ORISSA ECONOMIC JOURNAL

Vol XIV, No. 1 & 2
Jan.-June & July-Dec. 1992

ORISSA ECONOMICS ASSOCIATION

ORISSA ECONOMIC JOURNAL

Vol XIV, No. 1 & 2

Jan-June & July-Dec. 1992

Editor :

Prof. Baidyanath Misra,

17, Saheed Nagar,

Bhubaneswar.

ORISSA ECONOMICS ASSOCIATION

ORISSA ECONOMICS ASSOCIATION
EXECUTIVE BODY
1992-93

dent :
Surendra Nath Mishra

Vice-President :
Dr. Kumarbar Das

tary :
imal K. Mohanty

Assistant Secretary :
Dr. Sushanta Kumar Das

Editor :
Dr. Baidyanath Misra

Members

Dr. Khetra Mohan Patnaik
Dr. N. P. Patro
Dr. Trilochan Satpathy
Dr. Adwait Kumar Mohanty
Dr. Gajendra Nath Das
Dr. Jyoti Prakash Patnaik
Sri Benudhar Mishra
Sri Bhabani Prasad Dash
Dr. P. C. Mahapatro
Dr. S. N. Mishra
Dr. Kamala Kanta Sen
Dr. Kishore Chandra Samal
Sri S. N Swain
Sri Rabi Narayan Patra
Smt. Meena Kumari Devi
Smt. Usharani Pujari

CONTENTS

Secretary's Report

Mr. President Dr. Satpathy,
Guest of Honour Dr. Thakur,
Professor Baidyanath Misra, Economist of repute,
Local Secretary, Dr. Das,
Conference Co-ordinator Dr. Patnaik,
Fellow delegates, distinguished guests, invitees,
Ladies and gentlemen.

As the Secretary, Orissa Economics Association, I feel privileged extending you all a hearty and cordial welcome to the 24th Annual Conference of the Association.

The Orissa Economics Association was formed in the year 1968 with a view to imparting training to teachers in Economics for improving the standard of teaching and research on current economic issues in general and issues relating to the process of economic development of Orissa in particular. With this primary objective, we have been regularly organising the Annual Conference since the inception of the Association.

The Orissa Economics Association has at present 196 members out of which 138 are life members. It publishes a journal every year which contains the papers presented and discussed in the Annual Conference. Finance has now been a serious constraint on the activities of the Association. In the meantime the volume of the journal has considerably increased along with the printing cost. Due to cost escalation, the printing cost of the journal is now in the proximity of Rs. 9,000.00. We receive a maximum grant of Rs. 4,000.00 from the Government of Orissa for publication of the journal and another two to three thousand rupees from delegates. These are only sources of income of the Association.

The Orissa Economics Association is the only forum in the State in which varibus economic problems of local, national and international dimension are discussed. Eminent economists, administrators, planners, businessmen participate in the deliberations of the Conference. It is this forum, the august body of talented and eminent academicians and experts, that has from time to time provided guidelines to the Government on various economic issues. In view of the numerous economic problems the country is facing, it is in the interest of the State that the Government should come forward to help the organisation so that we can be more useful to them and to the people at large.

This year we have selected two topics for discussion in the Conference.

First : Privatisation—A Shift from Nehru's Plan Perspective.

Second : Minimum Wage and Agricultural Labour in Orissa.

While the former is of national interest, the latter has a deep relevance to the present state of agricultural development in Orissa.

Since 1987, we have been organising a lecture in honour of Sri Bhubaneswar Mangaraj, an illustrious teacher from Banki. Eminent economists of the State deliver their valuable lecture on this occasion on current economic issues relating to the State. Dr. Basudeb Sahoo, Professor of Economics, N. K. Chaudhury Centre for Development Studies, Bhubaneswar has given his kind consent to deliver this year's lecture on 'The Pattern of Industrialisation in Orissa'.

I am extremely grateful to the Chairman of the reception committee, Local Secretary Dr. Das, Conference Co-ordinator Dr. Patnaik, the staff and students of the Post-Graduate Department of Economics, Jyoti Vihar for their tireless efforts in organising this Conference.

I express my deep sense of gratitude to Dr. Sadasiv Misra, Dr. D. C. Misra, Dr. Bidyadhar Mishra, Dr. Baidyanath Misra, Dr. K. M. Patnaik, Dr. G. S. Das for their active participation in the activities of the Association.

I really owe a great deal to all the members of the Executive Body, President Dr. Trilochan Satpathy, Vice-President Dr. K. B. Das, Assistant Secretary Sri R. K. Nayak and Editor, Orissa Economic Journal Dr. Baidyanath Misra for their help in all the activities of the Association. My special thanks are due to the former Secretaries of the Association Sri B. P. Dash, Dr. B. Nayak and Sri R. K. Mishra who are still behind the scene and are providing continuous guidance in all the matters of the Association. My thanks are due to the Chartered Accountant Sri S. P. Mishra who took the pain to audit the accounts of the Association without charging any fees.

I am grateful to the delegates, paper writers, invitees, guests and to you all ladies and gentlemen for giving me a patient hearing.

Thanking you all,

B. K. Mohanty

Secretary

Orissa Economics Association

Inaugural Address

Dr. S. N. Thakur
(Retd) Professor of Economics
Bhagalpur University,
Bhagalpur

Mr. President,
Secretary, Office bearers of the Orissa Economics Association,
Local Secretary,
the doyen of the Association Dr. Baidyanath Misra, delegates,
teachers and students of the Sambalpur University,
Ladies and Gentlemen,

I am thankful to the authorities of the Orissa Economics Association for inviting me to this conference. It would do a great honour to any economist, howsoever big, to be called upon to inaugurate the annual conference of this august Association and be a guest of honour. I am thankful to the organisers for the honour they have given to me. But what is my claim for this honour ?

Orissa and Bihar had been competitors—competitors in poverty. And since Bihar defeated Orissa by standing first, relegating Orissa to the second position amongst states in India, hence an economist from Bihar feeling the crunch of underdevelopment has a greater claim than any one from other states in India for this honour.

Some of my friends here asked me about my opinion about Orissa Economics Association. Here again an economist from Bihar is more competent to assess this than any other.

Your Association has run for a quarter of a century, sucessfully holding 24 annual conferences, missing only one in 1990. On the other hand in Bihar, we have failed in our attempt to form one even though Professor of Economics Dr. Jagannath Mishra thrice Chief Minister of Bihar had lent his support.

At a time when the All India Economics Association is losing respect because of politicking, your Association is running smoothly because of the inbuilt politicking-proof mechanism. You have very succesfully avoided manipulation and politics in the election of your Presidents.

It is one of the objectives of your Association to improve teaching and research. This is praise-worthy, since tremendous changes do take place and have taken place in Economics and in other sciences too. Physics once as solid and simple as Newton's apple, has dissolved matter, mathematics once cold and beautiful and terrestrial has taken off into infinity and very nearly into metaphysics. Medicine which regarded the human body as a flesh and body medicine, to-day accepts psychological influences and psychosomatic disturbances that reassert mind over matter. Botany which had taken plants as inert to-day accepts that plants have life and is at the threshhold of accepting that they have feelings and sentiments and do sympathize with the pains of those who look after them. Political Science which was concerned with the management of polity. city/state, is now more concerned with rising group, caste, party, class tensions and social abrasion, corruption and terrorism. So also our Science of Economics has undergone changes and our theories are in a melting pot. As such, research and improvement in teaching happen to be a very desirable objective.

For this conference you have selected three very important topics for discussion. While the first topic—"*Privatisation—A shift from Nehru's Plan perspective*"—is a burning question before the nation and so also of great interest to other industrial nations of the world. The other two topics—"*Minimum wages and Agricultural Labour in Orissa*" and "*Pattern of Industrialisation in Orissa*"—are very timely, useful and provoking.

