which they may be expected to take effective measures to improve their finances.

The Sixth Finance Commission in its recommendation had proposed that the states whose expenditure in per capita terms is below the average of all states average, should be enabled to come up to such an average by the awards of Finance Commissions. This Commission also considered to upgrade the standards, which include primary education, medical and public health and welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes. Again, the grants-in-aid were considered for filling up the gaps in resources for maintaining institutions and services at existing level or what may be called conventional revenue gap grant. Apart from that, the statutory grants made under the provision of Article 275 (1) of the Constitution, the states were awarded non-plan grants for other purposes.

The Seventh Finance Commission had used the mechanism of grants-in-aid only as a residual item to fill the revenue gaps of states, which were left in spite of the larger devolution of tax shares and debt relief.

The Eighth Finance Commission had recommended grants for (i) deficit coverage, and (ii) upgrading the standard of administration. Due to high devolution of tax revenue to the states, the Eighth Finance Commission did not find it necessary to recommend large grants-in-aid to cover the revenue deficit of the States.

The Ninth Finance Commission, like ehe Second Finance Commission had considered both plan and non-plan deficit and recommended Rs. 15,017 crores as coverage. Besides, it had recommended a special annual grant to the Calamity Relief Fund and to a special category state, i.e., Madhya Pradesh to meet the expenditures on rehabilitation and relief of Bhopal gas leak.

The Tenth Finance Commission in its recommendation of grants to the states, had taken the following factors into consideration :

(i) Coverage of deficit on revenue account.

(ii) Up-gradation grants for the selected items as police, fire services, jails, promotion of girls' educational facilities for upper primary schools, drinking water facilities in primary schools, etc.

(iii) Grant to solve special problems.

(iv) Calamity relief.

(v) Grants for local bodies, viz., Panchayats and Municipalities.

A comparative analysis of all these recommendations shows that the commissions had adhered to the following principles for grants-in aid to the revenues of the states, which have been accepted and implemented.

Firstly, what comes to be accepted is that the grants-in aid may be given to the States **to cover the assessed deficit on non-plan revenue account, after devolution of taxes and duties**. The deficits are worked out after excluding any unusual or non recurrent items of revenue expenditure; the idea is that the expenditure and revenue of the States should be comparable so that no State is allowed to take the advantage of the provisions of Article 275 (1) by inflating the expenditure or understanding the revenues.

Secondly, **up-gradation of the administration** of the State may be used as one of the bases for recommending grants-in aid. The aim is to reduce the disparities in the availability of administrative and social services between the developed and the less developed States, so that a citizen, irrespective of the State boundary where he lives, is provided with certain basic minimum standard of such services.

Lastly, grants-in-aid may be recommended by the Finance Commissions to provide assistance to a State to meet expenditure on account of any **special problems** peculiar to the State.

III

Grants-In-Aid and Eleventh Finance Commission

The Eleventh Finance Commission headed by A.M. Khusro, submitted its final report on July 7, 2000. The suggestions put forth before the

Commission by different States, prior to submission of the recommendations in connection to grants-in-aid are as follows :

State Suggestions :

1. An **incentive based grants-in-aid** for better fiscal management (Karnataka, Tamil Nadu, Goa, Maharastra and Gujurat).
2. The grants-in-aid should not be given to meet the deficits in non-plan revenue account only rather **to meet the deficits in the plan and non-plan expenditures both** (relatively less developed States like MP and Orissa).
3. Gap filling approach should be replaced by **developmental grants** principle (UP).
4. States have also requested for giving grants-in-aid for the **up-gradation and modernisation of administration** and for meeting their **special problems**.

Actual Recommendations:

1. Like previous Finance Commissions, Eleventh Finance Commission has refrained from making any recommendation for giving any grants-in-aid to cover the revenue components of the plan expenditure.
2. After the devolution of the Central Tax revenues, some States will still have deficit on non-plan revenue account. The Commission recommends grants-in-aid to be given under Article 275 (1) of the Constitution equal to the amount of deficits assessed for each year during the period 2000-2005. The amount of the grants for each State, having non-plan deficits is indicated in Table-1 for each of the five years starting from the financial year 2000-2001.

Table 1: Non-plan Revenue Grants: 2000-05

(Rs. in lakhs)

States	2000-01	2001-02	2002-03	2003-04	2004-05	Total (2000-05)
1	2	3	4	5	6	7
Arunachal Pr.	24463	24674	24612	24196	24857	122802
Assam	11068	—	—	—	—	11068
HP	104947	100218	94653	83923	71185	454926
J&K	211166	224087	223939	229064	232863	1121119

Manipur	34568	35503	35198	34460	33865	174494
Meghalaya	33813	33042	32623	30090	27670	157238
Mizoram	32278	32958	33482	35105	33807	167630
Nagaland	64432	67396	72015	73404	76377	353624
Orissa	35849	3643	27868	—	—	67360
Punjab	28421	—	—	—	—	28421
Rajasthan	95526	28942	—	—	—	124468
Sikkim	16970	17073	16983	16644	16388	84058
Tripura	49329	49302	49532	47605	45648	241416
UP	102674	—	—	—	—	102674
W.Bengal	168972	103451	52186	—	—	324609
Total	1015376	720289	663091	574491	562660	3535907

3. A substantial amount from the grants-in-aid recommended by the Commission will go to special category States. These States will get the grants only to meet the deficit on non-plan revenue account during fourth and fifth year of the recommendation period of the Commission.

4. It is observed from Table-1 that the dependence of the State on the grants gets reduced by the terminal year, i.e., 2004-2005. As against fifteen States getting non-plan revenue deficit grants in the first year, i.e., 2000-2001, only nine States will be entitled to these grants. These are all special category States.

5. The Commission has also made recommendations for up-gradation of standards of administration, for special problems, and for local bodies. This has also provided separately for the contribution of the Central Govt. towards the Calamity Relief Funds of the States, which would also accrue to the States as grants. The position of the total transfers made to each State during the period 2000-2005 on the basis of the recommendation are given in Table-2.

Table 2: Total Transfer to States: 2000-05

(Rs. in lakhs)

States	Grants-in-aid					Total
	Non-plan Revenue Deficit	Upgradation & Special problems	Local Bodies		Relief Expenditures	
			Panchayats	Municipalities		
1	2	3	4	5	6	7
AP	0	25823	76024	16466	82080	203093
Arunachal	122802	9059	2784	68	4983	139696
Assam	11068	13254	23345	2154	42060	91881
Bihar	0	40160	78504	9390	51246	179300
Goa	0	2728	927	464	515	4634
Gujarat	0	23485	34804	13252	66888	138429
Haryana	0	13256	14709	3664	33695	65333
HP	454926	9116	6567	389	18020	489018
J&K	1121119	12782	7441	1566	14464	1157372
Karnataka	0	31153	39412	12482	30903	113950
Kerala	0	12914	32963	7525	27866	81268
MP	0	49452	71547	15601	37340	173940
Maharashtra	0	33197	65673	31625	65149	195644
Manipur	174494	5859	1877	440	1189	183859
Meghalaya	157238	5739	2561	270	1632	167440
Mizoram	167630	8984	786	384	1232	179016
Nagaland	353624	6284	1287	179	812	362186
Orissa	67360	21505	34559	3996	45366	172786
Punjab	28421	11001	15464	5473	50857	111216
Rajasthan	124468	29985	49095	9942	85785	299275
Sikkim	84058	6678	529	21	2863	94149

TN	0	25186	46612	19337	42536	133671
Tripura	241416	6018	2846	402	2155	252837
UP	102674	66991	131913	25163	74033	400774
W.Bengal	324609	23945	57773	19749	41900	467976
Total All States	**3535907**	**497263**	**800000**	**200000**	**825569**	**5858739**

IV

Analysis

It has been proposed by the Commission to measure the vertical gap betwee then representative State and the States below that through calculation of distance. The Eleventh Finance Commission has taken comparable Gross State Domestic Product (GSDP), but not comparable Net State Domestic Product (NSDP), as earlier Commissions had used to calculate the distance. While computing distance-based shares of States, it is the common practice of measuring the distance of the per capita income of a State from that of the highest per-capita income of the State. Eleventh Finance Commission has taken a three State averages of Punjab, Maharastra and Goa as the benchmark from which distance is measured, instead of taking a single high income State as the representative of highest income state. This is weighted average of the per capita GSDPs of these States.

Regarding measurement of horizontal imbalances, the Commisssion has taken into account the tax effort and the index of fiscal discipline together. The Commission feels that given the present fiscal situation of the State and the need for further incentives in terms of grants-in-aid, to be provided for fiscal discipline, and that may be integrated in the principle of devolution. Accordingly the Commission has suggested the use of an index of fiscal discipline. For working out this index, the Commission has adopted the improvement in the ratio of own revenue receipts of a State to its total revenue expenditure related to a similar ratio for all States as a criterion for measurement.

It will be thus noted that are three main considerations in the selection of criteria, namely : (i) resource deficiency, (ii) higher cost of providing services, and (iii) fiscal discipline in order to recommend grants-in-aid for the States to minimize the gap both vertically and horizontally among the States.

Taking above factors into consideration, the Eleventh Finance Commission has recommended more than 100% transfer of funds from Center to eight States, namely : Bihar, J &K, M.P., Orissa, Rajasthan, Sikkim, U.P. and W.B., which includes the grants-in-aid. However, Haryana will get 50.5 percent more from the Center. Himachal Pradesh 56.6 percent and Punjab 52 percent more.

Taking the case of a poor State into consideration, say Orissa, in order to bridge the non-plan revenue deficit, the Commission has recommended to provide and amount of Rs. 673.60 crore, which is 300 crores more than that of Tenth Finance Commission. For calamity relief expenditure, grants to local bodies and for up-gradation and special problems, the Eleventh Finance Commission has recommended Rs. 1054.26 crores, which is much more than that of previous Commissions. From the above analysis, it is clear that the Eleventh Finance Commission has taken a 'liberal' attitude towards the poor States in recommending more grants.

Chairman of the Eleventh Finance Commission, A.M. Khusro described the recommendations of the report as a 'liberalised' one that will make the States happy. "We ourselves are very liberal and we want a good balance between Centre and the States. The State should not be starved and the Centre should not be without resources", he explained after submitting the report to the President on July 7, 2000. From the recommendation of grants-in-aid point of view, the Commission has taken proper steps to bridge the gap both vertically and horizontally, through which upliftment of the less developed states can be possible.

Eight advanced States pointed out that the Eleventh Finance Commission's recommendations in respect of grants-in-aid do not take into account 'efficiency' criteria for devolution of central revenues. They also suggested that such recommendation would result in 'collapse' of the financial position of the better performing States. Supporting the argument, Chandrababu Naidu, the Chief Minister of Andhra Pradesh remarked, "there is inconsistency, because Prime Minister, Finance Minister and Planning Commission are all talking about economic reforms and second generation reforms, but the Eleventh Finance Commission report is to the contrary."

Prof. P.R. Bramhanand and Prof. G. Thimaiah, the two noted economists asked the Centre to reconsider its decision to accept in toto the recommendations of the Eleventh Finance Commission, which have come under fire from some States. In their opinion, "one way of getting out of the present impasse would be for the Government of India to reduce the operational period of the Eleventh Finance Commission recommedation for two years till 2002". Again they have suggested that a new Finance Commission might be appointed immediately with balancing terms of reference paying attention to equity, efficiency and past performance.

Highlights of the Report in connection to Grants-in-aid

- Rs. 4972.63 crores recommended for the states towards up-gradation of standards in non-developmental and social sectors and special problem grants for the period 2000-2005.

- A total grant of Rs. 1600 crores for panchayats and Rs. 400 crores for municipalities is recommended to be given to states for each of the five year starting from the year 2000-2001.
- Existing scheme providing for contribution of 25 percent by the states and 75 percent by the center to the Calamity Relief Fund may be continued.
- Revenue gap of special category states should be met out of Finance Commission grants.

V

Findings and Conclusions

1. The measurement of 'need' for the purpose of grants-in-aid did not remain uniform with the various Finance Commissions. Each Commission tried to define 'need' in its own way. Following the same path, Eleventh Finance Commission has not defined 'need' properly, for which some advance States have reacted unfavourably to the recommendations.
2. The Commission instead of recommending outright increase in revenue shares, put many conditionalities. A closer look reveals that states are not better off in terms of receipts, because Commission is more concerned about the fiscal discipline and resultant reforms than about enhancing the share of the states in the central revenue collection.
3. Grants-in-aid recommendations by the Commission are not performance based, but just the opposite. Better performing states could lose when compared to 'BIMARU' states. Contrarily, development could slow down to widen the gap between slow developing States and fast developing ones. To be precise, there are more heartburns than cheers amongst the States.
4. The recommendations of the Commission in connection to grants-in-aid have failed to reduce the horizontal gap among the States. It has ignored the 'efficiency' and 'past performance', which are vital and need to be considered.
5. The Commission along with its recommendation should suggest to the Government of India to introduce a reform programme aiming at reducing the revenue deficit of the States and proper utilisation of grants-in-aid, so that the proper coverage can be possible in the assessed deficit in the non-plan revenue.

References

1. Assam, Bihar, Orissa, West Bengal
2. Bihar, Madhya Pradesh, Hyderabad, Rajasthan, Orissa, Punjab, Madhya Bharat and PEPSU.

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HORIZONTAL FISCAL IMBALANCE, AWARD OF THE FINANCE COMMISSION AND SUSTAINABILITY OF FEDERALISM IN INDIA

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1. Introduction

Indian federation has a long experience in the fiscal relations between the central and state governments. It is characterised by a definite framework of financial transfers from the central government to the states. The transfers are made through three channels: Finance Commission, Planning Commission and different Ministries. Out of these, the Finance Commission is a statutory body. The Constitution, vide Article 280 (1), provides for the appointment of a Finance Commission by the President of India in every five years. So far eleven Finance Commissions have been appointed by the President of India.

The Finance Commission is required to correct the fiscal imbalance arising from the mismatch between revenue raising capacity and the expenditure needs of different governmental units. Vertical fiscal imbalance, which arises due to the imbalance between assignment of revenue and functions between central government and the states, necessitates substantial transfers from the centre to the state governments. On the other hand, horizontal fiscal imbalance, which emerges due to the difference in the capacity to raise resource for financing public services across the states, calls for horizontal transfer among the states (from the fiscally better off to the fiscally disadvantaged) or, alternatively, equalising transfers from the centre. Among the different economic goals of federal finance, the criterion of equity has remained the mainstay. Much of the discussion on equitable transfers of resources has, however, centered on evolving objective distribution formula to ensure horizontal equity. But, even after the recommendation of eleven Finance Commissions, fiscal disadvantages of the poorer states have not been redressed to an appreciable extent. The Eleventh Finance Commission (EFC) has submitted its report in the last year. But it received a revolt from eight high and middle income states, which has posed a serious threat to the sustainability of federalism in India. Most of these states got a decline in the percentage share in devolution in the award of EFC compared to the award of Tenth Finance Commission (TFC). According to these states, the Commission has awarded more shares in devolution to the non-performing poor states than to the performing rich states. These eight states submitted a joint memorandum to the Prime Minister in August 2000. Such a veritable revolt was observed for the first time since independence in India. It is, therefore, the right time to discuss the issues of federal finance and the future of federalism in India in view of the revolt of the so-called advanced states against the award of the Finance Commission.

2. Horizontal Fiscal Imbalance and Inter-governmental Transfers:

Theoretical Issues

The theoretical claims on federal transfer have been founded mainly on the objective of equity. The arrangements for equitable resource transfers in the federations have been made mainly in terms of equal treatment of equals or of equalisation of fiscal parameters of geographical units. In the former case, federal transfer is used as an instrument to ensure equal treatment of equals throughout the federation, while in the latter case, the inter-governmental transfers are devolved to equalise fiscal parameters of the states to enable them to conform to social preferences as revealed by political mechanism (Rao, 1981).

The argument in favour of equalising transfers is based on the horizontal equity grounds advanced initially by Buchanan (1950). According to him, horizontal equity is ensured when the fiscal residuum is equalised for individuals. However, in a federation, the centre and the states may observe horizontal equity separately, but the overall horizontal equity is violated due to differences in fiscal capacity among the states. Buchanan recognises this and calls for such inequity by geographically discriminating tax rates at the central government level, to equalise the tax bills of individuals, or to make equalising grants to communities (Ahmad and Craig, 1997).

Boadway and Flatters (1982) develop the idea of Buchanan and define horizontal equity in two alternative ways. According to the broad view, the fiscal system should be equitable nationwide vis-a-vis the actions of all governments. To fulfil this concept of horizontal equity, it is necessary to give transfers in such a way that each province is enabled to provide the same level of public services at a given tax rate. In contrast, the narrow view of horizontal equity takes the level of real incomes attained by the individuals after a state's budgetary operation as the starting point and the central fiscal action will be directed to ensuring horizontal equity after the state's fiscal system has been established (Rao, 1997).

The idea of bringing overall horizontal equity in a federation is, however, debated and is argued that this negates the redistributive role for the states. Those who argue this, favour equalisation of fiscal parameters of the states. However, transfers argued to bring about geographical equity make an implicit assumption that utility for individuals can be aggregated for each of the states, and these transfers would maximise utility for the states and also for the individuals residing therein through a political mechanism. In this sense, this approach operationally differs very little from the transfers reasoned to bring about horizontal equity (Rao, 1981).

Different forms of equalisation have been suggested to achieve the objective of equity depending upon the judgement pertaining to the question of what should be eqalised and to what extent. To implement this, various institutional arrangements have been evolved in different federations. In India too, the Constitution provides for the appointment of a Finance Commission every five years. The Commission is required to make a scrutiny of the finance of the centre and the states and to recommend transfer of resources to redress the fiscal imbalance.

3. Performance of Earlier Finance Commissions

In order to bring the horizontal equalisation, the Finance Commission is required to distribute the shared taxes among the states *inter se* and to recommend grants to the states in need of additional assistance. The Commission enjoys unhampered authority handling both the issues and, therefore, can effectively employ these to attain desired objective.

In spite of the availability of above important authority to attain desired objective, the performance of the past Finance Commissions in effectively utilising them has been dismal. Not only the transfers have been inequitable, but also they seem to be contributing to the aggravation of disparities in the levels of development. As a result of the recommedation of the Finance Commissions, some of the richer states have ended up with sizeable per capita surpluses on their non-plan revenue account, while some of the poorer states do not even qualify for receiving Article 275 grants. Table 1 shows that rich states like Gujarat, Haryana and Maharastra that have been enjoying pre-devolution surpluses on their non-plan revenue accounts get sizeable surplus as consequence of statutory transfers. As a result, they can mount a much larger plan than they could afford otherwise (Bagchi, 1995). Besides, the advanced states have the advantage of attracting more investment from the private sector due to the better infrastructure facilities. Further, the banks operating in poor states also mobilise most of their deposits for the advanced states (Mishra, 2000).

Table 1: Per capita surplus on Non-plan Revenue Account of Major States After Tax Devaluation.

(in Rs)

States	4th FC	5th FC	6th FC	7th FC	8th FC	9th FC	10th FC	11th FC
High Income States								
Punjab	3.46	17.21	45.67	99.71	1048	690.5	507.4	1310.6
Haryana	—	15.83	39.87	111.87	1079	1521.6	3347.8	6741.4
Maharastra	11.86	17.98	26.58	98.07	1021	1460.1	2727.6	6787.6
Gujarat	0.83	11.83	22.17	67.77	719	958.1	2166.5	6680.4
Middle Income States								
W.Bengal	0.86	—	—	25.84	—	232.4	343.8	—
Karnataka	—	—	14.35	57.36	556	1038.5	2859.6	5875.8
Kerala	—	—	—	18.14	245	0.79	917.1	2450.5
Tamilnadu	—	—	8.14	25.94	665	769.1	1372.7	3252.3
AP	—	—	—	36.14	356	644.9	—	5226.9
Low Income States								
Bihar	4.29	7.04	—	33.13	120	298.1	—	2002.4
Orissa	—	—	—	—	—	—	—	47.1
MP	—	0.71	4.67	42.75	381	185.6	1009.7	3308.6
UP	0.52	6.34	—	38.24	343	—	—	986.4
Rajasthan	—	—	—	13.91	—	—	428.9	542.7

On the other hand, the poorer states just receive the deficit grants for which they are unable to enjoy surplus on their revenue account and hence, cannot maintain a larger plan. As a consequence, some of the richer states are always remaining pre-devolution surplus states, while some of the poorer states are remaining post-devolution deficit states. It is surprising to note that Orissa, a poor state, has remained a post-devolution deficit state in most of the award of the Finance Commissions (Table 2).

Such a policy positively contributes to the aggravation of disparities in the levels of development. It can be seen that the inter-state disparity (among the 14 major states) in per capita income in India has increased over time. The coefficient of variation of per capita income increased from 25.4 percent in 1969-70 to 38.4 percent in 1995-96. In 1969-70, the per capita income in the richest state, Punjab (Rs. 953), was about 2.4 times than that of the poorest state, Bihar (Rs. 389). This difference has however, increased to four times in 1995-96 with per capita incomes at Rs. 15504 and Rs. 3853 respectively in the two states.