I would like to share with you my sentiments on the first topic "*Privatisation—A shift from Nehru's plan perspective.*"

Our country has been given a joit by the present government since it has changed the economic and industrial policy adopted by the first Prime Minister of India. Jawaharlal Nehru started with "*Mixed Economy*" in the First Five Year Plan, then slowly moved to "*Socialist Pattern of Society*" in the Second Plan and then to "*Socialist Society*" in the *Third Plan*, the last one in his life time. His concept was that 'public enterprises would be in "Commanding Heights" and private enterprises would be relegated to subordinate position', though he did not actually quantify. All that he attempted at was building a half-way house between Adam Smith and Karl Marx.

I further think that Nehru because of confusion had not quantified Socialism and left it vague and undefined. Even in government undertakings part of the job had to be left to contractors. No economist has measured the percentage of private enterprise in public works. Road construction is a public work. But a large part of it is done by contractors. So also under dam and bridge construction. This may be called penetration of private enterprise in public enterprises.

We shall examine in this background, the economic policy of P. V. Narasimha Rao, giving it a pampered name—Rao Model.

The Nehruvian Model was India's economic development at an accelerated rate with social justice, hence he had added an element of socialism. Did it succeed ? It did to some extent in so far as a few sectors are concerned like the multi purposes river valley projects and a few others, but it failed in so far as reduction in economic inequality is concerned. The big businesses and enterprises became bigger. The number of agricultural labourers increased from 3 crores in 1964–65 to 4.5 crores in 1974–75, share of agricultural labourers in agricultural income had fallen down from 21.5% in 1970–71 to 10.8% in 1977–78.

The percentage of the people below poverty line in India is still very large. Nearly 40 years of plan experience under Nehru Model has failed in removing the hardship of the poor. (This is not to say that some of the people in the lowest ladder have not moved up nor is it a denial of the fact that some of those on very high ladder have not fallen down. This is a characteristic society). Also the general overall view of the country is not good.

Though the actual amount of black money cannot be assessed, according to the Ministry of Finance black mony has reached a staggering level of Rs.30,000 crores. The Wanchoo Committee had estimated that black money had increased from Rs.700 crores in 1960–61 to Rs.1400 crores in 1968–69. Late Professor Ragnekar had estimated it to be Rs.5801 crores in 1973–75 and Rs.18,241 crores in 1980–81. According to the National Institute for Public Finance and Policy, it was nearly Rs.40,530 crores in 1984–85 and that it increases at the rate of Rs.46 crores per hour. A spokesman of Chamber of Commerce recently put the figure at Rs. One lakh crore.

When the Britishers left India we had been in a creditor position worth 3452 crores of foreign exchange known in all literature as sterling balance. Now we are a debtor nation. External debt of India in the beginning of 1991 was Rs.1,25,000 crores. (Internal debt was Rs.2,25,000 crores). India is third in rank among debtor nations just after Mexico and Brazil. India has borrowed even from Ireland and Belgium.

And the health of Public Enterprises is far from satisfactory. Only a few are viable. A great majority of them, so many, that we may be justified in loosely saying that all the public enterprises are running at loss. If we take the Nehru era as from 1947 (or (1951) to 1991, it is 44 years or 40 years. This may be divided in to two phases.

The first phase was before the election of Rajiv Gandhi as Prime Minister; the second phase was from Rajiv Gandhi onwards till P. V. Narasimha Rao became Prime Minister.

In the first phase no doubt the so-called socialist policy of the government was praised by those who ruled the country. In the second phase, doubts were raised, statements in favour of privatisation were made, but no steps were taken. Rajiv Gandhi himself went so far as to publicly declare that education would be privatised. But he did not dare. The old guards did not let him.

The Janata/S J P governments also did not change the policy. Narasimha Rao did dare.

They, who see a danger signal in the abandonment of the Nehru Model, misread Nehru's policy and take the New Economic Policy as abandonment of socialism and also overlook the realistics of the perilous position that Indian economy has fallen into.

For privatisation or nationalisation, one must take into account the national character of the people, the attitude of the population before setting goals and suggesting paths of economic growth. Sociological, psychological, political and cultural dimensions have to be taken into consideration.

It is because of this that growth economics becomes a multidimensional science. It must either conquer other territories like sociology, politics etc. or surrender its own to them.

The result of the Nehru Model is before us. The Rao Model is yet to bear fruit. The change in policy would be less risky than the continuance of the old policy.

Have we any other choice ? Even if the new policy be called surrender before the I. M. F., the west, the U.S.A. and the Capitalist Lords of the World ? Nothing succeeds like success. Nothing fails like failure. When we have failed, we have to change.

To the hard line socialists, I would say that they should trust in thesis, anti-thesis and synthesis. The war between capitalism and socialism is still on. Nehru model was a synthesis, the Rao-model is an anti-thesis. The battle has gone in favour of capitalism. The war is still on. The bad points of capitalism have neither changed in texture nor in colour. The U.S.A. is facing sluggishness and balance of payments problem, the British economy is struggling with unemployment and stagnation, one can predict that what would come as a synthesis may be something more socialistic.

When I say this, I make no concession to the socialist hand-liners, I only offer them consolation, this is in the short run.

But in the long run perspective, the present policy would die of its own weight and the Rao-model would lose its significance and meaning once it has served its purpose. Privatisation is not a panacea of all the evils of nationalisation, nor nationalisation is a panacea of all the evils of privatisation.

For the present, I am in favour of the Rao-model, since there is no alternative under the circumstances.

I do hope that, since there can be no light without heat, let there be more light than heat in your discussion.

With these words, I do inaugurate this 24th conference of Orissa Economics Association.

Economic Development of Orissa : Performance, Problems and Prospects

Dr T. Satapathy
(Member, Service Selection Board, Orissa)

At the outset, I express my grateful thanks to the fellow members of the Orissa Economics Association for having elected me the President of the Association for the current year. I must confess that, I hardly deserve such high honour and naturally feel that this kind gesture is only an outcome of your good will towards me.

I would, however, sieze this rare opportunity to share with the distinguished and the learned audience some of my stray thoughts on economic development of Orissa in the overall context of the performance exhibited, the problems encountered and prospects thrown up against the backdrop of eighth five year plan, commencing from the current year.

To say that watching the performance of Orissa's economy over decades has been disappointing, is to make an understatement. Honestly speaking, it is distressing to observe the under development and stagnation writ large over the length and breadth of the State. In fact, Orissa has attained the dubious distinction of being one of the least developed States in India. Even, since independence, it has been among the bottom end by per-capita income. Worse still, during 1980-83, Orissa slided back to last but one position. It is also among States recording the highest incidence of rural poverty. The economic backwardness of Orissa in comparision to the average level of development in India striking from a number of key indicators, such as, level of per-capita income, structure of production, modernisation of agriculture leading to higher productivity, stage of industrialisation, social and demographic structures, spread of commercialisation and growth of tertiary sector etc. This is essentially an economic paradox of higher levels of poverty co-existing with plenty of primary natural resources. The ironical phenomenon reaffirms the historical experience that availability of natural resources is not a sufficient condition for development. Although the State is endowed with rich natural resources, in the form of forests, minerals, rivers and marine resources, its economy remains backward and predominantly agrarian and has not benefited adequately from these resource endowments. In what follows, the broad contours of some of the aspects of the aforesaid socio-economic variables have been sought to be drawn.

1. Economic Backwardness and Poverty :

According to the latest available estimates for 1989-90, the per-capita Net Domestic Product at all India level was Rs. 2,169/- at 1980-81 prices as against Rs. 1,557/- in Orissa. Thus, the gap between the per-capita Net Domestic Product of India and the per-capita Net State Domestic Product of Orissa at 1980-81 prices is Rs. 612/-. This means that the average level of living in Orissa is around 20 to 30 percent below that of India as a whole (NCAER, 1990). Observing the issue from a different angle, it is seen that the per-capita income (at 1970-71 prices) of Orissa in 1986-87 was Rs. 535/-, which turned out to be the same as that of India in 1959-60. In other words, in terms of income, Orissa lags behind the national average by nearly a quarter of a century. Further, what is more disturbing is that there is very little evidence of reduction of this gap in per-capita income, since the medium and long range growth rate of Orissa's economy continues to be around 3 percent per annum, while Indian economy is showing signs of acceleration since mid-seventies (NCAER, 1990). Another comparison between the per-capita income of Orissa and all-India shows that, whereas in 1950-51, Orissa's per-capita income was 85 percent of all-India level, in 1980-83 it was only 72 percent. Thus, Orissa's relative backward status has not only persisted but is showing worsening trend since 1950-51 (Parthasarathi, 1991). Further, the per-capita income position of Orissa may also be compared with that of some other States. In 1950-51, Orissa's per-capita income was 62 percent of the per-capita income of Punjab. It came down to 59.0 percent in 1960-61, 47.0 percent in 1970-71, 41.0 percent in 1976-79, and 40.0 percent in 1980-83 (Parthasarathi, 1991). Thus, the relative income status of Orissa deteriorated vis-a-vis that of Punjab, since Punjab progressed at a faster rate. Similar conclusion also holds good with respect to a number of other advanced States in the country.

2. Structure of Production and Economic under-development :

Hypothesising that a developing economy exhibits a consistently declining trend in the share of agriculture in the New Domestic Product in the production structure, in Orissa there is no indication of such a declining trend in the share of agriculture in the State Net Domestic Product, indicating thereby the absense of a positive developing trend of its economy. Between 1960-61 and 1988-89, the contribution of agriculture and allied sector to SNDP has been around 60 percent, excepting during drought years, showing a decline on account of short falls in agricultural production. It is pertinent to observe here that such a pattern of growth is in sharp contrast to the pattern at the national level, which is marked by a substantial change in the composition of gross domestic product away from agriculture in favour of non-agriculture. In fact, in the Indian economy, agriculture has somewhat lost its dominant position and presently accounts for only one-third of gross domestic product.

3. Agricultural Production and Productivity :

Since agriculture continues to maintain its dominant position and remains the king pin in Orissa economy, generation and sustenance of economic development in Orissa are to a large extent determined by the performance of agricultural sector. This sector is, in fact, at the centre of all development strategies. But the tragedy is that, this very agricultural sector itself is thoroughly depressed and stagnant. With monsoon remaining the traditional dispenser of Orissa's destiny, the agricultural production in the State is not only unstable and unsteady but what is worse, the productivity of agriculture, particularly of rice, the staple crop in the State is substantially low, significantly lower than that of most of the States. The green revolution which resulted in phenomenal increase in production of food grains in north-west and western States of India seems to have nearly passed over the heads of the unlucky farmers in Orissa, with very little impact on Orissan agriculture. The factors that seem to explain such unpromising state of affairs on the agricultural front are however not far to seek.

A basic dilemma in Orissa is that inspite of the Herculean demands that agriculture makes on irrigation, the water resources in the State for the most part have remained unexploited and under developed. The meagreness of irrigation facilities in Orissa is amply borne out by the fact that the aggregate of potential available from all sources of irrigation forms only about 30 percent of the net sown area. What is worse, most of this irrigation is limited to rainy season, and a significant proportion of this potential can not be called efficient and effective irrigation, a prerequisite for modern farming technology. A number of other socio-economic constraints, such as, traditional agricultural practices on account of lack of knowledge, risk aversion, inadequate credit and marketing support, non-availability of inputs, land degradation, sub optimal land use pattern or inefficient cultural practices, soil erosion and impaired land productivity have hindered agricultural development. On the structural side, land ownership has been highly skewed leftwards in favour of the big operators and the remaining holdings are small and fragmented. Small and marginal farmers having less than 2 hectares of land constitute 75 percent of the land holders but possess less than 40 percent of the agricultural land area, where as, farmers with more than 5 hectares form only 7 percent but control over 35 percent of land. Enactment of laws for consolidation and prevention of fragmentation of land and imposition of ceiling on land holding has not yielded any tangible result so far. Share cropping system in concealed form with the scarecrow of eviction continues. Share croppers, naturally have no stake in raising farm productivity.

4. Industrial Development and Employment Generation :

Organised efforts seem to have been made during the sixth and seventh plan periods and the subsequent annual plan periods to promote industrial development in Orissa. The main thrust of the recent policy in this regard has been to offer attractive incentives and concessions to encourage private investment in industrial ventures in the State. The industrial policy announced in 1989 further liberalised the incentives in order to accelerate the tempo of industrial growth and create a fairly strong and wide industrial base. The Eighth five year plan document expresses optimism on the score that the pragmatic industrial policy of the State coupled with the extension of institutional support and infrastructure facilities would attract substantial private investment and give sufficient boost to the industrial economy of Orissa. It further goes on to mention that the integrated approach, that is being pursued, would achieve the objectives of developing the backward regions and provide gainful employment in the secondary sector.

An objective assessment of our performance in the recent past in this sector, however, does not lend sufficient support to the above contentions. It may not be incorrect to state that the achievement of the State in the sphere of industrial development have been far below the performance at the national level. The percapita output in industry and percapita value added by manufactures in Orissa in 1987-88 were Rs. 979.7 and Rs. 158.0 respectively against all India average of Rs. 1964.4 and 359.0 respectively. Orissa's share in respect of the industrial production of the country was 1.6% in 1978-79, as against, 16.3% in Andhra Pradesh. Although there was no deceleration of the long term growth rate of income from this sector during the last decade, yet the general tendency of low rate of growth prevails.

The variables that seek to explain the distressing state of affairs can broadly be divided into two categories · those that stress supply constraints and those that stress demand constraints. On the supply side the growth of industrial output is mainly hampered by non-availability of critical inputs, such as, capital, particularly working capital, power and scarce/imported raw materials and machineries. While non-availability of power has been a critical limiting factor, that has constantly plagued the industrial sector over years, the non-availability of other variables changed from year to year. However, an important constraint on industrialisation in the State has been lack of generation of additional demand. Low public investment arising out of decline in public saving and reduced capital inflows have been resulting in the decline in demand for capital goods. The demand constraints that are reflecting on consumer goods can be traced to indifferent and fluctuating performance of agriculture, working both through out-put effects and terms-of-trade effects. It is pertinent to mention that the inter-relationship between agriculture and industry on the supply side is always very high in the State economy and the demand for industrial consumption goods has tremendous implication in terms of long term industrial growth of Orissa. Stimulus to industrial growth in Orissa has also been observed to be poor on account of absence of indigenous entrepreneurial classes and a determined bid to accelerate the pace of industrialisation and diversify its pattern.

Another important area that constitutes a vital aspect of development profile of Orissa is employment. The Live Registers of Employment Exchange in Orissa show that the number of registrants has been going up sharply. By December, 1990, there were 5.20 lakhs of educated registrants out of the total of 8.70 lakhs. With the existing backlog of unemployed, coupled with the recurring additions to the labour force, unemployment, continues to be an intractable problem. What is worse, there is, evidence of certain more disturbing trends on this front.