Table 2: Post-Devolution Deficit States (Major) in the Award of FCs

Finance Commission	States
Fourth	AP, Karanataka, Kerala, MP, Orissa, Rajasthan, Tamilnadu
Fifth	AP, Karanataka, Kerala, Orissa Rajasthan, Tamilnadu, WB
Sixth	AP, Bihar, Kerala, Orissa Rajasthan, UP, WB
Seventh	Orissa
Eighth	Orissa, Rajasthan, WB
Ninth	Orissa, Rajasthan, UP
Tenth	AP, Bihar, Orissa, UP
Eleventh	WB

This shows that the successive Finance Commissions do not present a healthy picture of providing a satisfactory solution to the problem of equity. This could partially be due to the restrictive scope of the Finance Commission (i.e., increasing resort to discretionary mode of transfers, restricting terms of reference, and hesitancy on the part of the Finance Commissions themselves), which has confined them to recommend transfers arising out of the needs for meeting only the non-Plan revenue expenditures (Rao, 1981). Even the limited role thus assigned to the FCs has not been satisfactorily performed. Almost all the Finance Commissions unduly bothered about the 'budgetary needs' rather than the 'fiscal needs' for the purpose of devolution. Besides, the criteria adopted for devolution of the distribution have tended to generate sizeable surplus in the non-Plan revenue accounts of the so-called advanced states, whereas the poorer states have had to contend with nominal transfers to meet their chronic deficits. This violates the tenet of fiscal federalism.

Even with the inequitable distribution of resources by the Finance Commissions, the poorer states have not made any revolt against the award of any of these Finance Commissions. But surprisingly, the so-called advanced states have combinedly made a revolt against the award of the EFC, claiming that they have got a reduced share in the tax devolution compared to the earlier commission. This is against the spirit of federalism.

4. Strengthening Federalism in India

In order to stregnthen the federalism in India, it is required first of all that the Finance Commission should dispense with filling up revenue gap and consider 'fiscal needs' of the states.

Secondly, in order to serve the overall purpose of inter-state equity, the Finance Commission should recommend resource transfers by keeping the tax share components in the total devolution to the barest minimum and expanding the share of grants-in-aid (Rao, 1981). In this regard, the Note of Observations by Amaresh Bagchi (Govt. of India, 2000), appended to the report of the EFC, can also be considered, Bagchi has argued that if equalisation has to be carried to its logical end, there is a need either to reduce the share of tax devolution in the total statutory transfers to allow more room for the deficit grants or to supplement the revenue deficit grants through equalisation grants to narrow the gaps in the revenue capacity of the states in providing at least some of the basic public services like elementary education, primary health, water supply and sanitation. The second argument of Bagchi seems to be more equitable, which needs no distinction between tax share and grants-in-aid, and requires the consideration of the total needs of the states for transfer. There is no reason why the shared tax is to be distributed first and thereafter the deficit be filled up through grants. Instead, first the grants should be given to fill the needs of the states and then the amount is to be shared through a suitable formula suggested by the Finance Commission. This will bring the inter-state equity.

Thirdly, the so-called advanced states should bear with the poor states. They should respect the award of the Finance Commission. For a long time they received the larger share of the cake and should now allow the poor states to get their due share. This will only strengthen the federalism in India. Hence, the revolt by the advanced states is not only illogical but also is setting a wrong trend.

5. Conclusion

The award of the Finance Commission has not been able to provide a satisfactory solution to the problem of equity. Rather, it seems to be contributing to the aggravation of disparities in the levels of development among the states. This is mostly due to the neglect of considering the needs of the states. The successive Finance Commissions, instead, are concentrating on filling up budgetary gap and tinkering with the percentages of horizontal distribution by adopting different criteria. The EFC is not an exception to this. Further, the more importance of tax-share component than the grants-in-aid has aggravated the problem. The forthcoming Finance Commissions should seriously think over it, otherwise the disparity will become much more and the poor states will come to the fore and make veritable revolt in the future. This will lead not only to a clash between the poor and the advanced states but also a threat to the sustainability of the federalism in India.

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AWARDS TO ORISSA BY THE ELEVENTH FINANCE COMMISSION: A COMPARATIVE STUDY

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Introduction

The Eleventh Finance Commission (EFC) was constituted on 3rd July, 1998 under Article 280 of the Constitution to give recommendations on specified aspects of centre-state fiscal relations during 2000-2005. The fiscal profile of the country was perhaps worse than ever before with almost every key fiscal variable sinking into highly distributing magnitude and moving in a negative direction. The rate of growth of revenues has slowed down considerably and the rate of increase of expenditure was taken an ugly turn. The shift nearly everywhere in the direction mounting, non-plan revenue expenditure has become the cause of decline in developmental and capital expenditure so that the building of infrastructure is barely possible. With a series of huge revenue deficits and all round fiscal deficits, indebtedness of the states as well as the centre has mounted to undesirable levels and interest payment on the debts and salary payments have become the largest items on the side of expenditure.

Given the evolving scenario, the terms of reference were such that the EFC were required to make recommendations not only on the sharing of resources between the centre and states, but also to suggest measures for the restructuring of public finance of the union and the states jointly and severally in order to restore budgetary balance and maintain macro economic stability.

The Commission had earlier submitted an interim report on January 15, 2000 making provisional tax sharing arrangements for 2000-01. The Commission submitted its final report on July 7, 2000 covering all aspects of its original mandate. The major recommendations of the EFC are as follows–

(i) The Commission had recommended that 28% of the net proceeds of all shareable central taxes and duties may be distributed amongst all states for each of the five years 2000-01 to 2004-05. In addition, 1.5% of the net proceeds of all-shareable central taxes and duties may be distributed amongst such states, which do not levy and collect sales tax on sugar, textiles and tobacco. Thus, the total share of the states in the net proceeds of shareable union taxes and duties would be 29.5%.

(ii) The Commission has recommended grants-in-aid under Article 275(i) of the Constitution amounting to Rs. 35,359 crore to be provided to such states which will still have deficit on non-plan revenue account even after the devolution of central tax revenues equal to the amount of deficits assessed during the period 2000-05.

(iii) The Commission has recommended grants totaling to Rs. 4972.30 crores towards upgradation of standard of administration and special problem grants to the states for five years commencing from April 1, 2000.

(iv) The Commission has recommended grants amounting to Rs. 10,000 crores for local bodies (panchayats and municipalities) during 2000-05 to be utilised for maintenance of civil services.

(v) The Commission has suggested the continuation of existing scheme for providing contribution at the ratio of 75:25 by center and states respectively to the calamity relief fund (CRF). At the same time, the Commission has recommended the discontinuation of the existing National Fund for Calamity Relief. Instead, the Commission has recommended that a National Calamity Contingency Fund (NCCF) be created in the public Account of the Government of India. Any assistance provided by the centre to the states for calamity relief could be financed by levy of a special surcharge on central taxes for a limited period. The Government of India should contribute an initial core amount of Rs 500 crores to this fund to be replenished by levy of special surcharge as and when any drawals are made from it.

(vi) The EFC has proposed to continue the existing debt relief scheme, which is linked, to improvement in the revenue receipts to revenue expenditure ratio of a state with enhanced incentives. It has recommended debt relief to Punjab and Jammu and Kashmir on basis of specified expenditure incurred on security.

(vii) The EFC suggested that in deciding the level of revenue transfers from centre to states all transfers have to be taken in their totality and their components like tax devolution, grants-in-aid and grants in other forms like plan grants should be decided in the light of the overall ceiling. In setting this ceiling, the EFC has indicated that the total quantum of devolution of central taxes/duties, grants-in-aid and plan grants to be transferred to the states to be at a notional limit of 37.5% of the grants revenue receipts of the centre.

(viii) As measures to widen the tax base, the Commission recommended for better exploitation on land based taxes, better administration of property and other taxes and revision of ceiling on profession tax through a constitutional amendment. The Commission also suggested including the services under the tax net for improving the buoyancy of indirect taxes.

(ix) The EFC suggested that user charges should be linked to input costs, so that the process of periodic revision becomes automatic. Autonomous tariff commissions should be appointed to advise the Government on the revision of power tariff, railway tariffs, bus fares and other administered prices. There should also be regular revision of the royalties on minerals.

The commission has remarked that the overall scheme of resource transfers would be characterized by providing a structure of incentives designed to reward fiscal prudence and discourage fiscal profligacy.

The EFC[1] in its interim report recommended the states' share of the net proceeds of divisible income tax to be 80% and 52% share in the net proceeds of divisible special basic excise duties as against 77.5 and 47.5 percent respectively proposed by the Tenth Finance Commission.

[1]The following criteria and relative weights determine in the shares of the states in tax devolution by the Eleventh Finance Commission.

Criteria and Relative Weights for Determining shares of the States

	Criterion	Relative Weight [Percent]
1.	Population	10.0
2.	Income (Distance Method)	62.5
3.	Area	7.5
4.	Index of Infrastructure	7.5
5.	Tax Effort	5.0
6.	Fiscal Discipline	7.5

Eleventh Finance Commission's Devolution

Orissa has been classified as a post-devolution deficit state by the Seventh, Ninth and Tenth Finance Commissions. However, Eleventh Finance Commission has outlined Orissa as a post-devolution surplus state. As states have different sources of revenue, transfer by FCs is only one form of federal transfer. The proportion of FC transfers in the total revenue expenditure of Orissa, along with low, middle, high and fourteen major states[2] during 1974-75 to 2000-2001 are presented in table-1. It can be seen that the proportion of Finance Commission transfers to the total revenue expenditure was maximum for Orissa during 1974-75. More than half of the total revenue expenditure on Orissa is obtained through the Finance Commission transfers. However, over the years these proportions have decreased for Orissa, the table also indicates that, during this period, in all the states, state's own tax revenue, plan transfers and some other transfers have increased their significance. Transfers through FC gradually decreased for the states. Thus, the Finance Commission, which is a statutory body by Constitution, has lost its significance.

The growth rate of Finance Commission's Transfers (FCT) are calculated and presented in table-2 for the period 1974-75 to 2000-2001. The growth rate of FCT to Orissa is 13.94 percent, which is less than the respective values of low, middle, high and fourteen major states of India. This indicates the growth of FCT to Orissa is less compared to other states, whatever might be the criteria of devolution. Transfers through Finance Commission consist of shared taxes, non-plan grants and non-plan loans. Orissa was in an advantageous position when growth of shared taxes are compared with, that of the low, middle, high and fourteen major states for the period 1974-75 to 2000-2001. Income tax and excise duties show almost the same trend. However, just the reverse is the case in non-plan grants and non-plan loans for Orissa during 1974-75 to 2000-2001.

[2]In line with EFC1s recommendations the fourteen major states are groped into Low-income states: M.P., Bihar, Orissa, and U.P. Middle-Income States: T.N., W.B., A.P., Karnataka and Kerala, and High Income States: Punjab, Maharastra, Haryana and Gujarat

Table-3 presents the relative share of Orissa in Finance Commission transfers in comparison to the low, middle, high and fourteen major states through different Finance Commissions i.e., from Seventh to Eleventh Finance Commission.

Fourteen major states received 90.2% of the total transfers through Seventh Finance Commission out of which line share of Orissa was 4.7% which is relatively lower than that of line average of low, middle, high and fourteen major states. During Eighth, Ninth and Tenth Finance Commissions award the relative share of Orissa was also less than the average of low income states, middle income states and fourteen major states. In the Eleventh Finance Commission Recommendation, the total share of fourteen major states is 91.81 percent having an average 6.56 per cent which is highest among all Finance commission recommendations. Except high income states, the shares of low and middle income states have increased as compared to the recommendations of Tenth Finance Commission recommendations, i.e., 5.05 percent which is more than that of Tenth Finance

Commission's award (4.3 percent). However, this is less than half of the average of the low income states.

Table 4 presents a comparative study of EFC awards for Orissa with that of low, middle and high income states under different heads. The share of share tax for fourteen major states in EFC is 92.49 percent with an average of 6.61 percent. Out of this, the low-income states get 50.76 per cent having an average of 10.75 percent. But, the share of Orissa is less than half, in the shared tax, compared to low-income states average i.e., only 5.05 per cent. The share of shared tax is also less than the average of middle income states but greater than the share of high-income states. Similar type of trend is seen in the case of share of expenditure and service tax, upgradation and special problem grants, share of states in allocation for panchayats. *Inter se share of states in the grants provided for the panchayats and municipalities is based on the rural / urban population of the states (40 percent), index of decentralisation (20 percent), distance from the highest per capita income (20 percent), revenue effort of the local bodies (10 percent) and geographical area (10 percent).* However, the shares of Orissa on the heads of share of states in allocation for municipalities, calamity relief fund, total non-plan loans and total loans are less than that of low, middle, fourteen major states as well as high income states. In the shares of allocation to municipalities and total non-plan loans, Orissa received about one third of that of low-income states.

Conclusions:

In the eleventh incarnation of the Finance Commission, the awards to Orissa as well as to low income states have increased as compared to Tenth finance Commission. However, on average, devolution to Orissa is less than half of the low-income states. Similarly, compared to middle income states and fourteen major states, on average, Orissa received a smaller share.

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Table-1

Proporation of Finance Commission Transfers in the Total Revenue Expenditure

(in percentage)

Year	Orissa	Low Income States	Middle Income States	High Income States	Fourteen Major States
1974-75	52.52	41.85	34.94	22.24	33.78
1975-76	50.49	46.01	35.09	23.76	35.75
1976-77	45.80	46.36	31.47	20.88	33.76
1977-78	46.20	41.03	29.15	22.42	31.47
1978-79	45.08	52.10	32.30	23.10	37.20
1979-80	46.27	55.89	33.77	27.03	39.75
1980-81	47.81	44.73	31.28	24.05	34.02
1981-82	44.25	42.75	30.33	25.34	33.34
1983-84	49.07	43.30	31.02	23.29	33.20
1984-85	36.16	38.85	25.97	29.69	31.63
1985-86	39.50	45.70	33.50	29.70	38.20
1986-87	42.66	40.38	31.36	23.38	32.30

1987-88	44.26	39.15	24.24	24.15	29.54
1988-89	42.58	38.95	29.54	26.21	31.95
1989-90	49.40	42.55	31.12	24.82	33.40
1990-91	54.66	42.93	29.83	23.41	32.67
1991-92	41.61	39.49	27.15	17.65	28.84
1992-93	42.17	36.16	26.76	21.66	28.66
1993-94	38.69	33.70	26.68	17.71	26.62
1994-95	38.42	33.54	29.33	15.74	26.95
1995-96	38.40	36.08	29.47	20.25	29.20
1996-97	38.42	36.48	29.67	20.63	29.76
1997-98	40.69	42.45	55.36	20.90	40.90
1998-99	31.41	36.76	27.09	23.38	29.48
1999-00	36.51	30.35	24.92	17.75	24.81
2000-2001	34.81	37.75	27.21	21.55	29.36

Notes: *Data for the years 1999-2000 and 2000-2001 are R.E. and B.E. respectively.*
Sources: *Various reports of the Reserve Bank of India Bulletin.*

Table-2

Growth Rate of Central Transfers through Finance Commission and its Components (1974-75 to 2000-2001)

(in percentage)

States	Transfers through FCs	shared Tax	Income Tax	Excise Duty	Non-plan Grants	Non-Plan Loans
Orissa	13.94 (42.11)	15.88 (37.93)	16.81 (34.36)	15.58 (21.48)	8.49 (4.97)	15.90 (14.76)
Low Income states	15.31 (64.26)	15.50 (47.76)	17.12 (30.17)	14.77 (24.99)	11.67 (10.69)	16.74 (16.91)

Middle Income states	15.06 (80.51)	14.71 (47.60)	15.75 (28.78)	14.28 (27.03)	12.10 (8.17)	17.75 (32.78)
High Income states	15.82 (49.18)	13.05 (41.38)	13.29 (25.89)	13.08 (27.46)	14.42 (11.26)	21.13 (19.77)
Fourteen Major states	15.32 (83.73)	14.81 (53.79)	15.95 (30.23)	14.32 (26.73)	12.00 (11.71)	18.25 (27.11)

The figures in the parentheses represent the calculated t-value.

Notes : 1. The growth rates are calculated using the semi-log model.
2. All the figures are significant at 1% level of significance.

Source : Various reports of the RBI Bulletin.

Table-3

Relative share of Orissa in Finance Commission Transfers

(in percentage)

States	Seventh FC	Eighth FC	Ninth FC First Report	Ninth FC Second Report	Tenth FC	Eleventh FC
Orissa	4.7	4.8	4.5	5.2	4.3	5.05
Low Income states	43.2 (8.6)	42.8 (8.5)	42.8 (8.5)	45.8 (9.2)	43.1 (8.6)	53.73 (10.75)
Middle Income states	30.7 (6.1)	30.2 (6.0)	27.2 (5.4)	26.7 (5.3)	28.5 (5.7)	28.54 (5.71)
High Income states	16.3 (6.1)	13.2 (3.3)	13.2 (3.3)	12.1 (3.0)	12.8 (3.2)	9.537 (2.38)
Fourteen Major states	90.2 (6.4)	86.1 (6.2)	83.1 (6.7)	84.6 (6.0)	84.4 (6.0)	91.81 (6.56)

The figures in the parentheses indicate the average value.

Source: Various reports of the Finance Commissions.

Table-4

Shares of High, Middle and Low Income States and Orissa in the Eleventh Finance Commission Awards during 2000-01 to 2004-05

States	ST	SST	USPG	SSAP	SSAM	CRF	TNPL	TL
Orissa	5.05	5.12	4.32	4.32	1.99	5.49	1.99	3.74
Low Income States	53.76 (10.75)	54.46 (10.89)	40.64 (8.12)	45.70 (9.14)	32.05 (6.41)	35.58 (7.12)	29.46 (5.89)	35.18 (7.04)
Middle Income States	29.18 (5.83)	29.57 (5.91)	24.47 (4.89)	31.59 (6.32)	37.77 (7.55)	27.28 (5.46)	30.51 (6.10)	30.47 (6.09)
High Income States	9.4 (2.38)	9.67 (2.42)	16.27 (4.07)	16.33 (4.08)	27.01 (6.75)	26.23 (6.56)	33.53 (8.38)	26.42 (6.61)
Fourteen Major States	92.49 (6.61)	93.70 (6.69)	81.39 (5.81)	93.63 (6.68)	96.83 (6.92)	89.11 (6.36)	93.52 (6.68)	92.09 (6.58)

The figures in the parentheses represent the respective average values.

Source : Report of the Eleventh Finance Commission.

Abbreviations :

ST	Shared Taxes.
SST	Share of Expenditur and Service Tax.
USPG	Upgradation and Special Problem Grants.
SSAP	Share of States in Allocation or Panchayats.
SSAM	Share of States in Allocation for Municipalities
CRF	Calamity Relief fund.
TNPL	Total Non-plan Loans.
TL	Total loans.

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FEDERAL TRANSFER AND FISCAL DISCIPLINE

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Introduction

Sharing of resources among the Centre and the States form a basic and crucial issue in any federal set up. The manner in which such an issue is handled has an important bearing on the fiscal performance of the States as well as that of the country as a whole. Federal system in India has tackled the issue since long by a clear division of duties through constitutional guidelines and sharing of revenue resources through the Finance Commission once in five years and Planning Commission; once in every year. Apart from these, discretionary transfers through various Ministries and agencies also play a role in sharing of finance. Recommendations for resource transfer by the statutory bodies and the non-statutory ones like the Finance Commission and Planning Commission have been on the basis of various economic and social indicators.

Federal resource transfer creates a two dimensional effect on the fiscal position of the state governments. All grants in general improve the revenue position of the states and increase the availability of resources to meet their expenditure needs. On the other hand, more resources at the disposal of the government may introduce some laxity in the expenditure performance and greater dependence on the central exchequer to meet the fiscal gap. Keeping in view these two contrasting effects, the Eleventh Finance Commission (EFC) has introduced a weight of 7.5 percent for fiscal discipline. Such an attempt is initiated for the first time in the devolution criteria as none of the earlier Finance Commissions had assigned such a weight.

The Eleventh Finance Commission in its prescribed guidelines for financial devolution has reduced the weightage of tax effort from 10 percent to 5 per cent. It is believed, such a criterion will dampen the effort of the States for mobilisation of own resources. On the other hand, EFC has worked out an index of fiscal self-reliance in terms of revenue receipts as a ratio of revenue expenditure which has received a significant weightage in resource transfer. In this attempt the EFC has aimed at incorporating expenditure aspect with a view to introducing restriction on reckless and unproductive spending by the state government.

2. Objectives

The present study is an attempt to examine the impact of union resource transfer on the fiscal prudence of the States. Union resource transfer policies may improve fiscal discipline or may depress it.

Firstly, assured central assistance may induce the States to practise fiscal imprudence. The States consider imposition of higher or new taxes to be politically detrimental and hence suppress their tax effort. Using union transfer as a substitute for own tax revenue the States may not attempt to improve their own revenue position. In such a case, federal transfer seems to dampen fiscal discipline. Moreover, larger resources at the disposal of the States may induce extravagance, exerting thereby a negative impact on their fiscal performance. Allocation of revenue gap grants, by boosting extravagance, may add to such a depressing effect.

Secondly, federal fiscal transfer may encourage fiscal prudence. With existing tax effort and expenditure needs being improved, resources position will improve fiscal performance and reduce deficit.

In the third extreme case, union transfer may have no significant bearing on the fiscal performance of the state. This may happen particularly when own resources of the states are large enough to meet their expenditure needs and additional resources will only diversify expenditure performance.

The Eleventh Finance Commission has assigned a significant weightage to fiscal discipline with an expectation that such a provision will provide some incentive to reduce fiscal deficit. However, such an effort should pay due attention to revenue raising responsibility of the States. States in India, marked for their unproductive expenditure and low tax effort may solely depend on the union resource transfer to maintain fiscal discipline. Therefor, financial devolution should evaluate the impact of resource transfer as well as that of the tax effort on the fiscal performance of the states. It may so happen that a state with low developmental expenditure and high resource mobility may receive a larger amount as against the one with high developmental expenditure needs and poor resource base. Under the pretext, empirical assessment of union resource transfer on revenue as well as expenditure performance of the states will throw some insight into the problem and provide some guidelines for future resource transfer.