(a) From the data provided by Annual Survey of Industries (ASI) it is seen that, whereas the value added by registered factories increased by 220 percent in the period between 1980-81 and 1987-88, employment increased only to the extent of 16 percent in the above period.

(b) The average employment value added ratio decreased from 6. 3 persons per Rs. one lakh of value added in 1980-81, to 3.3, in 1987-88.

The major explanation for the fall in the employment value added rate must be found in the changing pattern of industrialisation during the above period, which shifted in favour of capital intensive as opposed to labour-intensive industries.

(c) The value of output in the registered units increased from Rs.103290 lakhs in 1980-81 to Rs.290018 lakhs, that is, with an increase of 180 percent during a span of 7 years. On the otherhand, the productive capital employed on these units increased from Rs. 119,109 lakhs to Rs. 466,817 lakhs during the same period i. e. by 292 percent indicating thereby the capital intensive trend or the same thing as labour-saving tendency of the process of industrial development in the State.

(d) In the recent years, the number of vacancies, particularly in the public sector and joint venture units remained stagnant broadly and even showed a falling trend.

5. Development Strategy and Prospects during Eighth Five Year Plan :

The broad objective of the economic development of the State is to reduce the gap between the per capita net domestic product of India and the per capita net domestic product of Orissa by about one third by the end of the eighth five year plan (1992-97). As per the estimate of the State Government, the achievement of this target would require the growth rate of Orissa's economy to be around 7.6 per cent per annum as against the proposed growth rate of 5.6 per cent at the all India level (State Planning Board, Orissa, 1991).

Even though the adequacy of this required growth rate of Orissa's economy to close up the per capita income differentiable between national and the State averages, it is still open to serious doubt as to whether it is not a very tall order for the State economy to attain a growth rate of 7.6 per cent per annum. Without being a pessimist to the slightest degree, it can be stated that the economy at its current state of health, vigour and vitality can not probably attain and sustain this growth rate. It is relevant here to observe that for the period 1980-81 through 1989-90, the NSDP grew only at an average rate of growth of 4.5 per cent per annum.

Another aspect of this target ie. reducing the NSDP gap during the eighth plan is equally worth examining. The State Government envisages that an outlay of Rs. 11,500 crores would be necessary in the State sector apart from the investment of almost an equal amount in the

Central sector and private sector during the same period, totalling to Rs. 23,000 crores during 5 years. Presuming that this projected estimate of investment has taken sufficient care of price inflation in the economy, even the best of optimists would entertain doubt about capacity of the State to mobilise such a volume of resources. If the current resource position, as well as, the past performance of the State in respect of resourse mobilisation constitute in any way a rough guide, the proposed outlay in the State sector is unmistakably optimistic.

To substantiate, let us look to resource estimate for the annual plan ie. for 1992-93, which even inclusive of the consignment tax and normal central assistance shown as memo items, comes to Rs. 1235.99 crores. State Government has been candid enough to admit that its estimate of own resources has been stretched to the maximum, and the expenditure has been severely restricted in order to project a higher resources base. (State Planning Board, 1991) As such, as things stand now, there appears much less scope to further stretch State's own resources, unless of course bold and drastic fiscal-cum-administrative measures are initiated and implemented rigorously. A possible escape from such resource crunch seems to be extension of special accommodation involving consignment tax, grant of higher amount of normal assistance and higher amount of shared taxes. It is pertinent to mention that during the Seventh Plan period, the actual expenditure was of the order of about Rs.3334/- crores. So a targeted expenditure of the order of Rs. 11,500/- crores in the eighth five year plan would only mean a quantum jump.

Further, the eighth five year plan presupposes that private sector would invest about Rs. 11,500/- crores. The composition of this sector in Orissa shows the dominance of small and medium industries. Their share of contribution to this required investment would undoubtedly be meagre. Thus, in relation to the total requirement, that is, the realisation of this target, naturally, therefore, is dependent upon substantial volume of investment coming from major projects that can be set up by the large business houses and / or Public Sector undertakings and joint sector undertakings. However, as things stand today, things do not look as bright as it ought to be on this front. With this over-view of Orissa economy it would not be out of context to make observations relating to the development strategy that needs to be pursued, although these do not constitute any immediate and short term solutions to the problems. On the agricultural front, there seems urgent need to ensure faster rate of quantitative expansion of irrigation potential by according high priority to minor irrigation, particularly ground water resources. This calls for hastening rural electrification programme. To boost up irrigation growth, the gestation periods of all types of irrigation projects should be substantially reduced with projects being completed as per scheduled time and optimal utilisation of the created potentials through construction of channels ensured. In addition to strengthening the agricultural input supply programme, the structural reforms also need serious consideration. It is pertinent to point out that the most reform minded State Governments in the last decade—Karnataka & West Bengal placed their main emphasis on pragmatic land policies. Karnataka's main thrust was on transferring ownership from absentee land lords to tenants, while West Bengal concentrated on ensuring rights for share croppers. These kinds of reforms as well as the consolidations of fragmented land can play a significant role in improving agricultural production and alleviating poverty in the State.

Increasing attention also needs to be paid to devise ways of enhancing rural employment and incomes through the development of agro processing industry. This is considered necessary to improve the economic assets of the rural poor. We have to realise that the agro-industry is a strategic sector to help slow down rural-urban migration. The Government would have to evolve a strategy to develop agro processing, based on locally adopted technologies and raw materials.

A bird's eye view of opportunities & prospects of industrialisation in Orissa shows that given new direction, the industrialisation can be expected to trigger off. The scope under large and medium sector covers a wide product range in steel, castings, drugs, petro-chemical products, textiles, electronic goods, and marine, sand beach, and aromatic-based industries.

Besides the encouragement that is being extended to the establishment of new industrial units, importance should be attached to ensure their healthy growth. The limitation of infrastructure and market that hinder faster industrial development in the State should receive priority attention. The length of surfaced road per 1000 sq kms of area which stands at 122 kms in Orissa, as against, 269 for India, 817 kms in Punjab and 527 kms in Haryana need to be increased. Similarly Railway route length for 1000 sq kms area, which is 12.7 kms in Orissa as compared to 19.9 for India and 43 kms in Punjab and 30 kms in Uttar Pradesh, Tamilnadu and Bihar require boosting up. Development of transport and communication, generation of adequate power, assistance in marketing of products are some of the crucial areas to be considered.

On the resource front that State will have to increasingly rely on its own resources in order to undertake such promotional measures. There is some scope for higher resource generation through adherence to commercial principles and efficiency in expenditures. The Government can aim at some higher plan spending if it can earn a low rate of return on its sale of power, water for irrigation and transport services and obtain higher royalty or minerals. Indeed continuous delinquency in these areas has created heavy strain on State's resource basket. Another area which has some potentials of yielding saving is the timely implementation of projects. We may appreciate the fact that increase in plan outlays need not been synonymous with growth and development. Lower spending may deliver the same, if not better results, provided that the productivity of capital is increased. Essentially that involves better management of resources. It is as much important to do the right things as to do things right.

I propose to conclude with a recapitulation, that when Francies Crick was born, his mother performed a curious ritual. She had carried him to the top of the house, in the belief that this would help him "rise to the top", when he grew up. Maternal hopes were never more truly redeemed. Fracies Crick went on to unravel nothing less than the secret of life itself—the double helix model—DNA. I have placed before you some of the crucial aspects of economic development of Orissa in more or less similar belief.

Industrial Development in Orissa : Pattern and Prospects

Dr. Basudev Sahoo

1. Introduction :

Orissa has made a great stride in the field of industrial development during the last three decades. From a predominantly agricultural state it is gradually but steadily emerging as an industrialised one. In the process of industrialisation the industrial pattern both in terms of its composition and spatial distribution is bound to change. This paper highlights the changes that have taken place from 1965 onwards in respect of (a) share of industrial groups in total industrial development (b) size-structure of industries (c) ownership pattern of industries (d) regional distribution of industries and (e) in light of the findings assesses the prospects.

2. Growth of Industries Under Factory Sector :

Leaving apart the small scale industrial sector, the factory sector in Orissa has repidly expanded in recent years. In 1977-78 in the factory sector in Orissa there were 944 units with fixed capital of Rs 524.72 crores, working capital of Rs.277.48 crores, productive capital of Rs.802.20 crores and invested capital of Rs.809.94 crores. In 1982-83 the respective figures were 1239 units with Rs.1051.09 crores, Rs.629.56 crores, Rs.1680.65 crores and Rs.1765.22 crores. In 1986-87 the respective figures were 1383 units with Rs.2005.36 crores, Rs.810.64 crores and invested capital of Rs.2920.36 crores. Number of employees increased from 116000 in 77-78 to 141000 in 1982-83 and 145165 in 1986-87. Value of output increased from Rs.654 crores in 1977-78 to Rs.1288 crores in 1982-83 and Rs.2316.10 crores in 1986-87.

Inspite of this growth the position of Orissa in the industrial landscape of India remains very much discouraging as is evident from the Table 1. Over the years Orissa's share in country's industrial activities has changed marginally and compared with 15 major states. Orissa continues to remain the least industrially developed state. (CMIE, 1991).

TABLE—1

Relative position of Orissa in Factory Sector. 1986—87.

Sl. No.	Items	Orissa (1)	India (2)	1 as p.c. of 2.
1.	No. of Factories (Unit)	1383	97959	1.41
2.	Invested capital (Rs.lakhs)	292030	9769297	3.00
3.	No. of workers	111065	5806866	1.91
4.	No. of employees	145165	7441879	1.95
5.	Value of output	231610	13304352	1.74
6.	Net value added (Rs. lakhs)	41910	2555224	1.64
7.	Profit	—5574	+411789	—

Source : Annual Survey of Industries 1986-87 Summary results for Factory Sector, C.S.O., Govt. of India.

3. Structural Changes—Types of Industries :

In addition to the overall growth there has occurred perceptible structural changes in Industrial scenario of the state.

It is seen from the Annual Survey of Industries that the value-added of the consumer goods industries in 1979-80 aggregated about Rs.46.87 crores against Rs.12.69 crores in 1965. Value added in basic industries increased from Rs.24.85 crores in 1965 to Rs.148.29 crores in 1979-80. Value added in capital goods industries increased from Rs.0.85 crore to Rs-11.98 crores during the same period. Intermediate goods industries also showed a rise from Rs.2.50 crores to Rs.35.79 crores in their value added during these 15 years.

Though the net output of the basic, capital, intermediate and consumer goods industries increased in absolute terms representing an increase of 496.74%, 1309.41%, 1331.60% and 269.34%respectively, the net output ratio between the consumer goods and capital goods industries declined from 14.9:1 in 1965 to 3.9:1 in 1980. This fact indicates that Orissa had crossed the first stage of industrialisation wherein consumer goods industries predominate (Hoffman).

The Annual Survey of Industries, Orissa gives the percentage share of different industry groups in terms of units, number of workers, fixed capital, output and value added in different industry groups in Orissa in 1965 and 1980. From the Surveys the following conclusions derived.

(i) The basic industries stand at the top in respect of employment, fixed capital, output and value added in 1965 (46.9, 83.3, 53.9 and 60.7% respectively and in 1980 (51.7, 80.1,56.2 and 61%respectively)

(ii) The process of industrialisation reduced the concentration of employment, capital and value-added in a few industries with passage of time.

(iii) The industrial structure was more diversified in 1980 than in 1965. Besides, rubber and tannery, a number of new industries, mostly non-agro-based came into existence in the large scale sector during the period 1965-80. Shares of Intermediate goods industries in the total in fixed capital output and value added in 1965 were 1.9%, 4.7% and 6% respectively while in 1980 the corresponding shares were 5.5%, 14.5% and 14.7%.

(iv) Small industries too have been diversified and rapidly expanded. The share of textile and allied industries has risen markedly.

4. Structural Changes—Ownership, Location Etc.

Other aspects of the pattern of industrial development like size, ownership, location have been discussed in the following sections. Coming to size of Industries the facts reveal as below :

Size is measured both in terms of employment and capital. Since there is no uniformity in the industrial classification adopted by the ASI in 1960, 1971 and even in 1980, it is not possible to study how a given industry has increased its size during that period. However, the change may be seen by capital investment. The industries are classified into large, medium and small one. The classification has been based on gross capital investment in plant and machinery which is the chief constituent of fixed capital. It is seen that the shares of capital investment in small, medium and large industries in 1982-83 are 3.56. 4.47 and 91.70 percent respectively. Though the small scale industries have a major share in total industrial units (89.9 %) they account for only 3.86% of invested capital. Medium scale industries having 4.03% of total industrial units possess 4.44% of invested capital. (Annual Survey of Industries, 1982-83).

It is interesting to study some of the economic ratios for industries of different sizes. They are output—labour ratio (Labour Productivity), Capital-Labour ratio (Labour Intensity), Output-Input ratio (Industrial efficiency), and value added per employee (Labour efficiency).

A perusal of the performance of the industries (Factory Sector) reveals that during the period 1979-80 to 1984-85.

(a) Output per rupee of fixed capital (out-put capital ratio) declined from Rs. 1.46 to Rs. 1.20.

(b) Output per worker (Labour productivity) increased from Rs. 1.05 lakhs to Rs. 1.67 lakhs.

(c) Value of output per rupee of input (Industrial efficiency) declined from Rs. 1.54 to Rs. 1.31.

(d) Value-added per fixed capital (productive efficiency and profitability) declined from Rs. 39 to Rs. 23.

(e) Value-added per employee (productive efficiency of labour) increased from Rs. 21.46 thousand to Rs. 23.79 thousand.

(f) Value added per Rupee of input declined from Rs. 0.37 to Rs. 0.25 (Annual survey of Industry, 1983-84—1984-85).

A study of the various Issues of ASI Orissa further reveals :

(i) Labour Productivity is high in large industries than in small and medium industries.

(ii) The productive efficiency is the highest in small scale industries.

(iii) However, there is general improvement in industrial officiency.

(iv) The small size industries require low fixed capital per worker.

The industries in Orissa may be divided into three broad categories according to the type of ownership. They are public sector industries consisting of industries wholly owned by Central Government, wholly owned by State Governments, joint sector enterprises representing collaborations between each of the above mentioned public sector agencies and the private enterprises and private sector enterprises.

Number of factories in public, private, joint and cooperative sectors numbered 140, 952, 65 and 91 respectively with their respective shares being 11.29, 78.86, 4.5 and 7.34 percents. Though there were rise in percentage shares of units in both public and joint sectors, there was nearly 14 % fall in the number of industrial units in the private sectors. The respective shares of public, private, joint and co-operative sectors in invested capital are 80.39%, 8.95%, 9.51% and 1.13%.

The percentage shares of employment in public, private, joint and co-operative sectors are 51.06%, 29.78%, 15.60% and 3.54% respectively. The growth of employment in the public sector had been much greater than in private sector. (Annual Survey of Industries in Orissa 1982-83)

One of the important features of the industrial growth of Orissa is that the private sector has not developed adequately. This is seen from the relative contribution of the public sector and private sector undertakings to the state income. In 1964-65, the private sector contributed 50.84% to the total value-added by organised factory sector. But its share came down to 21.57% in 1979-80 and 18.93% in 1982-83. Over the period 1965-79-80, contribution of public sector industries went up to 72.82%, coming down to 62.19% in 1982-83. This shows that the public sector has taken the lead in the process of development of industries. But the lead of the pioneering sector is expected normally to have healthy effect on the private sector. This is not borne out by facts as adequate investments are not forthcoming to private sector.