The present paper has chosen to assess the role of the Centre in the fiscal performance of a backward state like Orissa; over the last two decades. The economy of Orissa is marked by relatively low State Domestic Product thus providing a low tax base. Despite its resource base to grow, low infrastructure facilities calls for high developmental expenditure. Moreover, the State lacks other revenue generating resources and has little political influence on the centre to secure larger funds. All these factors place the State at a disadvantage in the fiscal front. An assessment of the role that centre can play in the fiscal performance of such a state will be of interest for future policies.

3. Some Earlier Studies:

Research work on the impact of federal transfer on the recipient economy is numerous. In the US context, these studies are categorised as 'determinant studies'. These assess the expenditure pattern of the recipient governments and conclude that it is largely conditional upon the income level, population and federal transfer. Most of the studies are unequivocal about expenditure boosting impact of federal grants. However, such a contention was subsequently refuted by Gramlich (1996, 1997).

'Determinant studies' looking into the revenue raising effect of a federal transfer are few and far between. Most of them are silent about the relative variation caused by federal transfer on the tax effort and expenditure adjustment, thus ignoring the fiscal irresponsibility hypothesis.

In India, also most of the studies on federal transfer have attempted to assess the impact of such a transfer on the tax effort. Naganathan and Sivagnanam (1999-2000), Hemlata Rao (1981), NIPFP (1981), Thimmaiah (1980) and Ranjan (1984) are some in this line. Bahle and Pillai examined the fiscal irresponsibility hypothesis and concluded that federal assistance will not lead to fiscal laxity but the basic model and inferences were later criticised by NIPFP (1989) and Thimmaih (1981).

In sum, though some studies have thrown light upon the impact of federal transfer exclusively on tax effort and expenditure adjustment, none have reviewed the joint impact. The present study therefore, attempts to examine such an aspect in the context of a resource poor state like Orissa which needs high developmental expenditure.

4. Data

Since the Second Finance Commission, the finance commissions deal with devolution of tax resources and non-plan grants and the planning commission with central assistance for the central sector and centrally sponsored schemes. However, the EFC has taken a holistic approach in deciding the level of revenue transfers, and has recommended that all transfers have to be taken in the totality and their components like tax devolution, grant-in-aid and grants in other forms like plan grants should be decided in the light of overall ceiling. Moreover, the Union Finance Minister, while placing the report of EFC in the Lok Sabha has stated that, "while working out the total quantum of devolution of share in central taxes/duties to the states and grant-in-aid to states the commission has considered the trends in total transfer from the centre to the states on revenue account and given its recommendations on the basis of the premise that tax devolution and plan/non-plan grants from the centre to the states should not exceed 37.5% of the Centre's total revenues, both tax and non-tax."

Keeping in view such a totality approach taken by the EFC, the present paper has incorporated total union transfer under two broad categories as share tax and grants. All data related to revenue receipts and expenditure position of the state are collected from various issues of RBI Bulletin and those on State Domestic Product are obtained from the Economic Survey reports. The study is based on a period of 20 years from 1980-81 to 1999-2000.

5. Methodology

The present study has incorporated a relatively broader approach to assess fiscal discipline which has been assessed in three different manners, fiscal deficit as a proportion of total expenditure (FD/TE), revenue deficit as a fraction of revenue expenditure (RD/RE) and primary deficit as percentage of primary expenditure (PD/PE). Taking these three as dependent variables, three regression equations are estimated incorporating three independent variables representing revenue side of the state budget. State's share in union tax and frant-in-aid from the Centre as a proportions of total expenditure (ST/TE and G/Te) are the two representing central assistance. Revenue effort of the State as State's own revenue-income ratio (SR/GSDP) has also been incorporated as another independent variable. The study has incorporated revenue effort as this, apart from the tax component also includes non-tax, non-loan revenue. Furthermore, impact of union transfer on the capital and revenue expenditures (CE/TE and RE/TE) as well as the revenue effort (SR/GSDP) of the State has been assessed. The study examines both linear and non-linear relationship between these variables by a linear and double-log model respectively. The models are–

$$Y_1 = \beta_0 + \Sigma\beta_1 X_1 + U_i$$

And $\ln Y_1 = \ln \beta_0 + \Sigma \ln \beta_1 X_1 + U_i$

6. Results:

Results of the two models are presented in the tables below.

Table-I

Linear Estimation of the impact of federal transfer and the State's own revenue effort on deficits and expenditure in the State budget.

Independent Variables → Dependent Variables ↓	Intercept	ST/TE	G/TE	SR/GSDP	R^2
FD/TE	89.65	–1.45 (–3.30)*	–1.23 (–3.48)*	–0.48 (–0.22)	0.67
RD/RE	43.84	0.51 (0.55)	–1.65 (–2.23)	–3.08 (–0.67)	0.37
PD/PE	90.07	–2.16 (–4.39)*	–1.13 (–2.88)*	–0.15 (–0.66)	0.70
RE/TE	73.27	–2.63 (–3.61)*	0.37 (0.64)	1.30 (0.36)	0.52
CE/TE	31.59	2.28 (3.56)	0.30 (0.59)	–2.42 (–0.76)	0.47

Figures in parentheses are t values. * indicate statistical significance upto 10%.

Table-II

Double-Log Estimation of the impact of federal transfer and the State's own revenue effort on deficits and expenditure in the State budget.

Independent Variables → Dependent Variables ↓	Intercept	ST/TE	G/TE	SR/GSDP	R^2
FD/TE	6.29	–0.48 (–2.26)*	–0.37 (–2.67)*	–0.09 (–0.21)	0.56
RD/RE	15.74	–0.40 (–0.21)	–0.83 (–0.71)	–5.46 (–1.72)*	0.44
PD/PE	7.25	–0.94 (–3.39)*	–0.40 (–2.23)*	–0.05 (–0.66)	0.60
RE/TE	5.69	–1.13 (–3.32)*	0.05 (0.26)	0.43 (0.61)	0.45
CE/TE	3.59	0.64 (3.52)*	0.03 (0.46)	–0.42 (–0.58)	0.49

Figures in parentheses are t values.* indicate statistical significance upto 10%

7. Discussion

The estimated coefficients of all the three independent variables are negative in both the models. But those of the state's share in Union tax and grants are statistically significant except for RD/RE in the double-log model. On the other extreme, estimated coefficients of the state's revenue effort is, though negative in almost all the cases, are statistically insignificant. This reveals that fiscal deficit, revenue deficit and primary deficit of the state is largely dependent on central transfer. State's own revenue effort is highly insufficient to reduce all these imbalances.

The observation was further assessed by looking into the expenditure side of the state budget. Two regressions were estimated with revenue expenditure and capital expenditure as proportions of total expenditure being the dependent variables and the previous three revenue factors as independent variables. The estimated coefficients of state's revenue effort is statistically insignificant in all the equations, in linear as well as non-linear model. This reveals that State's revenue effort is inadequate to meet its expenditure needs. Moreover, the result also shows that with an increase in the State's share in Union tax its revenue expenditure declines but capital expenditure increases. Both revenue and capital expenditure incurred by the state have significant dependence on federal transfer, without which state's fiscal position will be badly affected.

In the next step, the study attempts to examine if greater dependence of the State on the Union exchequer has induced a deliberate curtailment in its own revenue effort. A linear and a double log regression incorporating share tax and grant-in-aid as proportions of the total expenditure as independent variables and revenue effort of the state as dependent variable give statistically significant positive coefficients with acceptable R^2.

$$SR/GSDP = 3.58 + \underset{(2.55)^*}{0.10\, ST/TE} + \underset{(2.34)^*}{0.07\, G/TE} \qquad R^2 = 0.41$$

and

$$\ln SR/GSDP = 0.67 + \underset{(2.69)^*}{0.26 \ln ST/TE} + \underset{(2.64)^*}{0.17\, G/TE} \qquad R^2 = 0.47$$

This reveals revenue effort of the State has not been depressed by larger Union transfer.

8. Conclusion

The above observation shows that fiscal prudence of a less developed States like Orissa is largely contingent upon federal fiscal transfer. With adequate tax effort and high expenditure needs these transfers have a strong role in maintaining fiscal discipline. Hence, recommendation of the Eleventh Finance Commission to attach greater weightage to fiscal discipline may put the poor but performing states like Orissa at a disadvantage.

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MODIFIED NORMATIVE APPROACH (MNA) OF THE ELEVENTH FINANCE COMMISSION AND ORISSA

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The option of a federal form of government for India was guided by its historical past. Decentralised governance is the cornerstone of our policy since independence and successive governments at the centre have taken a number of steps to reach a form of government which best reflects the aspirations of the people. Fifty years of our experience with the inter-governmental fiscal relations make us aware of some of its strengths and weaknesses. As we enter the new millennium, it is imperative to look into them more seriously and take corrective measures, i.e., a strong and stable federal, which requires a strong and inter-governmental fiscal relationship. This means the present arrangement has to be modified significantly. The two important problems of a federation are to achieve vertical and horizontal equity while administering the devolution mechanism.

In India, there are two important agencies to decide the principle and quantum of resource transfer. These are the Finance Commission and the Planning Commission. At times, the Govt of India directly assists the state and local bodies for specific purpose. Many experts have reiterated that among the channels, the Finance Commission is the most important one, because of its constitutional status and unbiased composition.

Methodological Issues Finance Commission Awards:

The Finance Commission's devolution of funds have been mostly based on the 'gap-filling approach'. This approach consists of the following steps: ***(Rao, G. & Chelliah, R.J. 1996)***

(a) Assessing the revenue receipts and revenue expenditures of the center and the states by using some forecasting techniques;

(b) recommending percentage distribution of assigned taxes among the states;

(c) recommending the distribution of shareable taxes between center and the states and among the states;

(d) and finally, after looking into the financial position of the states after devolution funds through b & c, recommending for grants-in-aid to fill the gap.

The principles of devolution of funds under shared taxes have generated widespread debate over the years. Similarly, the methodology adopted for arriving at the expected revenue and expenditure also has created a situation of suspicion and distrust among the states about the neutrality and important role of the FC awards. Over the years, it has been noticed that the FC award is more *ad hoc* in nature without a thorough study of the problem. The Finance Commissions normally take excuse of lack of time for this. This is not an acceptable explanation even after completion of terms of 11 Finance Commissions in India. The Finance Commissions methodology centers around three things :

(1) restructuring of government finance with an objective to restore budgetary balance and maintenance of macro-economic stability;

(2) enabling each layer of the government to provide a specified minimum basic services by ensuring inter-state equity;

(3) Providing adequate incentive to the states to achieve greater revenue effort and greater economy in expenditure.

In applying these principles, the Finance Commissions have adopted different approaches with regard to the emphasis to be given on each of them. The First and the Second Finance Commissions did not feel question of equity as a serious matter and mostly concentrated on the budgetary balance as the determinant of relative shares of the states. The Third Finance Commission tangentially touched the question of financial weakness of the states but did not proceed to far in the matter. The Fifth FC for the first time emphasised on the equite aspect of the interstate resource transfer, when it said "We have also modified the principles of distribution of the state's share among them, with a view to giving greater weightage to population and increasing the relative shares of states which have lower per capita income and are economically more backward" (Fifth FC, 1969). From Sixth FC onwards, there has been a scheme for upgrading certain basic services to achieve a uniform national standard. This has facilitated the backward states to achieve a minimum infrastructure level in rural and urban areas. Until Seventh FC, the inter-state distribution of shared tax is based on population to a major extent and contribution to a minor extent.

The Eighth FC adopted the distribution criteria for the shareable amount of tax proceeds by giving 25% weightage for population, 50% weightage for distance from per capita income and 20% weightage for inverse of per capita income. The first report of the Ninth FC divided the 25% weightage given inverse of per capita income into two equal parts.

12.5% on inverse of per capita income and 12.5% on the basis of poverty/ backwardness. The second report of the Ninth FC gave two separate formulas for IT & UED. With regard to formula of distribution, slightly more weightage was given to population and inverse of per capita income and poverty/backwardness. This is done by reducing the weight for distance from per capita income. Emphasis on equity aspect has reached its peak on the recommendation of the Ninth Finance Commission, which for the first time adopted a normative approach to assess the budgetary need of the states. Instead of projecting the requirement on a base year figure, it tried to ascertain the normative requirement for the base year both for the center an the states (Ninth FC, 1st report, 1988). It stated that the basic purpose is in arriving at the relative entitlements to central transfers which are so designed as to ensure inter-state equity in working out such entitlements. (Ninth FC, Final report, 1990). The emphasis of the Tenth Finance Commission approach is more on efficiency and budgetary balance. With the help of a mathematical model distance, the Tenth Finance Commission (Srivastav & Agarwal, 1995) established that the use of distance and inverse of per capita income leads to greater burden on middle income states. According to their formula, 20% weightage is given to population, 60% on the basis of distance from per capita income, 5% on the basis of index of infrastructure and 10% on the basis of tax effort. The Tenth Finance Commission has not done much to fulfil its obligation of recommending measures to generate surplus for capital investment. The 11th Finance Commission witnessed a situation in which both central and state finances have received a great shock due to the rise of the salary bill due to 5th pay recommendations and the cyclical recession of the economy in 1998-99 and 1999-2000. The Commission emphasised on budgetary balance as the primary requirement followed by a Modified Normative Approach (MNA). The Commission stated that, "we have made an attempt to introduce the normative principle a little more systematically than before by adjusting the base year figures in the light of same norms and also estimating the revenue and expenditure for the five year reference period by using normative growth rates" (11th FC, 2000).

(i) Shared Taxes:

The Eleventh Finance Commission almost adopted the line identified by the 10th Finance Commission with regard to devolution of shareable taxes among the states. The weights are population 10%, distance from per capita income 62.5%, area 7.5%, index of infrastructure 7.5%, tax effort 5% and fiscal discipline 7.5%. In estimating the non-plan revenue receipt and non-plan revenue expenditure, the Commission has drastically departed from the 10th Finance Commission approach. The Commission declared that "In the allocation of central revenues among the states, both equity and efficiency demand that the revenue requirements of every state are assessed on the basis of some objective norms instead of relying on what they project, and after due consideration of their limitations and needs in each case." Orissa got a small benefit from the 11th Finance Commission due to its application of normative approach. However, the absence of the application of the inverse of per capita income as a basis for *inter se* tax sharing has worked against the interest of Orissa. The percentage share of non-special category of states in the 9th. 10th and 11th Finance Commission award related to shareable taxes is indicated in Table-1.

Table-1

Percentage share of Central Taxes given to the Non-special category states in India

States	Ninth		Tenth	Eleventh
	IT	UFD	IT & UED	IT & UED
Gujarat	4.55	318	4.05	3.05
Haryana	1.24	1.09	1.24	1.02
Maharastra	8.19	5.18	6.13	5.01
Punjab	1.71	1.36	1.46	1.24
T. Nadu	7.93	6.38	6.64	5.82
W. Bengal	7.98	6.6	7.47	8.78
Advanced states	31.6	23.99	26.97	24.92
A. Pradesh	8.21	7.17	8.47	8.3
Karnataka	4.93	4.1	5.34	5.33
Kerala	3.73	3.08	3.88	3.3
Middle category states	16.81	14.35	17.69	16.93
Bihar	12.42	11.03	12.86	15.8
M. Pradesh	8.19	7.22	8.29	9.55
Orissa	4.33	5.36	4.5	5.47
Rajasthan	4.84	5.52	5.55	5.92
U. Pradesh	16.79	15.64	17.81	21.4
Backward states	46.57	44.77	49.01	58.14

The 11th Finance Commission as it appears from the numerical figures has recommended a higher percentage for the backward states by reducing the share of both advanced and middle category states. Due to this, some Chief Ministers of the advanced/middle category states alleged that the Finance Commission has penalised efficiency and encouraged extravagance. The share of Orissa is 433 for IT and 5.36% for UED in the 9th; 4.5% in the 10th and 5.4% in the 11th Finance Commissions Award.

(ii) Non-Plan Revenue Grants:

After devolution of taxes, the financial position of Orissa as estimated by the 11th FC results in a deficit and thus the Commission recommended to provide non-plan revenue gap grant to the State to the extent of 674 crores of rupees. Only 5 states out of 14 non-special category states are eligible to receive this grant under 11th Finance Commission award. A major part of the non-plan revenue grant (82%) has gone to the special category states. The receipts of non-plan revenue gap grants by the new special category states under 9th, 10th and 11th Finance Commissions Awards are given in Table-2. The quantum of assistance to Orissa has slightly declined due to better allocation under shared taxes. The eligibility of limited states to get non-plan revenue gap grants indicates sound financial position of the states which did not receive such grants under 9th and 10th Finance Commission's award. All the states received non-plan revenue gap grants to varying degrees.

Since 6th Finance Commission onwards, the states with deficient administrative and social services were assisted with a specific purpose grant. The 11th Finance Commission continued the practice and extended assistance for 12 different services. The states have claimed a total of Rs. 181 thousand crores which indicates that the estimation is done very casually by the state governments. The recommended total amount of the 11th Finance Commission is around Rs. 5,000 crores. Orissa got Rs. 155 crores for upgradation of administrative services and 60 crores for special problems like establishment of a communication network in the cyclone relief centres, restarting work of Nandan Kanan Zoological Park and development of Chilika Lake. The upgradation grant under the 9th, 10th & 11th Finance Commission (Table-2) reveals that the share of Orissa has been fluctuating between 2 to 10% of the total over the years.

Table-2

Upgradation and Special Problem Grants to Orissa

(Rs. in crores)

Finance Commission	Total Grants	Grants to Orissa	Percentage of Col.3 as to Col.2
Eighth	915	70	7.6
Ninth (1st)	172	18	10.5
Ninth (2nd)	551	11	2.0
Tenth	2609	138	5.3
Eleventh	4973	215	4.3

Source: Report of Finance Commissions

A look at the post 11th finance Commission Award scenario indicates glare disparity in the financial position of different states, Table-3 shows non-plan revenue accounts of non-special category states after finance commission devolution.

Table-3

Non-plan Revenue Accounts of Non-special category states after Finance Commission devolution

(Rs. in crores)

Sl.No.	Name	Ninth	Tenth	Eleventh
1.	Gujarat	4276 (8.6)	10279 (11.3)	27594 (11.4)
2.	Haryana	2569(5.2)	6021 (6.6)	11099 (4.57)
3.	Maharastra	11690 (23.6)	24268 (26.6)	53579 (22.0)
4.	Punjab	1559(3.14)	1775 (1.9)	2942 (1.2)
5.	Tamil Nadu	4485 (90.5)	9323(10.2)	18167(7.48)
6.	W. Bengal	2730 (5.5)	4100 (4.5)	2789 (1.15)
Advanced states		(55.1)	(61.1)	(47.8)
7.	A. Pradesh	4953 (10.0)	1821 (2.0)	34763 (14.3)
8.	Karnataka	4772 (9.6)	14074(15.4)	26428 (10.9)
9.	Kerala	531 (1.07)	3482 (3.8)	7130 (2.9)
Middle category states		(20.67)	(21.2)	(28.1)
10.	Bihar	4081(8.2)	1850(2.0)	17296 (7.1)
11.	M. Pradesh	2537(5.1)	8260(9.0)	21897(9.0)
12.	Orissa	731(1.5)	3(0.003)	822(0.3)
13.	Rajasthan	1425(2.87)	2979 (3.27)	3633 (1.5)
14.	U. Pradesh	3224(6.5)	2983 (3.27)	14749(6.1)
Backward states		(24.17)	(17.4)	(24.0)
Total surplus		**49563**	**91218**	**242891**

Source: Report of the Finance Commission, 2000.

Note: Figures in bracket represents percentage of total

The table clearly reveals that the advanced states enjoy 55, 61 and 48 percent of non-plan revenue account surplus of all the states during the three FC periods. The share of non-plan revenue surplus enjoyed by the middle category states is 21, 21 and 28 percent respectively. For the backward states it is 24, 17 and 24 per cent respectively.

Conclusion:

(1) The recommendations of the 11th Finance Commission are pro-backward in character and this has helped the state of Orissa to leave adequate relief in the management of its finances.

(2) The adoption of 'Modified Normative Approach' in the estimation of revenue and expenditure forecast is a step in the right direction and this approach should have to be refined further to include other variables which indicate the actual fiscal capacity of a state.

(3) Unequal non plan revenue account surplus with the advanced states results in larger plan sizes for these states perpetuating horizontal inequality among Indian states. The Finance Commissions should make an endeavor to see that after devolution of funds the financial position of the states should be positioned in an equal footing for plan development purpose.

(4) The introduction of fiscal management criteria in the shared tax devolution formula will definitely improve the condition of state finances but simultaneously it is required to be defined very clearly so that ambiguity will not emerge in the application of this criteria.

(5) On upgradation grants the observation of Mr. J.C. Jeteli, Member, Finance Commission appears to be correct. These grants should be made available to these states who are unable to channelise plan resources for this purposes. Upgradation grants should not be provided to those states who have non-plan revenue surplus.

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ELEVENTH FINANCE COMMISSION AWARD : TRADE OFF BETWEEN EQUITY AND EFFICIENCY AND FEDERALISM IN INDIA

Dr. Jagannath Lenka

Introduction

Transfer of resources from the centre to the states is common to all countries with federal structure because there is always a mismatch between the functional responsibilities of the states on the one hand and their ability to raise matching resources on the other. India is no exception. This is vindicated by the fact that the centre collects about 60 percent of all revenues mopped up in India but states spend around 60 percent of total expenditure. This necessitates the transfer of resources to correct what is termed vertical imbalance. There is also the need to distribute resources among various states to correct for horizontal imbalance so as to alleviate the disparities in the revenue capacity of the constituent units of the federation in order that all of them may be in a position to provide basic public services to their citizens at a reasonable level.