The state domestic product from the manufacturing sector does not show any significant rise so as to generate ever increasing surpluses for purposes of reinvestment. The contribution of the manufacturing sector to growth in the state income has been consistently lower. The private sector can flowrish if there is a greater freedom from administrative control and brighter opportunities for making profits. As W. A. Lewis pointed out, "Economic growth cannot be produced by Legislation, administrative regulation or exhortation, without the accompanied high material incentives". The crucial test of the quality of development planning is the efficacy of that part of the economy which is left to private initiative operating through incentives.

5. Spatial Distribution of Industries :

Spatial distribution of industries is reflected by concentration ratio.

The distribution of capital labour and output can be studied by applying Michaely's concentration ratio. Concentration Ratio has been calculated, as :

$$C.\ R. = 100, \sqrt{(xi/xn)2}$$

Where, maximum value is 100 and minimum value of the ratio is given by $100 / \sqrt{N}$ and i denotes spatial Unit.

Applying this formula the concentration Ratios of output, labour, capital and value added were calculated.

It was found that there are declining trends of concentration ratio in respect of labour and capital and rising trends in respect of value-added and output since 1970-71. But the trend is not very significant. This is perhaps because new industries are coming up in backward districts resulting in more even distribution of labour and capital. These investments might not have yielded proportionate increase in output or value added.

Analysis of investment and employment, district-wise for the period 1977-78—1987-88 in respect of Small Scale Industries reveals that the shares of Balasore, Bolangir, Kalahandi, Mayurbhanj, Phulbani and Dhenkanal are either declining or remaining constant at low levels. These districts which are declared as industrially backward ones show no perceptible sign of improvement in their relative positions (Directorate of Industries, Cuttack). All these are pointer to the fact that spatial distribution of industries has not been more even or equitable with passage of time.

The following conclusions emerge from the foregoing analysis :

(a) Notwithstanding the rapid growth of industries in the state its position in relation to the country is discouraging.

(b) The capital goods industries developed faster than the consumer goods industries. The share of basic industries is very high and increased over time while share of consumer goods industries which was 31% declined to 19.3%.

(c) The industries which have come up during 1970-80 are mostly medium and large sized industries. Though labour productivity is high in large scale industries the productive efficiency appears to be highest in small scale industries. Small industries made rapid stride between 1977-78 and 1987-88.

(d) Public Sector Industries occupy the first position in the capital investment and in employment, while joint sector industries improved substantially during the period 1964 to 1980, the private enterprises lagged behind.

(e) Though more and more new industries have come up almost in all districts, there has not been perceptible change in their relative positions in the aggregate. Industrially backward districts continue to have very low shares in total industries. This implies spatial distribution of industries has not been desirably even and equitable.

The above facts suggest the following policy measures :

(i) Steps are to be taken to expand consumer goods industries to cater to the local demand and make them withstand the competition of consumer goods flowing from other states.

(ii) State Government and financial institutions should pay greater attention to development of industries in backward districts some of which have huge mineral and forest resources. The goal of regional balance should be pursued earnestly.

(iii) Intensive drive has to be made to promote local entrepreneurship so that private ownership of industries grows at a faster rate.

6. Sectoral and Decadal Growth 1950-51 to 1988-89 :

Sectoral and decadal growth of the state economy compared with that of the country and other states would vividly reveal the relative performance of our economy in various fields. Table 2 is self revealing. It is revealed in the table that the highest growth rate (8.64% P.A.) in secondary sector occurred in the decade 1950-60 followed by the growth rate in the decade 1960-70 (6.19% P.A.). The much talked of period 1980-89 recorded the lowest rate of growth (0.63 percent per annum). The decade 1960-70 has shown the highest annual rate of growth of Net State Domestic Product, the rate 3.99% being higher than that of the country as a whole (3.77%). This is because in this period though the growth rate of secondary sector (6.19%) is less than that of the previous period (8.64%), the growth rate of agricultural sector was much higher (4.00%) than that of the previous period. In the period 1970-80, though growth rate of secondary sector was a shade less than that of the previous period, because of disheartening growth rate of primary sector (only 1%) the growth rate of the N.S.D.P. was the lowest (1.65%). The low growth rate of the primary sector and the State domestic product may be partly responsible for the dismal performance of the secondary sector in eighties despite massive investment and propaganda carried on in respect of industrialisation. The shares of the secondary sector in the State Domestic Product were 7.18% in 1950-60, 11.43% in 1960-70, 11.95% in 1970-80 and 10.33% in 1980-89. Over the entire period 1950-51—1988-89, the rate of growth of secondary sector in Orissa (4.33%) appears to be lower than, that of the country (4.98%).

TABLE—2

Sectoral and growth rates of the State and the Country
1950-51 to 1988-89 at constant 1970-71 prices

Period	Primary sector	Secondary sector	Tertiary sector	NSDP	NNDP
1950-60	2.10	8.64	4.91	2.62	3.46
1960-70	4.00	6.19	3.87	3.99	3.77
1970-80	1.00	6.03	2.60	1.65	2.74
1980-89	3.87	0.63	5.26	3.17	4.38
1950-51 to 1988-89 Orissa	2.246	4.554	3.502	2.71	3.501
1950-51 to 1988-89 India	2.178	4.981	4.554		

The ratio of secondary sector to the Net State Domestic Product in fifties, sixties, seventies and eighties on an average were 8.23%, 11.97% 12.52% and 12.20% respectively. The corresponding shares of the manufacturing (registered plus unregistered) were, 5.73%, 7.96%, 8.90% and 6.97%. Thus, the share of the secondary and manufacturing sector after recording steady but slow growth in these consecutive decades, started decelerating in the eighties. The hectic efforts and wild propaganda made by the state government in the last decade donot seem to have produced desired result. Rightly Patnaik observed "Immitative and thoughtless policies to float as many industrial units as possible in the shortest possible time in a number game has not succeeded in taking the state very far on the part of industrialisation during eighties" (Patnaik S. C. 1988)

The poor health of the Industrial Sector is reflected by the sick units. During 1973-74 and 1977-78, 30 to 42 percent of the total factories were closed. The Reconstruction Division of OSFC found that in 1986-87, 985 industrial units in Orissa were sick and the number increased to 1331 in 1990 (R.K. Panda and R.K. Meher 1992 and Tripathy 1990). Directorate of Industries, Orissa, identified 1485 units sick as on 31.3.1988. The number of SSI units becoming sick in Orissa between 1979 and 1988 increased from 772 to 8092 that is by 10.26 percent against 880% increase in sickness in the country.

7. Causes of Disheartening Trend :

The state government has set up number of special Institutions like OSFC (1956) IDC (1962) OSIC (1972) IPICOL (1973) IDCO (1981) Industrial Estates (1958-59 on ward) to promote Industrial development in the state. The government for the first time passed an Industrial policy resolution for the state in 1980 and in subsequent years (1986 and 1989) modified Industrial policies to accelerate the process of industrialisation. Yet, the results have been far from satiafactory. Why ? Answer to this question has to be sought in the very nature of the industrial planning and its implementation in the state.

To examine the nature of industrial planning we studied the linkage between sectors, primary sector, tertiary sector and finance and real sector on the one hand and manufacturing sector on the other hand. To find out the degree of relationship between various sectors, we have tried to calculate a correlation matrix as follows :

	X_2	X_3	X_4	Y
X_1	0.974	0.977	0.940	0.890
X_2	—	0.956	0.890	0.850
X_3	—	—	0.9461	0.927
X_4	—	—	—	0.851

Here all the correlation coefficients are found to be positive. The manufacturing sector is positively correlated with all other sectors of the economy when viewed independently. But when we take an integrated picture of the economy we notice a different result. It is done with the help of a multiple regression exercise.

In order to examine the linkage and variation of the manufacturing sector Vis-a-vis other sectors of the economy, a multiple regression model of the following type has been adopted :

$$Y = a_1 + B_1X + B_2X_2 + B_3X_3 + B_4X_4$$

Where:

Y = NSDP from both registered and unregistered units of the manufacturing sector

X_1 = NSDP from the non-manufacturing sector

X_2 = NSDP from the primary sector

X_3 = NSDP from the tertiary sector

X_4 = NSDP from the Finance and Real Estate Sector

The regression results obtained from the empirical exercise is consolidated in the following equation :

$$Y=101.4361+1.0228\,X_1-2.1426\,X_2+1.6970\,X_3\;0.7014\,X_4$$
$$(0.969)\qquad(0.858)\qquad(0.322)\;-\;(0.342)$$

$R^2=0.89$, $R^2ad_1=0.877$, $F=68.7472$ (df 4, 34)

From the above equation the following picture is observed :

(1) There is very high degree of correlation between the manufacturing sector and other sectors of the economy. From the correlation matrix it is seen that all the correlation coefficients are statistically significant.

(2) The independent variables, finally selected for studying the extent of variation in the manufacturing sector contributes to 89% of the variation in the manufacturing sector. It means 11% of the fluctuation in the manufacturing sector remains unexplained by these variables.

(3) Though the correlation coefficients are found to be positive, all the regression coefficients are not positive, the regression coefficients of B_2 and B_4 are negative. It means the growth of the manufacturing sector is inversely related to the growth of primary sector and finance and real estate sector.

(4) The value of B_1 and B_4 are positively significant; it means that the growth of manufacturing sector is directly and positively related to the growth of tertiary sector and non-manufacturing sector.

(5) The growth of primary and F.R. sector has not contributed to the growth of manufacturing sector. B_2 and B_4 are negative.

Hence it reveals that there is no direct linkage between the primary & F.R Sector on the one hand & manufacturing sector on the other.

This may be attributed to the fact (a) that agricultural sector's performance was very much fluctuating (c) that the types of industry developed during the period were less agrobased and consumption-demand-based and (c) that the industries developed produced output most of which had market outside the state or the country (NALCO to H.S.L., HAL etc.)

Our failure to forge proper link between the primary sector and secondary sector, more particularly between agriculture and industry coupled with the slow growth of agriculture partly accounts for the slow growth of industrial sector in eighties. Of the total fixed capital invested in 1980, agro-based industries accounted for only 6.4 percent while iron and steel and metal industries acconuted for 33.9% and machinery and manufacturing accounted for 43.6%. Thus in the state Orissa the pattern of industrial development is such that its direct impact on agriculture or the other way round is bound to be low (B. Sahoo 1987). Sujiro Urata in a study of 14 countries found that in large economies the major impetus of output growth came from domestic demand expansion. (VIII The world congress-1988)

Plantation crops and cash crops have high forward linkage. In Orissa foodgrains account for 70% of total agricultural output and cash crops are raised only in 12% of the total cropped area. Intensity of cultivation is low. Hence, agricultural sector has been able to support industrialisation neither directly by providing agrobased industries with inputs nor indirectly by purchasing industrial products (Padmaja Mishra : 1987)

Widespread and growing industrial sickness due to improper project planning, entry of unmotivated and inefficient entrepreneurs, and infrastructural bottlenecks, particularly shortage of power (to the tune of 43%) point to the improper implementation of the industrial policies (Panda and Meher, Tripathy, Pattanaik).

3. The Future

The future of industrial development of the state poses a challenge and sets us to rethink on the line of development. It is an ofn-repeated statement that Orissa is rich in mineral and forest resources which need proper exploitation creating wide scope for industrial development.

The mineral based industries require huge capital which neither the state nor the private individuals in the state can afford to invest. Hence, the need for collaboration with the central government or any developmental agencies and industrial houses outside the state or the country for setting up of new industries. But while collaborating with other agencies, the long-run interest of the state has to be kept in mind upper most. "Among the various states, Orissa ranks fourth in respect of total mineral production after Bihar, West Bengal, and Madhya Pradesh. Mineralwise, it ranks first in production of manganese ore, chromite ore and dolomite raisings. In iron ore production it ranks close second to goa (IDBI—Industrial potential survey, Orissa 1973).

It is heartening to note that the present government is taking serious steps and evincing keen interest in establishing steel, aluminium and chemical industries at Daitari, Koraput, Bolangir, without spoiling the environment very much. We are now importing annually 2 million tons of steel costing Rs. 2000 crores of foreign exchange while exporting 35 million tons of crude iron. The need for the second steel plant in Orissa on SSC, therefore, cannot be overstressed in the national interest.

But while establishing heavy industries due attention has to be given to create proper climate for the generation of adequate spread effect. H.S.L. Rourkela, NALCO have not produced sufficient spread effect, backward or forward, because of not very encouraging altitude of the parent industries, the government and lack of entrepreneurship in the state. Ancillarisation, an imperative for industrial growth momentum has not made any headway. The Director of Industries of Orissa suggested to establish 279 ancillary industries around H.S.L. Rourkela and NALCO Plants. It is said that about 40 ancillary units could be set up around Angul and Damanjodi. Only 3 registered units have been set up in Koraput.

By-product and waste products coming out in huge quantity in form of red mud, flyash and lime grit can be used for producing valuable products. M/s. Dastur and Company Ltd. in its report 1988 suggested to set up fused alumina plant, chloride plant etc. (Kar, 1992). Extensive and intensive studies are needed for highlighting the prospect and problems of ancillarisation.

Our studies and the experience of other states and countries suggest that sustained and rapid growth of agricultural sector and sincere effort to forge a link between agriculture and industry are sine qua-non for steady and pervasive growth of industries. Punjab and Haryana without big industries but basing primarily on small scale industries have much higher place than Orissa in the industrial map of India.

Most of the consumer industrial products consumed in Orissa are imported from other states. The share of consumer goods industries in the total has drastically fallen in Orissa from 31% in 1965 to 19.3% in 1980. Steps may be taken to estimate demand for the consumer goods and supply of raw materials region-wise and promote right number of industries. A study reveals that the annual demand for textile product amounts to Rs. 565 crores. The demand is met by supply of textile goods valuing Rs. 286 crores to Orissa from outside (Sahoo, 1991). With the increase in percapita income the demand for the textile products is bound to rise in coming decade. Hence there is enough scope for expansion of textile industries, in handloom and factory sector, in future. There is also scope for establishinga number of industries based on forest products like sal seed myro balan extract, mahua flowers and tamrind. the establishment of forest based industries should be taken up after detailed survey of the actual availability and quality of the products. The scheme for afforestation and social forestry should be tagged to the possibility of having small forest based industries in the area.

With a coastline of 400 km & estimated fish potential of about 1.20 lakh ton a year, there is lot of scope for fish processing industries.

Various studies have referred to poor entrepreneurship development, lack of co-operation of financial institutions, official indifference, lack of managerial skill, inadequacy of marketing facility, lack of motivation as the factors responsible for slow growth of industries. "Lack of proper entrepreneurship capable of implementing and managing the projects based on locally available rawmaterials" is the most important factor for the backwardness of the state (IDBI).