The twin objectives of fiscal transfer in a federation, therefore, are to bridge both vertical and horizontal gaps. In order to redress these problems in fair and orderly fashion the Indian constitution provides for devolution of a part of centre's revenue to the states mandatorily. Further, in order that the dependence of the recipient governments on flow of funds from above does not undermine their autonomy. The constitution sought to entrust the task of mediating the devolution of the revenue of the union to the Commission– to be appointed by the President (Article- 280 of the Indian Constitution).

Starting from 1951, Finance Commissions have been set up every five years under a constitutional mandate, each playing a major role in the evolution of centre state fiscal relations. In India, resource sharing based on the constitutional division of functions and finances between the centre and the states is a critical element in the federal system. Though the main job of the Finance Commission is to determine criteria for both vertical and horizontal balance, the terms of reference of each Commission reflect the dominant concerns in public finance of the moment and the state of centre-state relations.

With the rise of regional parties and their sharing of power at the centre, Finance Commissions haves become more important. The Commission's report though recommendatory have in practice been accepted by successive governments, forming the basis for transfer of resources. Since a sound system of intergovernmental fiscal transfer constitutes to be cornerstone of a strong and stable federal structure, the present Finance Commission's award has a strong bearing on the sustainability of Indian federalism.

Eleventh Finance Commission

The Eleventh Finance Commission came into being from July 1998 with A.M. Khusro, (the first economist) as the chairman and N.C. Jain, J.C. Jetly, Dr. Amaresh Bagchi, and T.N. Srivastava as members. At the time when the Commission was set up, the fiscal profile of the country was perhaps worse than ever before. Almost all key fiscal variables were moving in a negative direction. The rate of growth of revenues was slow whereas that of expenditure was taking an ugly turn. All the states of the country had fallen into large revenue as well as fiscal deficits. This is corroborated by the fact that with the states fiscal deficit at 4.98 percent, the combined fiscal deficit of the centre and the states stood at 10.40 percent of the G.D.P. in the year 1992-2000, which is more than the level (9.6 percent of GDP) that prevailed in the crisis year, 1990-91. The worrisome feature of the fiscal scene is that the fiscal deficits are being driven more and more by revenue deficits. There was a time when revenue deficits were a rare phenomenon in India's public finance and the revenue budgets used to turn out some surplus. The turning point for the centre came in 1979-80 and for the states taken together in 1986-87, with the revenue budgets of the governments at both levels showing deficits of varying order every year thereafter. Revenue deficit of the centre measured 3.47 percent of GDP in 1990-91 which increased to 4.03 percent in the year 1999-00. In the year 1990-91, revenue deficit formed 41.66 percent of the centre's fiscal deficit, in 1999-00 it touched 67.5 percent. In the states too, the revenue deficit which was 0.84 percent of GDP in the year 1990-91 jumped to 31.13 percent of GDP in the year 1999-2000. In 1990-91, revenue deficit of the states accounted for not more than 26 percent of their fiscal deficit, in 1999-00 it stood at about 63 per cent.

The mounting non-plan expenditure everywhere was the cause of concern as it frustates economic development. Indebtedness of the states as well as the centre had mounted to undesirable levels. Interest payment on loans was unwantedly high. There was no sign of rationalisation of public expenditure. The performance of the public sectors was abysmally low. The prevalence of recession had accentuated the problems both on the revenue and expenditure side.

With this backdrop, the challenging task before the Eleventh Finance Commission was to review the state of finances of the union and the states and suggest ways and means whereby the governments collectively and severally may bring about a restructuring of the public finances so as to restore budgetary balance and maintain macro economic stability.

Objectives of the present study

The present paper makes a modest attempt to study the Eleventh Finance Commission award in the context of sustainability of federalism in India with the following objectives.

(1) To examine the vertical devolution of resources from the centre to the states recommended by the EFC.

(2) To examine the trade-off between equity and efficiency and sustainability of federalism in India.

Database And Methodology

The present work makes use of the secondary data mostly from the reports of the Finance Commission, Economic Surveys published by the government of India, and works of research scholars.

Simple statistical tools like ratios, percentages and coefficient of variation are used to analyse the data and interpret the results.

Results And Discussion

I. Aggregate share of states

Article 280 (3) (a) of the India Constitution requires the Finance Commission to determine the aggregate share of the states in the net proceeds of all shareable union taxes and duties. This is known as the vertical devolution. The Eleventh Finance Commission has recommended that the share of the states be fixed at 28 per cent of the proceeds of all taxes and duties referred to in the Union List except the taxes and duties referred to in Articles 268 and 269 and the surcharges and cesses for each of the five years starting from 2001 and ending 2005. The Commission has further recommended that an additional 1.5 per cent of all shareable union taxes and duties be allocated to states separately on account of additional excise duties levied in lieu of sales tax; thus totalling 29.5 per cent of the net proceeds of all union taxes and duties. The Commission also recommended that if any state levies and collects sales tax on sugar, textiles and tobacco, it will not be entitled to any share from the 1.5 per cent. The overall package of transfers recommended by the EFC was pegged at 37.5 per cent of the gross revenue receipts of the union government.

While the EFC appears to have increased the share from 29 per cent recommended by the TFC to 29.5 per cent in the net divisible pool of taxes and duties, it still lies much below the expectation (ranging from 33 per cent 50 per cent) of the states. Moreover, the overall package of transfers pegged at 37.5 per cent of the gross revenue receipts of the union lies almost at the bottom of that in the period of almost two decades (1979-80 to 1997-98) m varying in the range of 39 per cent in 1990-92 to 37.02 per cent in 1997-98 (*Sharma A., 2000*). Thus the vertical devolution has raised dissatisfactions which is reflected by the statements issued by the finance ministers of different states.

II. Inter-se-share of states

Two basic principles for determining the *inter-se*-share of states are those of equity and efficiency. The equity objective requires the transfers to be progressive, that is states with large revenue base relative to their expenditure need be given lesser federal transfers than the transfers to states with small revenue base relative to their expenditure needs. However, too much emphasis in equalisation objective of federal transfers invariably leads to fiscal inefficiency of the state governments. To neutralise this adverse incentive, it needs to be complemented by base and deliver services at minimum (efficient) costs.

In order to strike a balance between equity and efficiency, the EFC has recommended the following criteria with relative weights for determining *inter se* shares of the states in tax devolution.

Table-1

Criteria and Relative weights for Determining *Inter-se*-shares of States

Sl. No.	Criteria	Relative Weight EFC	(%) TFC
1.	Population	10.0	20.0
2.	Income distance	62.5	60.0
3.	Area	7.5	5.0
4.	Index of Infrastructure	7.5	5.0
5.	Tax efforts	5.0	10.0
6.	Fiscal discipline	7.5	—

Source: EFC report

The EFC's claim of balancing between the twin objectives of equity and efficiency requires a close examination. It is evident from the table that 87.5 per cent weightage is given to factors which serve the equity objective (viz. : Population, Income distance, Area and Infrastructure), whereas only 12.5 percent of weightage is given to the two criteria– tax effort and fiscal discipline, that reflect the fiscal capabilities of state governments, Thus the EFC appears to have given more importance to equalise the fiscal capacities of states in spite of its adverse impact on fiscal efficiency of state governments.

The trade off between equity and efficiency can be made abundantly clear if we investigate the quantum of total transfers effected by the EFC in comparison with that of TFC. It is found that coefficient of variation for total transfers to states during 1995-2000 was 93.07 per cent which for the total transfers to states during 2000-2005 increased to 107.4 per cent. This indicates that the distribution recommended by the EFC is less equitable than that of the TFC. In other words, the EFC appears to have given more importance to efficiency in comparison to that of TFC. This is true, because EFC for the first time introduced fiscal discipline as a criterion for determining the *inter se* share of the states. Thus, one should expect that the fiscally efficient states should have obtained relatively larger shares in comparison to fiscally weaker states form the recommendation of the EFC in comparison to that of the TFC. In fact, the contrary has happened. This is evident from Table-2 that the share has decreased from 13.06% (TFC) to 9.6% (EFC) for the high income states (Gujarat, Haryana, Maharastra, Punjab and Goa), from 28.53% (TFC) to 27.56% (EFC) for the middle income states (Andhra Pradesh, Karnataka, Kerala, Tamil Nadu & West Bengal), from 15.17% (TFC) to 13.48% (EFC) for the special category states (Assam, Arunanchal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Sikkim, Tripura, Mizoram and Nagaland). Whereas for the low income states (Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh) the share has increased from 43.25% (TFC) to 49.34% (EFC) in total transfer of resources. The same pattern is also found in shares of central taxes and duties.

Table-2

Total Transfer to Different Categories of States (%)

State Category	TFC	EFC
High Income States	13.06	9.62
Middle Income States	28.53	27.56
Low Income States	43.25	49.34
Special Category States	15.17	13.48

Though the transfers are lesser for the special category states, they could be made good through discretionary and plan grants; while it is not so for the non-special category developed states. Thus the developed states have lost substantially which tells upon their efficiency.

Now the question arises as to why such a distressing situation has occurred contrary to what is expected to happen. It is due to the overwhelming importance given to equalisation criteria and the growing disparity of state incomes which has swamped the efficiency weight. The progressiveness in the Finance Commission's transfers can be attributed not only to higher weightage given to factors like population and income, but also to the way in which these factors are measured. Many of the developed states have contained population growth remarkably and hence quite correctly the 1971 population census figures were taken in the devolution formula. But at the same time, the current population figures enter indirectly with great degree of prominence through the per capita income figures of states (which are based on 1994-97 population figures) and the per capita income is given 62.5% weightage. Higher the population, lower is the per capita income. Evidently, the less developed states which have higher population growth rate have lower per capita income. This again gets impetus as their rate of growth of income is relatively less. The irony is that, these states which have failed miserably in population control and enhancing income are handsomely rewarded for their inability on these counts.

On the other hand, the indicators of fiscal efficiency-tax effort and fiscal efficiency are found to have less inter-state variability. Thus, the less developed and fiscally inefficient states have not lost substantially to the developed and fiscally efficient states in the distribution of net proceeds of union taxes so far as efficiency criteria are concerned.

Conclusion

From the above discussion it is manifest that the ingenuously invented overall distribution formula of the EFC with undue weightage for population and income has resulted in lopsided devolution in financial resources favouring entirely the low income states at the expense of the states which have practised fiscal discipline. This approach is destined not only to create fiscal irresponsibility among the states, but also to adversely affect their economies.

If the present trend is not reversed the federal structure of the country may be at a stake.

The following suggestions may be considered to have a healthy fiscal relations between the centre and the states.

1. In order to remove the political and personal bias in the Finance Commission transfers, it is important that this institution should undergo drastic structural and constitutional changes reflecting the true federal characteristics of Indian polity.

2. The Finance Commission should be made a permanent body with a technical cell to scientifically accumulate data on the finances of union and state governments as well as generate broad-based public debate on union-state financial relations. This will go a long way in formulating the devolution formula objectively.

3. In India, political federalism has become a reality and this is not yet translated into constitutional federalism. Therefore, constitutional changes are required to direct the course of centre-state financial relations along the desired line. The sooner, the better.

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THE RECOMMENDATIONS OF THE ELEVENTH FINANCE COMMISSION AND INDIAN FEDERALISM

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1.1 The Eleventh Finance Commission was set up in July 1998 under article 28 of the Indian Constitution and the Finance Commission Act of 1998 for reviewing the state of Únion finances and making recommendations on distribution between Union and States of the net proceeds which are to be divided between them and the *inter-se* allocation among the states.

1.2 **Indian Federation** : Federalism may be construed as the method of dividing power so that the general and regional governments are within a sphere of coordinate and independent. As per the prevailing practice in India, taxes having inter-state base are levied by the centre and taxes having local bases are levied by states. While financial dependence of the states on centre is necessary, too much dependence on the centre is not desirable for the smooth function of a federal set up. The very concept of federation would be frustrated and thrown into jeopardy, if federation entities are obliged to depend on the centre to an extent of subservience. It is well known that, most of the buoyant and broad based taxes are with the centre, while most of the functional responsibilities rest with states. The state Governments are under compulsion to increases outlay on education and health, while attractive Financial props of the government, like Deficit Financing and Foreign Sector are left to the centre. It creates what is called 'vertical imbalance'. Horizontal fiscal imbalance relates to lower revenue capacity of states and higher unit cost of providing public services.

1.3 **Carrot and stick Approach** : It has been claimed by A.M. Khusro that, the recommendations of the E.F.C. were in the interest of the states. The commission has suggested an overall cap of 37.5% on the devolution out of the gross receipts of the Union. It is a ceiling on the total revenue transfers from the centre's tax devolution and all grants to the states ought to be accommodated within this upper ceiling. While Tenth Finance Commission has recommended 29% of Centre's taxes to be devolved to the states, the E.F.C. has recommended that this percentage should be increased to 29.5% during the five year period of 2000-2005.

It departed from the standard practice of sharing between centre and States and included all tax resources such as corporation tax, customs duties with the States. Earlier formula allowed (sharing income) 77.5% of Income tax collections with states. The E.F.C. provides for 26% of shareable taxes to be passed on to states and another 3% on account of excise duties levied in lieu of sales tax. E.F.C. did precious little to consider demands of states, which wanted 29% share to be raised to 33%. The altered formula recommended 28% of shareable resources with states 1.5% on account of additional enterrises. The new weightage has apparently put the states to a disadvantage, as the total resources went up marginally by 0.5%.

A comparison of criteria adopted by the T.F.C. and E.F.C. for deciding the devolution for performance of interstate distribution is given below.

The E.F.C. has reduced weightage for population from 20% to 10% and the weightage for tax effort from 10% to 5%. It has increased the weightage for poverty distance from 60% to 62.5% for area from 5% to 7.5% and for infrastructure from 5% to 7.5%. A novel feature of this commission is the accent on fiscal discipline, which claimed a weightage of 7.5%. The commission does not seem to have made a clearer enunciation of fiscal discipline. The commission has recommended widening tax base through agricultural taxation and taxation of services.

1.4 **Poverty containment Vs. Performance** : According to world Development Report (2000-2001), in India in 1997, 44.2% of Population was (using and 1 dollar per day as the measure for international line) living below the poverty line. It is hard to repudiate Khusro's stand point, "We allocate money to the states to remove poverty, not to perpetuate it". But rich states protest the precedence to poverty over performance in allocation of funds. It was pointed out that, poor states are notorious for squandering money. Further, plan exercises spanning over a period of 50 years have not succeeded in bridging the yawning income gap between developed states on the one hand and backward states on the other. The award of the E.F.C., which will be first of the new century has a message for states: good governance does not pay.

The EFC's award has resulted in the states like U.P. securing 19.78% (TFC 16.25%), Bihar 14.597% (TFC 11.29%), Madhya Pradesh 8.38% (TFC 7.4%) and West Bengal 8.11% (TFC 6.84%) of the total devolution recommended. In consequence, these 4 states taken together have claimed roughly 51.349% of the total devolution. The claim of these 4 states taken together in total devolution was only 41.78% in the TFC. On the other hand, the

Southern states, Andhra Pradesh (7.701%), Tamil Nadu (5.385%), Kerala (3.057%), Karnataka (4.930%) together account for a meagre share of 21.073% as against 22.79% awarded by TFC. Thus, there is a reduction in the share of the four Southern States.

A comparative picture of T.F.C. and E.F.C. highlights that, the shares of Gujarat are declining from 3.88% to 2.821% and of Maharastra from 6.23% to 4.632%, Haryana from 1.24% to 0.944% and Punjab from 1.57% to 1.47%. The share of special category states, like Himachal Pradesh, Jammu & Kashmir, and seven North eastern states have fallen as a whole from 13.46% to 7.30%. It seems, therefore that some states have been favoured following the formula of E.F.C.

The E.F.C. has placed different states of the country into four categories– High Income, Middle Income, Low Income and Special Category Status. Gujarat, Haryana, Maharastra, Punjab and Goa are considered as high income states, while Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and West Bengal are treated as middle income, Bihar, M.P., Orissa, Rajasthan and U.P. are treated as low income states. J & K, Himachal Pradesh and seven north eastern states have been assigned Special Category by E.F.C.

The relative shares of various states as a group in tax devolution and total transfers suggest that, the high income and middle income states which contribute a substantial amount to the G.D.P. and export effort sizably have to suffer at the hands of E.F.C. with the exception of West Bengal which appears to have received higher share in tax and total transfer devolution. Even more distressing is the predicament of Special Category States which receive lower shares in both tax devolution and total transfers in sharp contrast to the T.F.C. It follows that even the principle of redistributive justice has not been strictly followed.

1.5 **Predicament for Indian Fiscal Federalism** : The line of reasoning presented in the previous paras point to the new predicament created by E.F.C., which has serious implications for Indian Fiscal Federalism, which may have to be addressed by N.D.C. and Inter State Council. A question which arises for consideration is whether the Finance Commission has the jurisdiction to address itself to matters pertaining to financial health of the states and centre. The Fourth Term of Reference of E.F.C. states that the Commission shall review the state of the finances of the Union and states and suggest ways and means by which the Government can bring about a restructuring of the public finance so as to restore budgetary balance and maintain macro-economic stability. The T.O.R. of 5 asks the Commission to look into the requirement of the states for meeting the plan and non-plan revenue expenditure.

It is necessary that certain specific stipulations or conditionalities should govern the release of funds to the states, Municipal and Panchayati Raj Institutions. The golden rule is not to release any funds unconditionalally. There will have to be an agreed time table for the fulfillment of the performance criteria by the state government or the centre. For instance, in the counter-guarantees given by the centre in the fast-track power projects, it has been stipulated that, if state electricity boards or state governments default in their payment to the independent power producers, the money will be paid by the centre and the amounts so advanced to IPPS will be deducted from plan assistance. Penalising states and even the centre for inadequate performance may bring fiscal house in order, if there is monitoring on a continuous basis before release of funds. Such monitoring tasks may be assigned to an independent authority.

1.6 **Suggestions and conclusion** : A brief reference may be made about the failure of the commission to make recommendations with regard to decentralisations of more powers to the states. It was merely suggested that fiscal discipline would automatically improve, if the states were given the opportunities to generate income. The E.F.C. observed that, "Much of the budgetary ills are at bottom of the end products of government's short-sighted populism." It is no surprise, therefore that the total debts of all the states of the country have climbed up from 400,754 crore (1999, March 31) to 473,677 crores a year later.

It is apparent, therefore, that a hard budget constraint alone can help in taking bold and unpalatable decisions. To achieve zero revenue deficit by the centre and the states would require: (a) controlling administrative expenditure, (b) reducing subsidies on non-merit goods which benefit affluent sections of community, (c) improving cost recovery of services, (d) disinvestment of loss making-enterprises, (e) Improving the working of state Electricity Boards and State transport undertaking and (f) Reducing Public debt.

The states and the centre may be penalised for nonperformance. The horizontal distribution of funds between states depends upon their *inter se* performance on the basis of agreed performance criteria. Backward states should not get a larger share of resources unless it is established that, funds will be well spent. To conclude, the centre and states should function in such a manner that they will be able to draw inspiration from each other and instead of competitive populism, we shall enter into an era of commitment to fiscal discipline for reestablishing the financial health of the centre and the states.

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MID-DAY MEALS SCHEME AND LITERACY IN ORISSA

MID-DAY MEALS SCHEME AND LITERACY IN ORISSA

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keynote address

For economic development, growth of literacy is an essential precondition. Although there is no direct co-relationship between growth of literacy and economic development of a region, yet it is observed that the states where literacy is maximum, there the degree of development is higher. Conversely, the economic development of a region gets affected where there is low level of literary development. As per 1991 census, the literacy rate in Orissa is 49.1 per cent as against all India average of 52.1 percent. This shows that more than 50 per cent of the population in the state still continue to be illiterates. Sexwise, the females are at a disadvantageous position than males. The female literacy in Orissa is 34.7 percent as against the All-India average of 39.3 percent. In contrast, male literacy in Orissa is 63.1 per cent as against all-India average of 64.1 per cent as per 1991 census. Ethnic groupwise, the literacy rate among scheduled castes stood at 36.8 per cent whereas for scheduled tribe the rate was 22.3 percent.

In order to improve further literacy rate in the state, both central and state governments have adopted several measures. Such measures have broadly taken two forms; introduction of several schemes promoting literacy at the primary school level and provision of incentives. Both the central and state governments are committed for universalisation of primary education. It is rightly believed that unless education at the primary level expands, growth of literacy in the real sense may not be achieved. However in the primary school stage, one notices some distortions. The enrolment of children in the primary school is no doubt encouraging but in the recent years the rate of enrolment has shown a declining trend. From primary schools as one moves to middle schools and secondary schools the same declining trend in enrolment rate is witnessed. The most disheartening picture is that those children who are enrolled in the primary schools do not complete their studies fully. They dropout from the middle. As per the available data, the dropout rate in Orissa was as high as 39.0 per cent in 1990-91. While for boys the dropout rate was 40.0 per cent, for girls it was 37.3 per cent. There are many reasons for such a high dropout rate in primary schools in the state. The reasons are: (a) disinterestedness for learning on the part of the children, (b) preference of the parents to engage their children in certain economic activities, (c) lack of provision for incentives and teaching aids for the benefit of the children and (d) lack of teaching and guidance from the teachers etc.

For increasing literacy and reduction of dropout, the governments– both central and state have introduced several schemes for promoting education among primary school going children. These schemes include; Formal education, Non-formal education, Ashram school, Navodaya Vidyalaya, Kendriya Vidyalaya, N.G.O. supported schools, D.P.E.P. schools and vocational training centres. Over the years these schemes have contributed to the growth of literacy through the development of primary education. Even the state government has introduced several schemes towards realising the goal of universal primary education.

Mere introduction of schemes is not sufficient. The primary school going children mostly come from poor families. Their parents lack resources– money and materials to sustain their children in schools by meeting all their requirements of education. Hence, the government has come forward with a package of incentives to encourage children to continue their studies in the schools. These incentives include; free writing materials, free books and note books, free uniforms, free boarding and lodging especially, for SC and ST children, and free meals (Mid-day Meals). Even in some states free bus passes are given to primary school children to attain schools. This is particularly seen in Tamil Nadu. The objective behind the introduction of several schemes and number of incentives is to improve literacy in the state through the spread of primary education.

In view of the above observations, it is pertinent to enquire as to what extent several schemes implemented by the government have succeeded in achieving the desired goal of increasing literacy among the children particularly the girl children attaining the primary schools. Likewise, the need has arisen as to what extent mid-day meals scheme, being one of the chief among several incentives provided by the government, has contributed towards the primary education in the state.

The discussion on mid-day meals scheme as one of the incentives for achieving the said objective can be confined to the following aspects–

(i) How far the mid-day meal scheme introduced by central and state governments has succeeded in promoting literacy in the state with respect to increasing enrolment, attendance, retention and reduction of dropout in the primary schools.

(ii) To discuss the factors like socio-cultural, administrative, organisational, managerial and financial contributing towards the success or failure of the scheme meant for literacy.

(iii) To enquire whether the mid-day meal scheme meant for improving literacy has inherent weaknesses and needs any modification suitable to socio-cultural peculiarities of the region.

(iv) To investigate specially whether the mid-day meal scheme meant for improving literacy at the primary stage has suffered due to shortage of funds, inadequacy of implementation, and administrative failure in reaching the benefits to ultimate beneficiaries– the students.

In view of the above objectives, the discussion on Mid-day Meals scheme can be confined to the following aspects:

(i) Structure, organisation and operation of the scheme. State-wise analysis will be more relevant in this section.

(ii) Impact of mid-day meals scheme on the growth of enrolment, attendance, retention and reduction of dropout in primary schools.

(iii) To analyse the factors responsible for the success or failure of the scheme in a particular state.

(iv) To discuss specifically whether the scheme has certain inherent weaknesses for which the scheme is not implemented properly. The discussion can be confined to aspects like; budgetary constraints, administrative failure and bureaucratic laxity affecting implementation, corruption and pilferage associated with shceme, failure of supervision and monitoring of the scheme, the role of teacher as a manager of the scheme, the cost benefit aspect of the programme etc.

(v) To investigate whether it is desirable to scrap, or downsize the programme as suggested by certain quarters. Alternatively, the discussion can focus on the aspect of convergence of several literacy development schemes as well as pre school and post school lunch programmes into one unified single scheme for effective implementation.

The discussions based on the above aspects would help to generate vital facts which could be latter incorporated in the form of policy prescriptions for the guidance of the authorities implementing the literacy programmes and Mid-day Meals Scheme in Orissa.

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IMPACT OF MID-DAY MEALS SCHEME ON ENROLMENT AND DROPOUT OF PRIMARY SCHOOL GOING CHILDREN IN RAYAGADA DISTRICT, ORISSA

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1. Introduction

The national programme of Nutritional Support to Primary Education or Mid-day Meals (MDM) Scheme was launched on 15th August, 1995 as a centrally sponsored scheme to give a boost to universal primary education in terms of increasing enrolment, retention and attendance in primary classes by supplementing nutritional requirements of children attending primary schools. The programme has commenced in all the States and Union territories. Cooked meal of hundred grams of food grains per child per day is provided to the children free of cost in six states, namely, Gujarat, Jammu and Kashmir, Kerala, Madhya Pradesh, Orissa and Tamil Nadu; and the union territory of Pondichery. In Delhi, processed food (sweet bread) is being supplied through Modern Food Industries. The other states and union territories are distributing three kilograms of food grains per student per month to children who have at least eighty per cent of attendance.

Under the scheme, hundred per cent central assistance is provided for meeting the cost of food grains (wheat or rice) and cost of transportation to the schools (i.e., Rs. 25/- per quintal and labour charges) and reimbursement under poverty alleviation schemes of the central government, viz., JRY in rural areas and NRY in urban areas. The cost of conversion of food grains into cooked food is borne by the state governments, where cooked food is provided.

In Orissa, the operation of Mid-day Meals Scheme was started on 1st July, 1995; though the scheme was inaugurated by Shri P.V. Narasimha Rao, the then Prime Minister of India in a school in Bahadurgarh subdivision of Rothak district of Haryana on 15th August, 1995. During the academic year 1995-96, the state government introduced the programme in 41,604 primary schools covering 38.15 lakh students. But in 1998-99, the number of primary schools under Mid-day Meals Programme decreased to 40,697. On the contrary, the coverage of students increased to 45.03 lakhs in the said year. The decrease in the number of schools was due to the postponement of the programme in the schools of certain towns where the students declined to take the Mid-day Meals.

2. Importance of the Study

The main objectives of Nutritional Support to Primary Education are : (a) to enhance the nutritional status of the children, and (b) to speed up the march towards the attainment of universalisation of elementary education by increasing enrolments, retention and attendance. For the improvement in the enrolments, retention (or reduction of dropouts) and attendance of primary school going children, proper feeding of children is very much necessary. Otherwise, they will be undernourished and malnourished. Their physical and mental development will not be improved. As a result, they will be disinterested for reading and their attendance in the schools will decline. In Orissa, 48.6 per cent of the total population of the State were living below the poverty line, as per the survey made by Modified Expert Group of Planning Commission in 1993-94. Compared to many other states, the per capita NSDP at current prices in 1997-98 was very much less, i.e., Rs 6767/- From the literacy point of view, the position of Orissa is also not so good, and 49.1 per cent of the total population of the State were found to be literates. Under such circumstances, the implementation of the scheme in Orissa was very much desirable. Five academic years have already passed after the introduction of Mid-day Meals Scheme in the State. In order to know the impact of the scheme on the enrolment and dropout of students, the district of Rayagada has been selected, as the district is one of the most backward districts of the State. The percentage of SC and ST population in the district was 70.37 as per 1991 Census, and 81.56 per cent of the total rural families are living below the poverty line as per 1992 survey by Panchayati Raj Department, Govt. of Orissa. Among the thirty districts of the State, the position of the district is 27th in terms of literacy rate. As per 1991 census, the total literacy rate was 26.01 per cent with 36.53 per cent male literacy rate and 15.63 per cent female literacy rate.

3. Objectives

The objectives of the paper are as follows :

(i) To analyse the operation of Mid-day Meals Scheme in Orissa;

(ii) To examine the impact of the programme on the enrolments and dropouts of primary school going children in Rayagada district; and

(iii) To give suggestions for the improvement of the operation Mid-day Meals Programme in the district.

4. Methodology

The paper is based on both primary and secondary sources of data and information. For secondary source, data have been collected from Women and Child Welfare Department, Govt. of Orissa, Bhubaneswar; Census of India, Bhubaneswar; and various govt. publications. Multi-stage random sampling method is adopted for the collection of data. In the first stage, the district Rayagada is divided into different blocks, and out of eleven blocks, two blocks, viz., Rayagada and Kolnara, are selected randomly by using lottery method. In the second stage, from each selected block, five schools from five different panchayats are also selected randomly (The list of schools selected from different panchayats is given in Annexure-1). Finally, classwise data on enrolment of children of different castes and sexes from 1985-86 to 1998-99 are collected from each sample school. Further, in order to know the problems, loopholes, and to give suggestions for better implementation of the programme, for each school, one teacher, one educated villager and one panchayat representative were interviewed. In addition to the above, ten officials, involved directly or indirectly in the operation of MDM Scheme at the district and block levels, are surveyed for the study purpose. Thus, a total number of 10 teachers, 10 educated villagers, 10 panchayat representatives and 10 officials are surveyed through well structured schedules meant for each category of respondent.

In order to know the impact of the scheme on enrolment and dropout of students, ten years of data covering two time-periods, viz., pre-MDM period (1989-90 to 1994-95) and post-MDM period (1995-96 to 1998-99), are taken into consideration. From the enrolment data collected from the sample schools, caste and sex-wise average annual growth rates of enrolment of students of the pre and post-MDM periods are estimated for the two sample blocks as well as blocks in aggregate. Secondly, in order to know the impact of MDM on dropout of students, average annual dropout rates of the pre and post-MDM periods are calculated for the sample blocks, and the formula used for the calculation of dropout rate is given below :

Dropout rate at primary stage during the year=

$$\frac{\text{Enrolment in class } \underline{\text{I}} \text{ preceding 4 years} - \text{Enrolment in class } \underline{\text{V}} \text{ during the year}}{\text{Enrolment in class } \underline{\text{I}} \text{ preceding 4 years}} \times 100.$$

5. Operation of MDM Scheme in Orissa

At the apex level, the State Women and Child Welfare Department looks after the administration and management of the scheme. The District Collector is responsible for the over all management of the scheme at the district level. He authorises the District Social Welfare Office (DSWO) to undertake the purchases of dal, spices and other essentials required for the noon-meal programme in the district. After the purchase of food items by DSWO, these are given to the Civil Supplies Department under his jurisdiction, who later supplies the food items to the schools through Marketing Inspectors. The Marketing Inspectors also undertake the job of transporting rice given by the Centre from the nearest FCI godowns to the schools. In addition to this, the Project Director, District Rural Development Agency (DRDA) gives the payments of cooks and helpers engaged in the preparation of mid-day meals in the schools from the money under JRY head in rural areas; and in urban areas, this money directly comes from the Women and Child Welfare Department.

At the block level, the Block Development Officer is responsible for the implementation of the Scheme. He is assisted by the Social Education Organiser (SEO) and Sub-Inspector of School (SI). The headmaster or the teacher in charge of mid-day meals looks after the day-to-day operation of the scheme in the schools. He is assisted by a cook and a helper. The headmaster/teacher in charge of mid-day meals receives the food grains, undertakes storage of food items, maintains the records of the use of food items, and also maintains the records of the expenses made for purchasing firewood, vegetables, salt, etc. The cook and helper are appointed from the local area and preference is given to the poor women and widows. The cook and helper normally receive honorarium of Rs. 200/- and Rs. 100/- respectively. For each school, there is a Village Food Committee or a Village Education Committee, which helps in the smooth running of the scheme in the school.

6. Impact of MDM on Enrolment and Dropout of Students

(a) Enrolment

Table-1 shows that, during the post-MDM period, the overall annual growth rate of enrolment of students in Rayagada district was 5.94 per cent as against –2.15 per cent in the pre-MDM period. The growth rate of the enrolment of girl students (8.03 per cent) was found to be more than that of boy students (4.51 per cent) in the post-MDM period. In the pre-MDM period, the corresponding respective figures were –3.79 per cent and –0.77 per cent. When block case is taken into consideration, in both the blocks the overall annual growth rates of enrolment of students were higher in the post-MDM period compared to pre-MDM period. The same trend is found in case of boy and girl students except boy students of Kolnara block. In Kolnara block, there was absolute increase in the enrolment of boy students, but the rate of increase in the post-MDM period was lower (3.81 per cent) than the pre-MDM period (6.20 per cent). This might be due to the decline in the growth rate of population in the age group of 6 to 11.

The castewise analysis indicated that, in case of Scheduled Tribe students, there were increases in the growth rates of enrolment of students in the post-MDM period over the pre-MDM period in both the sample blocks as well as in aggregate. The aggregate growth rates of enrolment of Scheduled Tribe students during the pre-MDM and post-MDM periods were –4.55 per cent and 8.39 per cent respectively. On the other hand, the rates of increases in the enrolment of Scheduled Caste students were comparatively less in the post-MDM period over the pre-MDM period in both the sample blocks and in aggregate, except the case of boy students of Raygada block. But, in absolute number, there were increases in the number of students in the post-MDM period. The growth rates of the enrolment of Scheduled Caste students in aggregate in the pre and post-MDM periods were 11.47 and 6.55 per cent respectively. In case of other caste students, the picture is different. There was negative growth rates in the enrolment of other caste students in both the pre-MDM and post-MDM periods in aggregate, and the growth rates were –0.26 per cent and –0.62 per cent respectively. The growth rate was found to be positive and more in the post-MDM in case of girl students in both the sample blocks. But, there was negative rate of the enrolment of other caste boy students in the post-MDM period in the sample blocks. This does not necessarily mean that the scheme had no impact on the enrolment of other caste boy students. As reported by the teachers and educated villagers, the negative growth rate was due to the decline in the number of male children in the age-group of 6 to 11 during the years studied.

From the above analysis, it can be observed that the increases in the growth rates of the enrolment of students in the post-MDM period over the pre-MDM period was more in Rayagada block than in Kolnara block. The reason may be that, from the literacy point of view, Rayagada is an educationally backward block; whereas, Kolnara is an educationally advanced block. Further, as reported by the teachers, educated villagers and panchayat representatives, Mid-day Meals scheme had some impact on the increase in the enrolment of students in the post-MDM period in the district. But, there was also other reasons like impact of District Primary Education Programme (DPEP), spread of education and other incentives and developmental programmes of the government, which were responsible for the increase in the enrolment of students. In spite of the increase in the enrolment of students in the post-MDM period in the district, the enrolment of students was not so good as pointed out by the teachers. Because, poor financial background of the children, illiteracy among parents, lack of interest among children to study, the burden of domestic work, taking care of siblings, etc. were the important factors for the poor enrolment of students.

(b) Dropouts

The average annual dropout rates of students were found to be less in the post-MDM period compared to the pre-MDM period, irrespective of castes and sexes, in both the sample blocks (Table 2). In aggregate, the average annual dropout rate was 42.59 per cent in the post-MDM period as against 56.09 per cent in the pre-MDM, indicating a decline of 13.50 percentage point. In case of Scheduled Caste, Scheduled Tribe and other caste students, the dropout rates of students in aggregate in the post-MDM period were 22.89, 50.70 and 35.45 per cent respectively, and the respective percentage point declines over the pre-MDM period were 30.92, 8.36 and 10.38. This shows that the average annual dropout rate of Scheduled Caste students fell drastically in the post-MDM period followed by other caste and scheduled Tribe students. The negative dropout rate of SC boy students of Kolnara block implies that enrolment of SC boy students in class V during the year was more than that in class I four years back.

Thus, after the introduction of Mid-day Meals Scheme in Rayagada district, the dropout rates of students of all castes and sexes declined, and this was a very good sign. The reasons for the above change, as stated by the teachers, were impact of MDM Scheme, DPEP, etc., which have already been mentioned in the enrolment section. Further, despite the reduction in the dropout rates in the post-MDM period, the dropout rate was found to be very high. For the high dropout rates, the reasons responsible were lack of finance of students to continue study, lack of interest to study, preference and compulsion to work as child labour, etc.

7. Conclusion and Suggestions

The comparison between the average annual growth rate of enrolment of the students of the pre-MDM and post-MDM periods shows that the Mid-day Meals Scheme had contributed for the increase in the enrolment of students in the post-MDM period. The increase was more for girls compared to the boys. Further, the growth rate of enrolment of Scheduled Tribe students was more compared to Scheduled Caste students. The average annual dropout rate of students also declined in the post-MDM period over the pre-MDM period irrespective of castes and sexes in both the sample blocks of Rayagada district. Besides MDM scheme, the factors like impact of DPEP, spread of education and various incentives and developmental programmes of the government were responsible for the increase in the growth rate of enrolment of students and decline in the dropout rate in the post-MDM period. In spite of the above improvements, the enrolment of students in the schools was not satisfactory, and the dropout rate of students was still very high. Poor financial background of the children, disinterest of the children to read, illiteracy among the parents, taking care of siblings and other domestic works were the reasons for the poor enrolment and high dropout of students. For the improvement of the above two variables, the following suggestions are given :

1. Corruption in the form of poor quality of rice and dal, shortage of 10 to 15 kg. rice/dal per quintal, etc. should be checked through strict administration.
2. The provision of providing 9 paisa per student per day for vegetables and spices, Rs. 1.30 per student per month for firewood and 15

grams of dal per student per day should be increased to 15 paisa, Rs. 2.00 and 25 grams respectively.

3. The distribution of food items should be made on the basis of feeding strength, and the feeding strength (actual number of students taking MDM) should be fixed by the block officials for each school at the beginning of every academic year. As a result, the pilferage made by the teachers by showing inflated figures of the number of students taking MDM can be checked.
4. The teachers should not be directly involved in the MDM programme. Because of their involvement, teaching is being hampered. Instead, a noon-meal organiser should be appointed to look after the day-to-day operation of the programme in the school.
5. There should be regular supervision of the day-to-day operation of the programme in the school by the officials of district and block levels. Again the Village Food Committee should play an active role in the proper distribution of MDM in the school. During the study period, functioning of such committees should not be in the schools.
6. Finally, besides MDM, the quality of primary education should be improved by providing better infrastructure facilities, adequate number of trained teachers, study materials. Further, the Parent-Teacher Association should function properly, so that, the enrolment of children in the schools would be increased, and the drop-out rate would be reduced.

Table-1

Caste and SexWise Average Annual Growth Rates of the Enrolment of Students in the Pre and Post-MDM Period of the Sample Blocks of Rayagada District

(In per cent)

Sl. No.	Caste/Sex	Rayagada Block		Kolnara Block		Total	
		Pre	Post	Pre	Post	Pre	Post
1.	**Sch. Castes**						
	Boys	–27.87	5.81	7.02	3.05	11.01	3.46
	Girls	101.88	25.78	12.13	7.33	14.53	10.94
	Total	53.15	13.29	8.76	4.55	11.47	6.55
2.	**Sch. Tribes**						
	Boys	–5.29	7.08	4.07	8.44	–2.61	7.66
	Girls	–13.60	7.36	4.92	13.27	–6.71	10.13
	Total	–8.54	7.00	3.60	10.16	–4.55	8.39

3.	**Others**						
	Boys	–10.06	–4.58	11.91	–3.12	3.52	–3.89
	Girls	–5.17	5.74	–1.12	9.04	–2.80	3.28
	Total	–8.34	–1.41	4.15	1.93	–0.26	–0.62
4.	**All Castes**						
	Boys	–6.56	5.40	6.20	3.81	–0.77	4.51
	Girls	–11.35	7.67	3.03	8.48	–3.79	8.03
	Total	–8.54	6.13	4.58	5.82	–2.15	5.94

Source: Compiled from the data collected from the sample schools.

Table-2

Caste and Sexwise Average of Annual Dropout Rates of Students in the Pre and Post-MDM periods of the Sample Blocks of Rayagada District

(in per cent)

Sl. No.	Caste/Sex	Rayagada Block		Kolnara Block		Total	
		Pre	Post	Pre	Post	Pre	Post
1.	**Sch. Castes**						
	Boys	87.50	52.50 (35.00)	–8.33	–12.43 (4.10)	28.29	8.08 (20.21)
	Girls	66.67	52.59 (14.08)	79.17	1.79 (77.38)	78.06	39.19 (38.87)
	Total	83.33	52.54 (30.79)	43.12	–4.20 (47.32)	53.81	22.89 (30.92)
2.	**Sch. Tribes**						
	Boys	65.12	56.81 (8.31)	55.30	36.21 (19.09)	63.34	49.68 (13.66)
	Girls	68.22	48.17 (20.05)	58.62	41.36 (17.26)	53.72	52.62 (1.10)
	Total	66.54	53.45 (13.09)	57.23	39.41 (17.82)	59.06	50.70 (8.36)
3.	**Others**						
	Boys	51.51	40.92 (10.59)	46.80	38.82 (7.98)	43.57	38.84 (4.73)
	Girls	58.55	43.10 (15.45)	55.26	37.26 (18.00)	46.07	35.27 (10.80)

	Total	55.05	41.47 (13.58)	52.96	40.09 (12.87)	45.83	35.45 (10,38)
4.	**All castes**						
	Boys	62.95	56.14 (6.81)	48.48	29.61 (18.87)	57.79	41.15 (16.64)
	Girls	67.01	54.11 (12.90)	42.67	41.50 (1.17)	54.26	44.56 (9.70)
	Total	64.74	55.12 (9.62)	46.08	38.69 (7.39)	56.09	42.59 (13.50)

Note: Bracketed figures indicate decreases by percentage points in the post-MDM period over the pre-MDM period.

Source: Compiled from the data collected from the sample schools.

Annexure-1

List of Schools Surveyed from different Gram Panchayats in Rayagada and Kolnara Blocks of Koraput District

Sl. No.	Name of the Primary School	Name of the Gram Panchayat	Name of the Block
1.	Kandhamaligaon	Maligaon	Rayagada
2.	Karalakona	Kamtolpentha	
3.	Disariguda	Pitamahal	
4.	Jinjilibadi	Penta	
5.	Guma	Guma	
6.	Belangapadara	Rekhapadara	Kolnara
7.	Minajhula	Bankili	
8.	Rivolkana	Gadiseshkal	
9.	Khamasingh	Suri	
10.	Bhujabala	Kolnara	

●●●

IMPACT OF MID-DAY MEALS SCHEME ON THE GROWTH OF ENROLMENT AND THE REDUCTION OF DROPOUTS IN PRIMARY SCHOOLS

A case study of Mahidharapara U.P. School under Baranga Block in the district of Cuttack.

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Introduction

Children are the most precious assets of any nation. A happy child is a symbol of the development of society. The survival and upliftment of children in a developing country like India is a great challenge; as children constitute the real wealth of a country. "As the twig is bent, so will the tree grow". A happy childhood is the basis for a strong adulthood. Hence, right type of physical and mental care, guidance, assistance and opportunities are required for their well-being and proper growth.

It is widely acknowledged that literacy helps to achieve high economic growth and reduce poverty in the country. Although a large share of school-age-children in India is enrolled at the beginning of primary school, about 40 per cent of them dropout before completing the cycle. Learning achievement is low. Nutrition is one of the major factors, which is responsible for low educational achievements. Lack of nutrition causes physical and mental deficiencies. A malnourished child is dull, restless and below average in intelligence level. Malnutrition not only affects the health of the children, but also their performance in the school. Hungry and malnourished children lack interest to learn.

Various studies have shown direct relationship between nutritional conditions and educational achievements. Studies showed that anaemic and undernourished children have lower IQ scores, poor mental development, concentration and scholastic performance. Severe childhood malnutrition leads to scholastic failure, memory impairment and impaired interaction with adults.

Realising the importance of the need for nutritious food for primary school children, many developed and developing countries have started providing to the school children since years; such as U.S.A. (in 1946), Japan (in 1889), China (in 1957) and Great Britain (in 1900).

India has a large child population. According to 1991 census report, children with age group of 0-14 years accounted for almost 31 crores. The number of children with age group (6-14 years) enrolled in schools in India was 15.15 crores in 1996-97. Most of the children enrolled in schools were very poor. Even they were unable to get two square meals a day. The food which they eat not only lack nutrition, but are also unbalanced. The SC/ST children have a precarious condition as compared to the general caste children. For these reasons, they showed no interest in studies. They have a poor attendance. They do not continue in schools and drop out from schools in early part of their schooling. Their parents were so poor that they were unable to provide food to their children, which compelled them to take up some low-paid works, even at such tender age. Not to speak of studying, they were unable to feel happiness of their childhood.

To overcome this vast malady, various programmes to supplement nutritious food to primary school children are being implemented by government of India during the eighth plan period. Mid-day Meals Scheme is one among them.

Mid-day Meals Scheme : Background of the Study

The National Programme of Nutritional Support to Primary Education or the Mid-day Meal programme in India was introduced on a modest scale by Madras Corporation in 1925 with the twin objectives of : (i) enrolling poor children who remain outside school owing to poverty and (ii) giving at least one satisfactory meal to the poor children who attended the school without food. But it was K. Kamaraj, the late Chief Minister of Tamil Nadu who introduced the scheme in Tamil Nadu as early as 1956 for the first time in independent India as an official programme. In 1960, a National School of Health Committee was appointed to assess the health and nutritional status of school going children. In pursuance of the recommendations made by this committee the government of India in 1962-63 launched the Mid-day Meals Scheme (MDM) as an important supplementary feeding programme under the Ministry of Education. The main objectives of the programme are following :

(i) To raise the nutritional status of primary school children particularly belonging to low socio-economic groups.

(ii) To improve enrolment and attendance in the schools.

(iii) To prevent dropout from primary schools.

The deficiencies observed in programme implementation included regular supply of good quality of food to the feeding centres and prevention of pilferage in distribution channels, non-adherence to prescribed number of feeding days, inadequate storage and cooking facilities in schools and lack of community involvement in the programme. Keeping the problems and the importance of the programme in view, the government of India has revised the programme. The National Programme of 'Nutritional Support to Primary Education' was launched on 15th August, 1995 by former Prime Minister of India, Sri P.V. Narasimha Rao to give a boost to universalisation of elementary education in terms of increasing enrolment, retention and attendance in primary classes by supplementing nutritional requirements of children attending primary schools. The programme has started in almost all the States and Union Territories of India. Cooked meals are being provided in six states, viz., Gujarat, Jammu and Kashmir, Kerala, Madhya Pradesh, Orissa, Tamil Nadu and in one Union Territory, i.e., Pondicherry. In Delhi, processed food (sweet bread) is being supplied through Modern Food Industries. The rest of the States and Union Territories are distributing food grains. Students securing more than 80 per cent attendance are given 3 kgs. of food grains per month. In the year 1995-96, as many as 3.35 crore children of 2.25 lakh schools covering under 2999 blocks were benefited under the present Mid-day Meals Scheme (MDM) in the country. The programme was expanded to cover 5.57 crore primary school children in about 5 lakh schools spread over 4426 blocks during 1996-97. The actual expenditure of the scheme was Rs. 441.21 crore in 1995-96, whereas, the revised outlay for 1996-97 was Rs. 1050.00 crore.

Being a rural state with 85 per cent of its population living in rural areas, many rural settings of Orissa do not provide favourable environment from the physical as well as psychological front to ensure the small children, proper growth and development, which they need. To meet this requirement ENP (Expanded Nutrition Programme) was started in Orissa in the year 1959. This programme was sponsored jointly by FAO, WHO, UNICEF and Govt. of India for a period of two years, starting from 1959. Only 240 villages were covered under the scheme. Besides, ENP, CARE– an American NGO took steps towards supplying proteinous foods like Milk Powder, Bolgar Wheat, Corn Powder etc., to school going children during 1960s. That was the only source of fighting malnutrition till the advent of Anganwadi and Balwadi schemes. Anganwadi Scheme covered the age group of 1-3 years and Balwadi Schemes covered the age group of 0-6 years. But in some states like Orissa, Balwadi is not in operation any more, the Anganwadi Scheme is extended to cover children below 6 years of age. There was no programme to combat malnutrition among school going children (above 6-11 years of age) until 1995, when the Mid-day Meals Scheme was launched by the central government. The new Mid-day Meals Scheme covered a total number of 45,03,045 students in 40,697 schools in the state. The Mid-day Meals Scheme has immensely benefited the poor and the needy children of the state, particularly in rural and backward areas.

Objectives of the study

The study undertaken has the following objectives :

1. To see the impact of MDM Scheme on enrolment of children in the school after the operation of the MDM Scheme.
2. To Know the dropout rate in the school after the operation of MDM Scheme.
3. To visualise the problems associated with MDM Scheme.

Methodology of Study

The present study is undertaken in Mahidharapara U.P. School. The school is situated in an area which comprises of scheduled castes, socio-economically backward castes and general castes. The place of the study belongs to a rural area of the Barang block in the district of Cuttack. Due to the socio-economic nature of this place, where children of different economic and social stratas study in the said school, this is selected as an ideal school for studying the Mid-day Meals scheme and its impacts. The informations derived for the study is from the direct interview with the concerned teachers of the said school.

Characteristics features of Mid-day Meals Scheme

The scheme has the following characteristic features:

(1) As far as food items are concerned the following are the food items given per child per day. The composition of food per student per day is : Rice (100 gms), dal (15 gms), oil (1 ml), vegetables and spice 8 paisa, salt (2gm.) and firewood Rs. 1.30 (per month per student). The Central Government also gives Rs. 25/- per quintal of rice as transport cost from the F.C.I. godowns to the centres of operation. This transport cost has been increased to Rs.50/- per quintal recently.

(2) There is an instruction in the scheme to provide Mid-day Meals to the school children, excepting Sundays to attract them towards the school.

(3) The planners of the MDM scheme have done a rational work in involving the teachers of the school in providing Mid-day Meals to the children, because the teachers are the best judges of the specific requirement of food for each child.

(4) At the district level, all monetary transactions relating to the scheme is done by the District Collector. He authorises the D.S.W.O. (District Social Welfare Officer) to purchase the required amount of dal, spices etc. These food items after being purchased by D.S.W.O. are given to the Civil Supplies Department who latter supplies them

to the concerned schools through Marketing Inspectors (M.Is.). The M.Is. undertake the job of transporting these items to the blocks or to the schools from the F.C.I. godowns. The payments for the cooks and helpers engaged in the scheme in rural areas were sanctioned by the DRDA (District Rural Development Agency) earlier. But now, the Village Sarapanch gives the payment to the cooks and helpers of the scheme.

At the block level, the B.D.O. is responsible for the implementation of the scheme. The block office keeps all the records of the food items including the salary of the cooks and helpers. The B.D.O. is assisted by the Social Education Organiser (SEO) who keeps monthly records of all the expenditures on Mid-day Meals programme in the block. The sub-Inspector of schools (S.I.) does the supervisory works at the bottom level. He visits schools, checks the enrolment and attendance records maintained for the Mid-day Meals programme in the school.

At the school level, the persons involved in the scheme in Orissa are the headmaster/assistant teacher, cook and helper at the school. The cook and helper are not government officials in Orissa. The head master/teacher receives the food grains, undertakes their storage, maintains proper records of the stocks for audit and inspection.

It is the duty of the teacher to see that cooking is not hampered due to shortage of food materials or for want of cooks or helpers. Normally, the cook and helper receive Rs. 200/- and Rs. 100/- respectively as an honorarium in Orissa. Mostly poor women and widows of the locality are appointed as cooks and helpers in Orissa.

Impact of Mid-day Meals Scheme on the enrolment and dropout

The main objective of the study is to analyse the impact of Mid-day Meals scheme on enrolment in the primary schools. The available data reveal that the enrolment of primary school children has gone up quite considerably between 1995 and 2000.

The enrolment of children in the year 1995 was 31, which increased to 42 in 2000. Over the years, the percentage variation was 35.5 per cent. During the said period, the average annual growth rate of enrolment was only 12.2 per cent. The data reveal that though the enrolment in the school has increased, it is not very significant. The increases is no doubt due to Mid-day Meal Scheme, but the poor percentage variation is on account of the factors like :

(a) Non-availability of the children in the age group of 6-11 in the area of the study.

(b) Preference of the parents to send their children to English Medium Schools and other public schools in place of formal primary schools.

IMPACT OF MID-DAY MEALS : A CASE STUDY

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The Constitution of India provides privileges of Elementary Education for all the school going children of the country. But a close observation reveals that illiteracy still prevails in India. Percentage of child labour in the labour force is prominent. It is mostly due to non-enrolment of the children in the primary education in the age group of 7-11 and dropouts from the school.

To take care of this problem, many proposals have been examined and many programmes have been executed. Mid-day Meal is one such programme which has been promulgated all over the country to retain the school going children in the educational institutions.

This programme was launched in Kantapada Block in the District of Cuttack in August 1995 in all primary and upper-primary schools. The provision was made to employ a cook and an assistant on contract basis to prepare the food and serve during the lunch break. The intention was to provide food to the school going children during the day time, thereby the dropouts will decline.

Hence, an attempt is made to evaluate this programme in Kantapada Block. Two Gram Panchayats are purposefully chosen– a developed Panchayat, Adaspur and an underdeveloped Panchayat, Uttarana to assess the efficacy of the programme.

Objectives

The study is undertaken with the following objectives :

1. To examine the impact of the programme as regards the level of enrolment.
2. To asses the level of decline of dropouts.
3. To evaluate the response of the students to the programme.
4. To know the opinion of the people about the programme.
5. To find out the defects, if any, and suggest remedial measures.

Hypotheses

The study aims at testing the following hypotheses :

1. That, the provision of Mid-day Meal in the primary schools will

enhance the enrolment.

2. That, the dropouts, particularly in case of SC and ST students will decrease.
3. That, the children belonging to the low income group will be attracted towards schooling and thereby literacy in that group will increase.

Data

The data have been collected from all the schools belonging to both the Panchayats through personal contact. The statistical methods such as simple ratio, coefficient of variation and Lorenz Curve have been used to analyse the data. The data collected relate to enrolment and dropouts from 1990 to 2000.

Analysis

The analysis of the data in the Uttarana G.P., an underdeveloped area reveals that the enrolment over the period of study has increased. The average rate of increase in enrolment is 2.45% per annum, a little more than the average rate of growth of population. Average rate of dropout is 12 per cent per annum. The ratio of dropouts to enrolment ranges between 0.08 and 0.12. The coefficient of variation for the two periods are 17.2886 and 2.7498 respectively which shows that the programme has reduced the level of dropouts. The Lorenz Curve of the data shows that the variability has been reduced after launching of Mid-day meal programme. The data further reveals that the rate of dropouts of general caste students are higher than the Scheduled Caste students. On enquiry, it is learnt that the Scheduled Caste students are now well aware of other benefits they received from the government and hence, their dropout rate has declined.

On the other hand, in Adaspur Gram Panchayat, the level of enrolment has almost remained constant, but the average rate of dropouts during the post Mid-day meal period has been increased. The average rate of dropouts over the period is 24.70 which is much higher than the underdeveloped Gram Panchayat. The ratio of dropouts to enrolment during the post Mid-day meal is higher than the period before the programme. The coefficient of variation of the period are 18.836 and 17.154 which shows that the variability has declined marginally. But the Lorenz Curve shows that the dropout after the programme increased initially and subsequently it declined. Hence, the data explain a marginal and negligible impact. The data further reveal that the rate of dropouts of Scheduled Caste students is higher than the general caste students. The enquiry about such reason reveals that the market centre in Adaspur provides a greater employment of child labour belonging to the S.C. than the general caste. The parents of S.C. students value a little income higher than the literacy. Hence, Mid-day meal has no impact in the pupils of low income people. The facility of English medium school in Bairoi is responsible for non-increase in enrolment. Hence, it may be concluded that Mid-day meal has no impact on the people.

To know the reactions of the people to the programme, 30 people each in both the Panchayats were interviewed. The people in common are of the opinion that the Mid-day meal has reduced the standard of instruction and seriousness of the students for the curriculum. They have also decreased the standard of food served to students. Barring aside a few parents, all others are of the opinion that the Mid-day meal in the present form be discontinued.

Conclusion

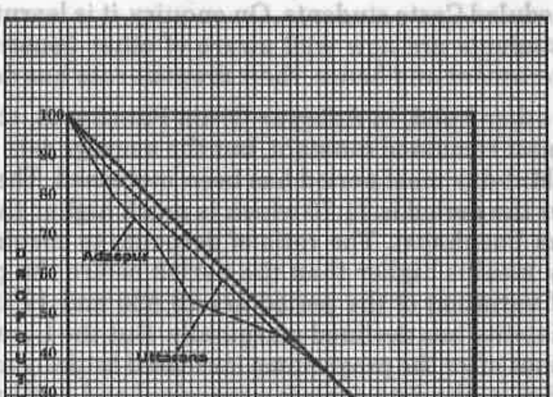
(i) Mid-day meal in underdeveloped areas has a positive impact.

(ii) It has been successful partially in retaining the students in the schools.

(iii) The programme has no bearing in the developed areas.

Suggestions

1. The programme should be limited to the underdeveloped areas.
2. The mode of execution of the programme may be changed so as to improve academic standard of the schools.
3. The teachers may not be involved in the programme.



MID-DAY MEALS STRATEGY FOR UNIVERSALISATION OF PRIMARY EDUCATION : A CASE STUDY

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Introduction

Education is one of the catalyst factors for human resource development comprising better health, nutrition, improved socio-economic opportunities for all. Universalisation of primary education is the pre-condition to achieve overall development. In order to achieve education for all (EFA) by the year 2000 A.D., the government has launched many nationwide programmes like Non-Formal Education (NFE), Operation Black Board (OBB), Mid-day Meal Scheme (MDS) etc. But still a large number of children aged between six to eleven years remain outside the school and the absolute number of illiterate people have increased substantially during the last fifty years. The Nobel laureate Prof. Amartya Sen rightly observed that primary education continues to remain grey area despite the substantial progress made by higher education in India. The UNICEF in its recently released report on 'State of World Children, 1999' stated that India is the most illiterate country in the world in 2000 A.D.– a disgraceful distinction. Every third illiterate in the world is an Indian. Half of the primary school going children in the age group of 5-11 years in our country are out of schools.

The Common Minimum Programme (CMP) of the United Front Government at the centre is committed to make education a competing goal for achieving univesrsalisation of primary education by 2005. Some years back, similar commitment was made by the government at the centre about Education For All (EFA) by 2000. However, no significant progress was achieved. Universalisation of primary education is the epicenter of structural adjustment policies integrated with a social problem to improve the welfare of the children, women, poor and deprived people. Even today, nearly half of our people are illiterates, comprising 40 per cent males and 46 per cent females. They are concentrated more in villages than in towns and cities. Besides the Scheduled Castes and Scheduled Tribes, Other Backward Classes too have illiterates in large number.

Despite all initiatives taken for achieving univesrsalisation of primary education, the backlog has continued in enrolment and the drop out rate is still high. Two major initiatives taken during the 8th plan are the District Primary Education Programme (DPEP) and Nutrition support to primary education (Mid-day Meal programme), with a view to addressing the problems of access to education and health at primary stage. During the 8th plan, the enrolment of girls and children of scheduled castes and scheduled tribes has shown a declining trend. However, there is still a long way to achieve the goal of universalisation of primary education by controlling the drop out rate through some incentive measures to attract the students' retentions in the primary schools. The Mid-day Meal scheme was launched to achieve this goal.

Mid-day meal programmes

The Mid-day Meal programme was started by the former Prime Minister Sri P.V. Narasimha Rao in August 1995. The Mid-day Meal programme was implemented with basic objective of providing nutritional food to check the drop out rate and to increase the enrolment in primary schools. The scheme has the target to achieve 80 per cent of students' attendance in a school in order to get Mid-day Meal. The programme provides 3 Kilograms of food grains per month to each primary school student.

Implementation of the programme

Initially, the Mid-day Meal programme was implemented in 240 community development blocks in the country where the employment assurance guaranteed scheme was in operation. These blocks were selected due to the high concentration of poor and illiterates among the women. This was introduced with a target to attract 11 crore students in five lakh schools in these blocks. Later, this programme was extended to all the blocks in the country. An amount of Rs. 1050 crore has been earmarked for the implementation of the programme expenditure.

In order to examine the impact of the Mid-day Meal scheme on universalisation of primary education, we made an attempt to conduct a case study selecting two primary schools of Ganjam district under Rangailunda block. Primary school at New Baxipalli under Narayanapur Gram panchayat belongs to an interior village, whereas Korapalli U.P. School is located at the Headquarter of the Korapalli Gram Panchayat on Berhampur-Gopalpur main road. Data collected from two schools relate to

10 year period from 1991-2000. To make an assessment of the scheme, the study period is broken into two parts– one before the scheme and the other after the implementation of the programme.

Analysis of the case study

Ganjam is one of the 30 districts of the state situated in the southern part of coastal Orissa. The district has 3 Sub-divisions with 22 Community Development Blocks. Rangailunda is one of the four coastal blocks of Ganjam district selected for the purpose of our study. The two schools selected in this study are U.P. School, Korapalli and New Baxipalli. The village Korapalli presents with good infrastructural facilities of semi-urban influences on the living standards of the people. This village is situated at a distance of one kilometer from Berhampur University and Army Defence Centre, Golabandha. However, village New Baxipalli is a marine fishermen village not having good infrastructural facilities. It is 2 Km. away from Gopalpur Town. Most of the families depend on sea fishing for their livelihood. There exists high concentration of poverty and illiteracy among the people in this village. The data collected from the school presented in the following tables for analysis.

Table-1

Sexwise Distribution of Students' Strength of the U.P. School, Korapalli (1991-2000)

Year	Boys	Girls	Total	Percentage of girls to total strength
1990-91	139	96	235	41
1991-92	154	92	246	37
1992-93	150	88	238	37
1993-94	152	98	250	39
1994-95	154	102	256	40
1995-96	162	107	269	40
1996-97	160	111	271	41
1997-98	162	105	267	39
1998-99	162	112	274	41
1999-2000	165	110	275	40

Source: Records of the U.P. School, Korapalli, Ganjam.

Table-2

Sexwise Distribution of Students' Strength in New Baxipalli U.P. School (1991-2000)

Year	Boys	Girls	Total	Percentage of girls to total strength
1990-91	55	45	100	45
1991-92	53	34	87	39
1992-93	49	39	88	44
1993-94	50	44	94	47
1994-95	49	48	97	49
1995-96	41	51	92	55
1996-97	47	50	97	52
1997-98	50	59	109	54
1998-99	53	55	108	51
1999-2000	47	67	114	60

Source: Data collected from the records of the New Baxipalli U.P. School.

Table-1 reveals that percentage of girl students remains almost constant at 40 per cent in Kroapalli U.P. School, which is a semi-urban village. However, in Table-2 after the implementation of the scheme, enrolment of the girl students in New Baxipalli U.P. School has significantly increased from 55 per cent in 1995-96 to 60 per cent in 1999-2000. The impact of the scheme is significant at New Baxipalli, because of presence of poverty among the people.

Table-3

Percentage of student beneficiaries under the Mid-day Meal Scheme (1995-2000)

Year	Total student strength	Average no. of students benefited per working day	Students benefited (in percentage)
1995-96	269	185.18	68.43
1996-97	271	182.08	67.28
1997-98	267	177.09	66.32
1998-99	274	163.36	59.69
1999-2000	275	161.05	58.00

Source: Data collected from the records of the U.P. School Korapalli, Ganjam

Table-3 reveals that the number of students' strength has increased from 269 to 275, which shows a marginal increase in the enrolment. The average number of students benefited from the Mid-day Meals programmes shows a declining trend. The percentage of beneficiaries declines from 68 per cent in the year 1995-96 to 58.00 per cent in the year 1999-2000.

There may be two reasons for this decline in the participation of the scheme. Firstly, the standard to living of the parents might have increased; and secondly, students might not be interested to eat Mid-day Meals because of the deterioration of the quality of foods. The opinion of the students and teachers supports the second reason for this decline. But the benefit of the scheme cannot be denied, as around 60 per cent of the students are benefited from the scheme. Especially the poor boys and girls are attracted to the school due to the scheme. This scheme has definitely increased students' attendance rate in the schools.

Problems

1. Lack of supply of good quality food grains.
2. Amount of fuel cost is inadequate.
3. It is difficult on the part of the concerned teacher to manage the mid-day meal programmes.

Suggestions

1. The Mid-day Meal scheme is definitely a good strategy for universaliasation of primary education to achieve improvement of health and education of the children simultaneously.
2. The quality of food supplied under this scheme is found to be deteriorating day by day, which must be checked forthwith and the Government should ensure supply of quality of foods to the schools.

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IMPACT OF MID-DAY MEAL AND PROBLEMS OF LITERACY

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Universalisation of Elementary Education is a constitutional obligation. According to Article 45 of the Constitution, "The State shall endeavour to provide within a period of ten years from its commencement, free and compulsory education for all children until they complete the age of 14 years." But this goal has remained a distant dream even after the five decades of the Constitution came into force. The literacy rate as per the 1991 census for males at the national level is about 64% and for females, a mere 39 percent. The position is even worse in rural areas, where the two rates are about 58 per cent and 31 per cent respectively. The number of illiterate people today is greater than the population of India at the time of independence.

That, there is a direct relationship between backwardness and lack of education can be seen from the fact that 10 least literate districts of the country– Jhabua, Kishanganj, Koraput, Barmer, Jalore, Bahraich, Budaun, Bastar, Rampur and Banaswar– are also economically backward. All these districts except Koraput which is in Orissa are located in the Bimaru States of Bihar, Madhya Pradesh, Rajasthan and U.P. Less than 25 per cent of girls aged between 5 to 14 were attending schools in Rural Bihar, Rajasthan, Madhya Pradesh, Uttar Pradesh and Orissa. At the all India level, about 40 per cent of rural children were attending schools. The attendance of children aged between 5 to 9 are appalling in many states of India. In eight states, attendance rates for rural girls in this age group were less than 5 percent.

It is found from the survey of National Council of Education that the facilities available for primary schools are deplorable in many states, which obstructs imparting teaching to the children.

In the light of the Macro-analysis made in the aforesaid paragraphs, we can study the problems and the impact of Mid-day Meal at the primary school level.

For the purpose, Pudugeswarpalli U.P. School, under Aska block has been selected purposively to collect data from the office files.

Table-1

Enrolment of students and the Mid-Day Meal

Academic Year	Class-I	Class-II	Class-III	Class-IV	Class-V	Total student
1996-97	24	38	44	41	33	180
1997-98	38	44	37	50	36	205
1998-99	37	41	47	29	37	190
1999-2000	37	43	47	30	36	190

Source: Office files of the School.

The analysis of the data shows that except for the year 1997-98, there is no increase of student enrolment in Class-1 in subsequent years. In Class-II also except for the year 1997-98, in the other years there is slight fall in the enrolment of students.

The enrolment of students in Class-III shows a fluctuating trend. In the year 1996-97, while there were 44 students, the strength decreased to 37 in 1997-98 and picked up to 47 in the year 1998-99. In the year 1999-2000, the strength remained stagnant. With regard to enrolment of students in Class-IV, we find there was increase in the enrolment in the year 1997-98 (from 41 to 50). Surprisingly the enrolment declined to 29 in the year 1998-99. The enrolment of students in class-V shows a slight variation on the year-wise analysis.

Table-2

Month-wise attendance of the students of Class-1

Academic Year	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
01	02	03	04	05	06	07	08	09
1996-97	24	24	24	22	21	20	20	20
1997-98	38	36	36	35	35	35	34	30
1998-99	37	36	35	35	35	35	32	32
1999-2000	37	37	35	35	35	34	33	33

Source: Office files.

Month-wise attendance of Class-1 in the Primary School has been collected during the period 1996 to 1999-2000. It is revealed from the table that especially in the month of Nov. to Jan., there is decline in the attendance of the students in the school. Probably, some of the students due to poverty and involvement in the household work or agricultural operations are not attending the school.

A perusal of the primary data collected from the Pudugeswar U.P. School located at a distance of 3 Km from the block headquarters shows that Mid-day Meal has no positive impact on the enrolment of students. Moreover, response from the teachers highlights a series of problems confronted by them in the smooth imparting of education. Such problems are their engagement in population census, ration card preparation, B.P.L. Card preparation, Voter's list preparation, election duty, pulse polio immunisation programme etc.; which overburden them with numerous assignments by the block and educational authorities. As such, they get very little time to concentrate on the education of the children.

Besides, when such teachers are engaged in works other than teaching, only one or two teachers remain for guarding the students. It has been observed that a substantial time is consumed for preparation of Mid-day Meal, distribution, washing and cleaning of the schools. It has also been reported in the newspapers that due to the inferior quality of food materials, small children suffer from several health hazards.

In conclusion, we can suggest that since children are the future citizens of our country and undoubtedly the assets of the nation, it is the duty of every responsible citizen as well as the state to protect the physical, emotional, educational and other requisites of the children. But instead of such provision of Mid-day Meal, there should be infrastructural facilities and required number of teachers should be appointed for improving the quality of education. The law should be stringent and defaulters should be penalised properly by plugging the loopholes of corruption and maladministration.

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MDM PROGRAMME AND LITERACY IN TITILAGARH

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Literacy is the most important and effective measure to bring out economic progress of a country. It is a hard fact that modern high technological processes and applications are not possible without proper education and training. Evidence shows that developing countries with higher literacy rates have tended to grow faster even after allowance are made for differences in incomes and physical investment rates. Female literacy rates, particularly at the age of 15 and over are positively correlated with percentage of female workers in modern occupations, age at marriage, contraceptive use, education and healthy growth of children, etc. It is strongly and negatively correlated with malnutrition, infant mortality and fertility, school dropout of children, etc.

Like other developing countries, in India also children constitute nearly 40% of the total population, which is due to high birth rate. India is a billionaire in demographic terms containing sixteen per cent of world population and 2.4% of global land area. It has also with it the poor development indices like runaway population growth, illiteracy, tradition bound agrarian society, ignorance, taboos, the rural urban divide, gender disparity, malnutrition, lack of opportunities, etc. In this present situation, as the state of education is bleak, the developing countries including India are trying to improve the quality of life of the people, particularly the children.

The population below the age of 15 years are treated as children. Childhood is the most important stage of human life because it is the formative period of life. Human character takes its shape in childhood because at this stage, the mind is receptive. All the parents want their children to grow and become good and responsible citizens. This is possible when children are given nutritious food, proper education, good shelter and better environment. Lack of any of these puts the lives of youngsters in jeopardy. Many children in India suffering from malnutrition are deprived of education and live in an unfavourable environment.

The National Policy on Education, 1986 and the Programme of Action 1992, therefore, envisaged that free and compulsory education of satisfactory quality should be provided to all children upto the age of 14 years before the commencement of the 21st century; and keeping this in mind, the Union Government has decided to earmark 6% of the G.D.P. for education and 50% of the outlay on primary education. With the objective of (a) attracting the students towards school education and lowering their absence in the schools, (b) checking the school dropouts and (c) removing malnutrition to a great extent; the Mid-day Meal programme was launched by the Govt. in all the primary schools.

In Orissa, this programme was entrusted to the Women and Child Development Deptt. of the State Govt. The Orissa State Govt. has decided to provide Mid-day Meals to students of 41,604 Primary Schools, (from class 1 to 5) from 15th Aug. 1995. The Mid-day Meal is provided for 210 days in a year in all the primary schools (urban and rural) as well as the non residential Sevashram Schools managed by the Welfare Department. The food items provided have an average value of Re.1/- per child.

The paper titled 'Mid-Day Meal programme and Literacy in Titilagarh' shows various aspects of Mid-day Meal in the Titilagarh N.A.C. and Titilagarh Block and examine how far the M.D.M. programme has achieved its objectives. Attempt has been made to collect data from both primary and secondary sources to structure the paper.

Findings

School Students' strength taken from the year 1990-91 to 2000-2001 shows that M.D.M. has a partial effect on the new entrants. Dropout is also existing in the schools (Rural). The teachers of the Titilagarh N.A.C. as well as Block level schools say that some students are encouraged to come to the schools after the launching of M.D.M. But because of poverty of parents and their ignorance of the benefit of education, it is not so satisfactory. Parents also utilise the services of their children for different types of work.

Conclusion

While incentives help enrolment, they do not ensure qualitative improvement in education and continuation of education at higher levels. The mere availability of numbers is not the need of the hour, unless they have requisite skills and attitudes to add value in the competitive global technical and economic environment. The children belonging to the BPL families have every chance of joining the labour market by discontinuing education. Hence, care should be taken to give preference to their parents as the first beneficiaries of the poverty alleviation programmes. These children should also be provided with vocational education at the primary level, because it will be helpful to them in the near future. Soft educational loans should be provided to the deserving students of the weaker sections. Care must be taken to make the adults literates first and make them aware of the benefits of education and then only they will think of education for their children. The media can also help here in generating awareness through its entertaining programmes. Females' literacy should be encouraged as the mother is the first teacher of the child. In Orissa universal literacy will not be possible without a mass movement. We may provide incentives like MDM, open NFE centers, trained teachers, and so on; but as along as people's participation is not present, universal literacy will be a dream. The local bodies, the NGOs, the parents and the teachers should share the responsibility of universal education movement.

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MID-DAY MEAL PROGRAMME IN KESINGA BLOCK OF KALAHANDI DISTRICT

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Introduction

The National Programme of Nutritional Support to Primary Education was launched by Government of India on 15th August 1995. With the inauguration of Mid-day Meal Scheme by the then Prime Minister Sri P.V. Narasimha Rao in a school in Bahadurgarh Sub-Division of Rohtak District of Haryana, a new era began.

The Mid-day Meal Programme was, however, initiated in Orissa from 1st July 1995 in 41,604 Primary Schools (Class I to V). The programme was planned for both in urban and rural areas for all Primary Schools and the schools run by the Welfare Department etc. for 210 days in a session.

The Mid-day Meal Scheme was initiated for the following objectives:

(a) To enhance the nutritional status of children

(b) To speed up the march towards the attainment of universalisation of Elementary Education.

(c) A step to increase enrolment, retention and attendance of the students and to check school dropouts.

In addition to these broad objectives, the programme has some other objectives as follows:

(i) Fostering sound social behaviour among children by dispelling differences between castes and communities.

(ii) A gradual socio-economic transformation among the poorer sections.

(iii) To provide employment opportunities, especially to women below poverty line.

The National Programme of Nutritional Support to Primary Education will cover all government and local bodies and Government-aided Primary Schools, in all the states and union territories in a phased manner.

Three departments are involved in the said Scheme :

1. Education Department
2. Civil Supplies Department
3. Social Welfare Department

The Education Department is responsible for feeding the children, and at the same time monitoring the programme. The concerned school teachers are responsible for the day-to-day feeding programme and the maintenance of records and the Inspector of Schools (SI) should monitor this scheme and look after the problems like the availability of stock of materials etc.

The Civil Supplies Department holds the responsibility to supply the materials to the block headquarters and through them to the school points. The Supply Department also keeps sufficient stock at the block godown, so that the schools can lift the materials in case of immediate requirements.

The Social Welfare Department comes into picture to receive the fund from the Government and also other miscellaneous activities. The said department collects information from the school SIs and the BDOs for the release of fund for the Scheme and send the report to the Government.

Objectives of the study

The objectives of the present study are to:

(i) study the provision of Mid-day Meals to satisfy the nutritional need of the student beneficiaries;

(ii) examine improvement of attendance and prevent school dropouts;

(iii) examine the working of MDM scheme in Kesinga Block of Kalahandi District.

Methodology

Sources of Data : The study is based on secondary data as well as primary data collected from some selected schools. The secondary data have been collected from the SI of Schools, Kesinga, after the submission of reports by the respective schools of the block. Some samples of 4 schools and 3 schools at the N.A.C. and Block level respectively were taken.

The MDM Programme started in Kesinga Block from 1st July 1995. The Programme started in all the 116 schools with 6609 beneficiaries out of the total enrolment of 9349 students. The said programme is continuing till date with breaks in between.

Nutritional Status and MDM

The MDM programme is designed to enhance the nutritional standard of school going children. It is an official attempt to fight malnutrition among them.

The MDM Programme is but the continuation of the Integrated Child Development Scheme for nourishing children below 6 years. The ICDS Programme provides nutritional supplement to expectant mother and children below 6 years for 300 days in a year.

It is assumed that child is supposed to take two prime meals and two tiffins a day. To take the MDM food as 1/3rd of the balanced diet considering two tiffins as one meal.

Average calorie requirement for a school going child is 2225 per day and the MDM provides 745 calories. The calories taken from the MDM is about 54.72% of the calorie required for school going children (between the age group of 7 to 12). The per meal calorie also is not met as far as the minimum calories intake is concerned. Only 1 school out of 6 schools surveyed was providing brinjal and potato for the MDM. The amount of vegetables used was highly inadequate.

In addition to the inadequacy of the calorie intake, it was observed that the allocation of rice has changed per student from time to time.

The total allocation of food items along with its fluctuations do not confirm to the calorie norms, the intake thus creates malnutrition among the beneficiaries.

MDM and the Improvement of Attendance

It is believed that the Mid-Day Meal Programme has attracted children to come to school and thus the enrolment rate over the year has improved.

The study reveals that there is a widening gap between the number of students and the number of beneficiaries under MDM Meals. The liking for the meals has deteriorated because of the low quality of rice and dal.

A comparative study is being made between two time periods of the same year, during the month of July and September. These two months were chosen, since July is the month after the admission and the time during which the agricultural activities are being carried on and September is the month in which there is not much work with the farming community. Thus, the parents force their children to go to school and this is the time just before the harvest. Therefore, most of the poor farming community face shortage of food.

The study shows that :

(i) The number of beneficiaries and the attendance have improved during September over July figures.

(ii) The number of beneficiaries among SC/ST communities have not been satisfactory and the non-attendance of school is more in case of the SC/ST students.

(iii) The number of schools opened in the successive years have not been satisfactory, since in 1995 there were only 116 schools; in 1996 it increased to 136, an increase by 18 numbers of schools, which remained the same till 1999. In 2000, the number of schools increased to 138, an increase by 2 numbers.

(iv) The study also reveals that after 1996, the enrolment of students has become static with a very low rate of growth.

(v) Upto to 1995, the enrolment was increasing at a higher rate than the rate of growth of population.

(vi) It can further be observed that the gap between the number of enrolment and the number of attendance is quite significant and this gap has not been reduced, signifying the rate of dropouts. On an average, the dropout rate stands at 35% of the total attendance.

(vii) The gap between the attendance and the number of beneficiaries has taken place since 1997. This indicates that the provision of MDM and the enrolment rate does not seem to be related at all, neither there is any relation between the rate of dropouts (enrolment–attendance) and the rate of beneficiaries.

For a detailed study of the MDM scheme, 7 schools were selected; 4 schools at the NAC level and 3 from the village level with one U.G.M.E. school, where MDM is upto class V and classes VI and VII are not provided with MDM. A close study of the samples does reveal the following :

The dropout rate is not that remarkable at the NAC level, except in one school, where it is remarkable. In addition, it was seen that, in some schools, more number of non-enrolled students were also present for the MDM. On enquiry it was known that, the children of the nearby areas are forced by their parents to go to school for the meals. It is prominent in the areas with lower income groups. The study reveals that the dropout rate is remarkable in the rural area except in one school.

Conclusion and Recommendation

The MDM Programme has not been successful in attracting students to the schools. It has increased children attending schools, not students. The programme has not been successful in improving the nutritional standards nor has it stopped the dropouts. It is only in off-season from agriculture when children are attending schools and rest of the time they work with their parents in the fields.

For the improvement of the Programme, the following steps should be taken :

1. Proper coordination among the implementing departments will make the programme more successful.
2. Timely sanction of funds will encourage the beneficiaries as well as the people involved, like the cook and the assistance cook to do their work more sincerely.
3. Proper supervision of the programme and its monitoring be made by the block level officials.
4. Proper medical check-up should be made regularly to prevent any mishaps.
5. Village Food Committee should be made effective for the proper supervision of the programme.
6. The MDM should be provided in the form of packed food which will result in the saving of time at the school level.
7. Planting of fruit bearing trees should be taken up for supplementing Mid-day Meal programme with nutrition.
8. Proper supervision of the food items like rice and dal should be made at the district level, so that the children get better food.

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PERFORMANCE OF MID-DAY MEAL SCHEME IN ORISSA WITH SPECIAL REFERENCE TO A TRIBAL DISTRICT : KORAPUT

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The National Programme of Nutritional Support to Primary Education, launched by Government of India on 15th August, 1995 is a landmark in the fight against malnutrition among the children of the age group of 6 to 11 years. The main objectives of this programme are to increase the nutritional status of children and to gear up unversalisation of primary education in the country. Many studies show that dropouts at the primary education level is mainly due to ill-health as well as poverty. Therefore, the nutritional programme through Mid-day Meal scheme is a step in right direction. This scheme has been implemented in all the districts of Orissa to provide nutritional support on one hand and to increase enrolment of children in the schools on the other. The programme covers the primary schools managed both by the government and the local bodies.

Under this programme, 125 gms of rice, 15 gms of dal and 1 gm of oil per student are provided by the Government. Further, vegetables worth of 10 paise per student are given. The food is prepared by the cook appointed by the school at Rs.200.00 as wages per month and a helper who assists the cook, gets wages of Rs.100 per month. To meet the fuel cost of the scheme, Government provides Rs.1.30 per head per month.

This scheme has been implemented in all the primary schools of the district of Koraput. An attempt has been made to assess the performance of the programme in this tribal district. For this purpose, we made spot visits to some of the schools located in both urban and rural areas. During these visits to the schools located in urban areas, it is observed that the students are not much keen to take the meals in the noon prepared by the schools. On enquiry, many students revealed that the meal is not upto the standard. Many of the urban students are from the affluent families eating better standard food at their homes than provided by the schools. The teachers revealed that, since the meals are cooked for the students, they are forcing the students to take the meals. This leads to annoyance of the parents. But the scene is different in case of students of the poor families of the rural areas. It is observed that their enrolment has increased, as they are getting one-square meal in the school. A positive correlation between nutritional status and academic interest is established.

The situation is peculiar in the tribal belt of Koraput. It has been observed that the attendance in the schools during the study hours is very thin, but there is rush of students at noon, when the meals are ready.

The study reveals that the quality of the food is very poor and lacks desired nutritional content. The Commissioner-cum-Secretary of Women and Child Development Department, on 1st November 2000 admitted the gravity of the matter saying, "we have asked the district administration to be very strict in ensuing quality." The dal is of very inferior quality. The teachers are unhappy for this programme because there is a wastage of time which adversely affects the studies of children. This has also been supported by Women and Child Development Minister on 23rd November, 2000 by saying, "The whole scheme of mid-day meal has turned out to be a farce. It is a complete wastage of time for the school teachers as well as the students and should be scrapped immediately." Further, this programme spoils the peaceful study atmosphere of the school due to non-availability of kitchen room. The food is cooked either on the veranda of the class room or inside the class room of some schools. Therefore, many teachers are of the opinion that the scheme should be stopped immediately and steps should be taken for an alternative.

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EVALUATION OF MID-DAY MEAL PROGRAMME : A CASE STUDY OF SUNDERGARH DISTRICT

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Even after a lapse of fifty years of independence, although there have been a substantial growth in higher education, no significant achievement has been made in the progress of Primary Education in India. Universalisation of primary education is still a distant goal in the country. There are certain imbalances like gender discrimination, social inequalities and economic disparities, which still continue to affect the educational system in our country. Two major initiatives taken during VIII plan are District Primary Education Programme (DPEP) and Nutritional Support to Primary Education (Mid-day Meal programme) with a view to addressing the problem of equality, access, retention and qualities at primary stage. The scheme was launched by the Govt. of India from 15th August, 1995 in order to give a boost to universalisation of primary education by increasing enrolment, retention, attendance and simultaneously taking care of nutritional level of children in primary schools.

This paper intends to make an evaluation of implementation of mid-day meal scheme in Sundargarh, one of the tribal dominated districts of Orissa, having the total population of 15,73,617, out of which 61.43% constitute Schedule Tribes and 8.9% constitutes the Schedule Castes. Data collected from District Social Welfare office cover a period of 4 years from 1996 to 2000, with regard to the implementation of this scheme in 2060 Primary Schools in 17 blocks and four municipal areas of the districts. The blocks in the district constitute the rural areas and municipal areas, constituting the urban areas in the study.

Objectives

This paper makes a comparative analysis and evaluation about the implementation of the mid-day meal programme in the primary schools among :

I. (a) The Rural and Urban Children,
   (b) Tribals and Non-Tribals,
   (c) Boys and girls.

II. To highlight various problems associated with this scheme along with some major constraints and suggestions.

Findings

Rural Urban Retention Differential

Table-I

Year	Rural	Urban	Total
1996	74.90	75.57	75.02
1999	77.33	75.57	76.98
2000	73.23	68.71	72.34

Retention rate among Tribals and Non-Tribals

Table-II

Year	Tribals	Non-Tribals	Total
1996	75.52	75.36	75.46
1999	77.72	74.21	76.30
2000	68.25	69.55	68.74

Retention among Girls

Table-III

Year	Boys	Girls	Total
1996	77.53	74.70	76.22
1999	76.41	76.32	76.37
2000	72.99	71.51	72.30

It is observed that inspite of implementation of this programme in the district since last 4 years, the drop out rate has significantly increased among the urban and tribal children and it is still more among the girl children than the boys in the primary schools. Due to increase in the number of dropouts, the rate of retention has decreased. The drop out rate among the rural and urban children has increased from 26% to 27% and 25% to 32% respectively during the period 1996 to 2000. Although the provision of supply of mid-day meal has helped to increase attendance among the rural children, to some extent the retention rate is still low in primary schools. Further, the drop out rate is found more in case of the tribal than the non-tribal children; this is because of the lack of awareness and interest of education among the parents and apathy of the teachers and also due to various economic constraints.

If we make a comparison between the education of boys and girls, the education of girls lags behind that of boys. Among the dropouts, there are more girls than boys and a significant proportion of girls comes from the vulnerable section of the society. Over the period of 4 years, it is found from the study that the dropout rate has increased about 30% among the girls compared to boys. Poverty, economic inequalities and disinterest in studies form the basic reasons for drop outs. Apart from this, mostly in the rural areas the girl children are found engaged in various household work like cooking, taking cattle for grazing, sweeping and cleaning, fetching water, collecting fodder, fuel etc. The apathy of parents to send their daughters to schools due to various social and cultural taboos is another major reason. Hence, the provision of supply of mid-day meal to the primary school children may be necessary but not a sufficient condition for ensuring attendance and retention with a view to boosting the universalisation of primary education in our country. The various problems associated with this scheme are as follows :

Problems

The high drop out and low retention rate of students in the primary schools are due to the following reasons :

(i) Sometimes it is found that the teachers deliberately increase enrolment by taking underaged students at primary schools with a view to geting more ration or foodstuff. As a result of which their is no increase in the rate of attendance and retention.

(ii) During harvest season and X-mas holidays, children go to their homes and never come back to schools for months together. During the month of April, the rural children instead of coming to schools engage themselves in collecting mohua flowers as a source of their earning.

(iii) It is also found that in the rural areas due to poverty and other economic constraints, families of a particular hamlet migrate to semi-urban areas along with their children for making bricks and wage earning activities which result in dropping out from the schools.

(iv) Some children come to schools for the mid-day meal and after taking meals they go back home, instead of sitting in the class as they lack interest in studies.

(v) Sometimes due to caste feelings, the children of ST/SC feel isolated and socially boycotted when they are strictly along the caste lines, as the children of higher castes hesitate to sit with them during the mid-day meal. This certainly creates the feeling of inequality and untouchability among the children.

Apart from these, this programme also suffers from other handicaps associated with various problems as follows :

(a) Firstly, the implementation of this scheme adversely affects the study atmosphere of the school.

(b) It puts an extra burden on the headmaster and other teachers of the school as they get themselves engaged unnecessarily with the programme forgetting their main task of teaching the students.

(c) Lack of adequate supply of ration and fuel sometimes poses problems for the teachers. Besides, sometimes the inferior quality of the foodstuff affects the health of the children, therefore, it should be properly checked by C.M.O. before being supplied to various schools.

(d) Further, there is every possibility of misappropriating and misutilising the foodstuff meant for the school children by the Headmaster and the teacher kept in-charge and some local touts having vested interest also get involved in the matter to get their booty

(e) It is also observed that the authorities of various schools give fake report about the consumption of foodstuffs by the beneficiaries. They send 100% report of the consumption, but in reality 50% of children or less than that would have consumed the meals.

(f) Another major lacuna lies with the fact that the design of primary education is not at all conducive to the rural and tribal people. It is high time to admit that the problem lies with the defective, deficient and irrelevant rigid educational system. The inadequate institutional facilities and inefficient educational system have not only resulted in high drop out rates but also high push out rates in the primary school.

Thus, the problem lies with the supply side and not with the demand side. The attitude of the beneficiaries is to be revised.

Suggestions

(I) Education policy should be designed not only to remove gender bias, but also to reduce intra-class disparities.

(II) Govt. should stop funding towards non-educational inputs such as free uniforms, incentives for attendance mid-day meal. It is like any other dole or palliative that the Govt. provides. Instead, the state should fund all educational activities and provide the provisions for infrastructural facilities which will lead to strengthening of the Primary Education in the state.

(III) Attitude of the people should be changed towards girls' education to end the gender gap.

(IV) To mitigate the problem of child labour, education should be made compulsory in the true sense and law should be strictly enforced to prevent parents from withdrawing their children from the schools.

(V) Officers should be appointed by the Govt. to monitor village schools with regard to the regular attendance & retention of the Primary School children.

Thus, unless and until the attitude of the people is changed towards various existing social stigma in the society and parents are motivated about the virtues of education especially in the rural areas and become conscious about sending their children (both boys and girls) to schools, the implementation of a dole scheme like mid-day meal and other such programmes could never help in achieving universalisation of Primary Education by eradicating age old poverty & illiteracy in our country.

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A STUDY ON SCHOOL MID-DAY MEALS IN ORISSA

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Introduction:

This paper embodies the findings of an enquiry into the working of the school Mid-day Meals Scheme in Orissa. The object of the paper is to examine whether the Mid-day Meals Scheme introduced in Orissa in 1995 has any impact on the enrolment and dropout ratio of Primary School going children. Growth of literacy, particularly primary education, is a major indicator of Socio-economic development of a region. As per 1991 census, the literacy rate in Orissa is 49.1 percent as against all India average of 52.1 percent. This shows that near about 50 percent of the population in the State still continues to be illiterate. Sex-wise the women are at a disadvantageous position compared to men. Extreme poverty and social discrimination are the major causes of illiteracy. The disheartening picture is that those children who are enrolled in the Primary School do not complete their studies fully. They dropout from middle. This is one of the main causes for poor retention of children in School. It is, therefore, suggested that the children of this vulnerable age group be provided with some supplementary food in Schools so as to upkeep their spirit of learning and interest in education. To overcome this, the Govt. of India introduced Nutritional Support to Primary Education Programme (Mid-day Meals Scheme) on 15th August, 1995. The objective was to enhance enrolment, ensure retention and reduce the dropout rate while supporting the nutritional requirement of Primary School going children and hasten the process of universalization of elementary education through wider coverage.

Though several programmes have been launched to attract children to Schools, the Mid-day Meals Scheme has been a major programme launched all over the country to attract children to continue their studies in schools. Before its launching on 15th August, 1995 in India, the Mid-day Meals Scheme as a School Lunch Programme was implemented in several developed and developing countries of the world much earlier. Even, in India before launching of the Programme by the Central Govt., the Tamil Nadu Govt. made an experiment with the School Lunch Programme as early as 1956, under the able leadership of K. Kamraj, the then Chief

Minister of the State. The Programme as it exists in different parts of the country varies from State to State both in content and in form. While in some States like Orissa and Tamil Nadu cooked food is provided, in other States like Andhra Pradesh etc. only 3 Kilograms of food grains per child, per month, are provided on the basis of 80 percent of attendance in School.

Characteristics of the Programme

In Orissa, the Mid-day Meals Scheme was introduced in 1995. The objective of the programme is that with the supplementary nutritional food given in the school, the children will be more interested to attend school and take interest in study and education. This would help to reduce drop-outs among the children which in turn help increase retention of children in the school. Among the basic features of the Scheme, the first is that this programme is meant for Primary School going children, from Class-I to Class-V and between the age group of 6-11, which is the basic norm of the Govt. Secondly, to each child 100 grams of rice and 15 gms. of dal or dalma are given. Rice is almost given free by the Central Govt. and dal by the State Govt. Thirdly, State govt. gives 8 paise for vegetables and 1mg. mustard oil, 2 paise for salt per child per day and Rs. 1.30 per month for fire wood. Fourthly, for transport of rice from FCI to school, Central Govt. pays Rs. 25/- per quintal to the concerned State and this has been now been revised to Rs.50/- per quintal. Fifthly, the distribution of the Mid-day meals rests with an assistant teacher of a School in addition to his normal duties. Sixthly, the Assistant Teacher is helped by a cook, a helper in distribution of meals.

Objectives:

The objective of the study is to examine whether Mid-day Meals Scheme introduced in Orissa in 1995 has any impact on the enrolment and dropout ratio of students at the primary school level.

Hypothesis:

(i) The Scheme of School Mid-day Meals has no influence either on enrolment or on dropout of the Primary School going children;

(ii) The Scheme of Mid-day Meals is a deterrent to the existing academic atmosphere.

Methodology:

This study having two broad objectives of experimenting whether the Scheme has any impact on the enrolment/dropout rates among the Primary School going children and then quality of education, two contrasting samples have been selected, one from the district of Cuttack and the other from the district of Puri, both being educationally advanced districts of the

State. The samples are contrast in the sense that one is chosen from the remote rural areas (of Cuttack) and the other is from the Semi-urban areas (of Puri). Since each of the sample districts is educationally advanced, the comparison would produce authentic and reliable evidence.

In order to conduct the impact study of the Scheme, a time span of ten years ending in 2000 has been taken with a district phasing of the period into two, five years before and after 1995- the year in which the Scheme of Mid-day Meals was launched in Orissa.

Data Analysis:

The field study shows that the percentage dropout of children in the rural based school, namely Sanapatasunderpur U.P. School in Cuttack District, has drastically diminished with the introduction of the School Mid-day Meals Scheme. But no definite relationship between dropout and the launching of the Scheme is seen to have been there in respect of the School located in Semi-Urban place namely, Pitabash U.G.M.E. School, Dandamukundapur in Puri District.

Before introduction of the Scheme the class-wise average dropout rate from 1990-91 to 1994-95 in pre-mid-day meals period was 5.95% in Sanapatasunderpur U.P.School (Rural based) whereas that of the Pitabash U.G.M.E. School (Semi-urban based) it was 2.57%. After the introduction of the school Mid-day Meals Scheme (MMS), the average drop out rate for the post MMS period, i.e., from 1995-96 to 1999-2000 over 5 (five) years has declined to 0.80% in Sanapatasunderpur U.P. School (Rural based) and to 1.36% in Pitabash U.G.M.E. School (Semi-Urban based). Class-wise average dropout was highest, i.e., 10.55% in Class-1 in rural area, whereas it was 1.00% in the same class of the same School after the introduction of the Scheme. But the change in dropout rate in Class-1 in Semi-Urban area from pre-MMS period to post-MMS period seems to be confusing.

That before the launching of the Scheme the percentage of dropout among girls was invariably higher than that of the boys irrespective of the place where the schools are located. That, after the introduction of the Scheme though there is a drastic fall in the dropout rates in the School located at rural area, it is still higher in respect of girls. But, there has been a marginal fall in the dropout rate in the School located at Semi Urban area and in contrast it is higher for the boys.

The dropout rate for boys is 4.70% and for girls it is 7.60% due to sex discrimination against girls in Rural-based Sanapatasunderpur U.P. School during pre-MMS period. But the rate has fallen to 0.64% and 0.94% for boys and girls respectively in the post MMS period of the same School. In Semi-Urban based Pitabash U.G.M.E. School before the introduction of the MMS the dropout rates for boys and girls are 1.54% and 3.74% respectively. But the same rates have declined to 1.48% for boys and 1.19% for girls after launching of the MMS. That irrespective of whether it is category of Scheduled Caste or Scheduled Tribe Students, the Scheme has perceptively reduced the percentage of dropout in both the Schools. It means the impact of the Scheme is felt to be significant and substantial in case of lower castes who are socially and economically weak.

Though there is no tribal student in our two sample schools but the dropout rate for SC students in pre-MMS period is 6.6% in rural-based School which has been declined to 1.35% in post-MMS period. So the rate has declined drastically. But in Semi-urban based Pitabash U.G.M.E. School when the dropout rate of the SC students was 4.88% in pre MMS period it has also drastically fallen to 0.98% in post-MMS period showing a significant impact of School Mid-day Meals Scheme on weaker sections of the Society.

In addition to the impact of the School Mid-day Meals Scheme, it has been further observed that the following difficulties are being faced in the process of the implementation of the Scheme. They are:

(i) Delay in supply of rice and dal, as a result of which the distribution is being affected

(ii) Decline in quantity and quality of food items. It is observed that rice/dal supplied by the Central Govt. and State Govt. respectively fall short of quantity. In each quintal of rice and dal supplied, there is a shortage of 6-15kgs. Secondly, the quality of food item is substandard.

(iii) The study of the children is being affected due to engagement of class room and their cleansing in the absence of Dinning Room. Secondly, in the middle of the study hour students go to their houses to bring plates for taking food or go to bring banana leaves as alternative for taking food from nearby neighbours' orchards which sometimes creates unpleasant situation between the trespassers and the neighbouring owner.

(iv) In the absence of separate kitchen room/dinning room the cooking of food in the school verandah or in open space of the ground floor adversely affects hygienic condition.

(v) Loss of time and teaching on the part of the teacher when he/she is engaged in operating accounts and furnishing periodical returns/reports to the Block Office.

(vi) No incentive to the teacher for such additional work.

A peculiar thing is observed in Semi-urban based and Brahmin dominated area of Pitabash U.G.M.E. School in Puri District. That the students of higher castes hesitate to sit with and share food with lower caste students, for which, the parents of higher caste students dissuade their children from taking meals in the school and opt for taking rice/dal and not the cooked food.

Findings and Conclusion:

The analysis of the field surveyed data indicates a favourable impact of the Scheme on the dropout rates among the Primary School going children. But the most disheartening picture is that there has been a tremendous adverse impact of the Scheme on the continuation and maintenance of the existing routine academic activities of the schools.

Suggestions:

(1) The Scheme must be effected through an independent body having no relation whatsoever with the continuation of the academic activities of the School.

(2) Provision should be made for separate kitchen and dinning rooms.

(3) There should be budgetary provision.

(4) There should be supervising and monitoring system for checking measure and balance system and also ensuring the quantity and quality of the food items.

(5) Remuneration should be increased for the cook and the helper who are getting at the present level of Rs. 200/- and Rs. 100/- respectively.

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MID-DAY MEAL SCHEME & LITERACY IN ORISSA

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Abstract

The present study is intended to examine the implementation and result of mid-day meal scheme in Cuttack district. The purposive sampling method is undertaken to compare two different areas, these are Urban area and Rural area. Mission Primary School of Cuttack for urban area and Aini Nahanpada Primary School of Bentakar for rural area have been chosen as sample schools. For this time series data covering a period of ten years from 1989-90 to 1998-99 on aspects like enrolment, attendance, retention and dropouts have been taken into consideration. To compare the above variables, the data covering period of a decade have been classified into two period, viz., the pre-Mid-day Meal Period (1989-90 to 1994-95) and the post Mid-day Meal Period (1995-96 to 1998-99).

1. Major Findings of The study

The analysis shows an increase in enrolment in total due to mid-day meal scheme, but it is not encouraging as it should be. There is an increase in attendance of girl students in rural as well as urban areas, in the sample schools taken. The attendance rate improved in urban area, but again it started declining in 1998-99. However, the average total attendance rate was increasing in rural areas. Though the drop-out rate increased in urban area in 1996-97, it fell in the next year. However, the drop-out rate was falling in rural areas, showing an improvement in retention rate. This is due to the negative drop-out rate among girl students. It is seen that the scheme, to some extent, has improved the condition of SC students and the condition of girl students in particular. This is due to the fact that the girl students were deprived of the education, as their parents were thinking it is a wastages of time and money. Now they allow them to attend the schools only because of mid-day meal scheme. It has improved the retention rate and decreased the drop-out rate to some extent.

But apart from this, a number of socio-cutural problems are found to be influencing the scheme. At first, it is found that general and higher caste students were not eating the food given under the scheme. Secondly, the teachers reveal that the students of higher income groups usually abstain from taking mid-day meals. Again the teachers as well as the students complained that the quality of food is not so good. In urban areas, the teacher reported that rice was to some extent of better quality, but in rural areas they did not appreciate the quality of the food. The major problems the teacher reported that the preparation and distribution take much of the school time, and though the attendance is increasing, the quality and time of teaching is decreasing. It hampers the study hours. Again, some teachers complained about difficulties in operation of the scheme and even suggested to drop the scheme. The study further shows that all the students of the sample schools were not taking mid-day meals as the percentage of regular attendance of students in the school was less than one hundred percent.

In Orissa, in the absence of a separate staff, a teacher has to look after the whole programme, which causes problems to concerned teacher as well as hampers the study hour.

Suggestions And Conclusion

There is a need for specific budgetary provision for mid-day meal programme in Orissa. The present practice as prevalent in Orissa, of apportioning some amount of money out of normal allocation of Women & Child and Welfare Department for Mid-day Meal Programme does not serve the purpose. Separate staffs are to be appointed, so that the study hours would not be hampered. Some teachers suggest to provide cooked food or bread and biscuits, which will not involve cooking problems. Leakages are to be checked. Since this is an additional responsibility on the teachers it creates the problems of time management. They can not pay much attention towards teaching. Hence, the programme has to include more staffs on contract basis, so that they can give much effort and time for the mid-day meal programme to make it fruitful without affecting the educational programme. Removing difficulties at every stage will convert the scheme into a successful programme of the Government.

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THE MID-DAY MEAL SCHEME AND LITERACY IN ORISSA : A CASE STUDY OF ATHAGARH BLOCK IN CUTTACK DISTRICT

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Abstract

The paper discussed about the working of Mid-day Meal programme in Athagarh block of Cuttack district. It is observed in the paper that on account of Mid-day Meal in Primary schools, enrolment and attendance of children have gone up quite considerably although there was some decline in enrolment rate in the recent years. The programme has positively assisted in reducing the dropout rate of children by 10 to 20 percent. Among the suggestions, the quality of food in schools be improved and the teacher be dissociated from the programme for better teaching and performance of teacher in the classroom.

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Laxmipur College, Laxmipur,
Dt. Koraput
14. Miss Kalyani Padhi,
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Muniguda College, Muniguda,
Dt. Rayagada
15. Sri Kamakhi P.Patro,
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V.Deb College, Jeypore,
Dt. Koraput
16. Sri Kishore C.Meher,
Deptt. of Economics,
DAV College, Koraput
17. Smt. Kabita Satapathy,
Deptt. of Economics,
Regional Science College,
Sorala, Stn.Road, Girisola,
Dt. Rayagada
18. Sri Lambodar Routo,
Deptt. of Economics,
Minaketan Degree College,
Gurandi, Dt. Gajapati
19. Sri Laxmi P.Nayak,
Deptt. of Economics,
DAV College, Koraput
20. Sri M.Ratnalu,
Deptt. of Economics,
M.N.College,
Bissam Cuttack, Rayagada

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25. Sri Premananda Das, Deptt. of Economics, Govt. Women's College, Jeypore, Dt. Koraput
26. Sri Raghunath Satapathy, Deptt. of Economics, Kotpad College, Kotpad, Dt. Koraput
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30. Dr. Surendra Nath Mishra, Professor of Economics, NCDS, Chandrasekharpur, Bhubaneswar
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35. Sri U.S. Patro, Deptt. of Economics, Semiliguda College, Semiliguda, Dt. Koraput
36. Sri Premananda Pradhan. C/o S.N. Tripathy. Deptt. of Economics, Aska Science College, Aska, Dist. Ganjam

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LIST OF PRESIDENTS

YEAR	HOST	VENUE	PRESIDENTS
1968	Ravenshaw College	Cuttack	Prof. Sadasiv Misra
1969	Dhenkanal College	Dhenkanal	Prof. Devendra Ch.Misra
1970	Khallikote College	Berhampur	Prof. Bidyadhar Mishra
1971	Utkal University	Vani Vihar	Prof. Baidyanath Misra
1972	Bhadrak College	Bhadrak	Dr. Chakradhar Mishra
1973	Panchayat College	Bargarh	Prof. R.C.Patnaik
1974	O.U.A.T.	Bhubaneswar	Prof. S.P.Gupta
1975	Kendrapara College	Kendrapara	Prof. H.K.Mishra
1976	S.C.S. College	Puri	Prof. Devendra Ch. Misra
1977	Nimapara College	Konark	Dr. S. Tripathy
1978	Berhampur University	Bhanja Vihar	Prof. Nilakanth Rath
1979	Utkal University	Vani Vihar	Prof. K.Kanungo
1980	G.M.College	Sambalpur	Prof. Pravat Kumar Patnaik
1981	O.U.A.T.	Bhubaneswar	Prof. Dayanidhi Mohapatra
1982	Municipal College	Rourkela	Prof. Bibekananda Das
1983	Ravenshaw College	Cuttack	Prof. Ghanashyam Das
1984	Berhampur University	Bhanja Vihar	Prof. Basudeb Sahoo
1985	Vikram Deb College	Jeypore	Prof. Sanatan Mohanty
1986	Banki College	Banki	Prof. B.C.Parida
1987	Kendrapara College	Kendrapara	Prof. Benudhar Bhuyan
1988	S.C.S. College	Puri	Prof. Gyana Chandra Kar
1989	M.P.C. College	Baripada	Prof. N.P.Patro
1990	Not Held	–	–
1991	Utkal University	Vani Vihar	Prof. Khetra Mohan Patnaik
1992	Sambalpur University	Jyoti Vihar	Prof. Trilochan Satpathy
1993	Ravenshaw College	Cuttack	Prof. Surendra Nath Mishra
1994	B.B.Mahavidyalay	Chandikhol	Prof. Adwait Ku. Mohanty
1995	P.N. College	Khurda	Prof. Benudhar Mishra
1996	Paradip College	Paradip	Prof. Gajendra Nath Das
1997	Municipal College	Rourkela	Prof. Jyoti Prakash Patnaik
1998	Govt. Women's College	Keonjhar	Prof. Ajit Kumar Mitra
1999	Talcher College	Talcher	Prof. Binayak Rath
2000	Govt. Women's College	Sambalpur	Prof. Satya P. Das
2001	DAV College	Koraput	Prof. Kumar B. Das
2002	Bhadrak College	Bhadrak	Prof. Bhabani P.Dash