The state has to take active role in developing entrepreneurship amongst the educated youth. In a developing economy at various stages of its growth, the state has to play some positive role by way of giving protection, encouragement and assistance. "Liberalisation with protection" as Dr. Okita pointed out is the need of the day. The undue stress given now on liberalisation and public sector disinvestment may act as a damper to the industrialisation move.

Efficient and impartial administration along with proper, scientific and objective perspective planning for maximisation of social welfare is an imperative for rapid industrial development. The state is now fortunate to have a visionary dynamic and extremely patriotic Chief Minister. But the ideas, inspirations and enthusiasm emanating from the leader have to be channelised to the people through proper institutional changes involving people's participation in actual planning.

The strangle-hold of the bureaucracy and unimaginative and populist approach of the most of the political leaders of the state have to be removed. No more the state suffers from the lack of managerial, technical and skilled manpower. But unfortunately the class and social structure of the state is such that some privileged persons belonging to the higher echelon of the bureaucray and political setup do not take free but right thinking academics and specialists into confidence.

If this illiberal attitude does not undergo change, governmental efforts at rapid industrialisation of the state may not bear fruit. Right man in right place is the most important pre-requisite of plan-achievement.

It is heartening that a move has been made to restore panchayati raj. With decentralisation of administration, decentralised and area planning should be undertaken in right earnest. It is only through the overall growth of the economy and upliftment of the condition of the common man that a rapid & sustained stride in industrialisation can be effected.

The state has potential for rapid industrial development, the people are restive, the youth are bubling with energy. Promises have been and are being made. But to what extent the promises will flower into reality will depend upon the sincerity, honesty and progressive attitude of the administrators and involvement of the people. *

REFERENCES :

1. Central Statistical Organisation, Govt. of India—Annual Survey of Industries 1986-87.
2. Directorate of Economics and Statistics, Orissa—Estimates of State Domestic Product 1950-51 to 1988-89.
3. Annual Survey of Industries, Orissa, various years.
4. Patnaik S. C. (1988)—Industrial Development in a Backward Region, Ashish Publishing House, New Delhi.
5. Panda R. K. and Meher R. K.—Industrial Sickness : A study of small scale Industries, Ashish Publishing House, 1991.
6. Mishra Padmaja, 1987—"Interdependence between Agriculture and Industry" in Orissa in perspective, (ed) B. Sahoo.
7. Kar, N. C. 1992—Scope of setting up various Industries around NALCO Project Areas—Unpublished project report NCDS.
8. Sahoo Basudeb 1987—"Agriculture Industry Syndrome : A case study of Orissa" in Orissa in Perspective, (ed) B. Sahoo.
9. IDBI, 1973—Industrial Potential Survey Orissa—Report of Study Team.
10. CMIE—Basic statistics relating to the Indian Economy Vol. II states, Sept. 1991 Tables 9.6 to 9.8.
11. Tripathy, B. 1990—Industrial Sickness in Orissa : A case Study—An Unpublished M. Phil Dissertation.
12. Sahoo Basudeb—Productivity of large scale and medium scale Textile Industries in Orissa—An Unpublished Project Report NCDS.

* Mangaraj Lecture delivered at the Annual Conference of the Orissa Economics Association in February 1992.

ECONOMICS OF PRIVATISATION : A SHIFT FROM NEHRUVIAN PLAN PERSPECTIVE

Private and Public Sector Manufacturing in Orissa : an evaluation of growth & performance

Subas C. Kumar
Lecturer in Economics,
Nimapara College, Nimapara (Puri)
Dr. Kumar B. Das
Reader in Economics, Dept. of A & A Economics,
Utkal University, Vani Vihar, Bhubaneswar

In post independence period, for ensuring distributional justice and rapid economic growth, the role of markets, incentives and private enterprises was undermined and much emphasis was given on the public sector in the frame work of mixed-economy and democracy. Popular belief in early days of planned economic development was in favour of state and its control in the sphere of investment and production, interalia, to control the economy, to reduce regional disparity, to generate potential employment, to curb private monopoly practices and to provide equitable justice to the people. It is the public sector which has been instrumental for rapid industrialisation and development of infrastructure in the country during and after Nehru till date. Thus the public sector is just not an industry but it is an article of public faith. But quite recently, many sweeping criticisms such as 'inefficient', 'lossmakers' 'and' a social burden', etc. have been levelled against the performance of public sectors. In particular, the persistent loss incurred by the public sector over the years has been met at high social cost which resulted in price spiralling in the economy.

Thus, whether the functioning of public enterprises (PE) should be in conformity with 'cost minimisation' or 'profit maximisation' principle given the level of output, employment and growth rate etc. has all along been a controversial issue because most of the PE have been assigned to render utility services and to produce basic inputs even at losses which in turn are used by the private sector and thereby, making enormous profit. However, the present crisis which is seen in public sector owes mostly to the motivated political directions and inefficient administration. Further, its utility services are far from the profitability considerations making the sector commercially unsuccessful.

In the face of present fiscal imbalance, private sector has been gaining popularity as the 'problem settler' for its clearly defined objective, i. e. 'profitability'. It is worth mentioning here that in the past, many sick units of private sector were brought under the control and management of public sector.

With regard to the extent of industrialisation, what is true of India in comparison to other countries of the world, is also true for Orissa vis-a-vis other states in India despite its vast mineral, forest, agricultural marine & esources. It is only in the 2nd Five Year Plan, Orissa could start its process of industrialisation giving emphasis on massive public sector investments. In 80's a great change in the industrial scenario has been observed. The change is clearly reflected in the mushroom growth of manufacturing units. But mere multiplication of units during a period of time can not be taken as a true index of industrialisation unless they have positively contributed towards creation of employment opportunities for the unemployed millions for whom each day being a hard struggle for survival. Three successive Industrial Policies, (1980, 1986 & 1989), of the Government of Orissa have given a boost to the industrial movement in the state. This is perhaps due to concessions, relaxations and subsidy provisions in the policy. Moreover, establishment of NALCO and PPL in 1980s have opened up the ways for ancillarisation and further industrialisation in Orissa.

This paper, however does not enter into the controversy 'for or against' the privatisation of PE in the perspective of restoring today's fiscal imbalance and development. On the other hand, it makes an empirical probe into the growth and performance of both private and public sectors in an economically backward and industrially less developed state, i. e. 'Orissa' for the discussion by the policy makers for future planning perspectives.

1. 1. Objectives, Data and Methodology :

This paper makes an empirical exercise to ascertain the pattern of growth of private and public sectors in the organised factory sector of the state economy of Orissa. The study is based on five fold criteria of the number of factories, productive capital invested, employment generated, value of output produced and value-added. The data for the study are confined to the organised factory sector and pertain to the period 1973-74 to 1984-85. For no other reasons but due to non-availability of data, the year 1984-85 has been selected as the terminal year of the study. The data have been collected from ASI for different years published by Directorate of Economics & Statistics, Govt of Orissa.

In order to study the growth pattern linear trend model of the following type has been fitted to the data.

$Y = a + bt$, where Y is the dependent variable, t – is the time (independent) variable, a—is the constant and b—is the slope-coefficient. The growth rates of various selected parametres have been quantified from the 'exponetial trend' as follows.

$Y = ab^t$, where Growth rate $(Gr) = (b-1) \times 100$. Other measures like percentage and COV have been employed in respect of selected variables to compare the variability and to assess the future prospects of sectors in the state economy of Orissa.

A part from this aspects like NSDP, NSDP from manufacturing, Gross Domestic Capital Formation (GDCF) have been taken into consideration to draw a meaningful conclusion regarding the performance evaluation of private and public sectors.

1. 2 Growth Pattern :

The growth of any sector is an important dimension which involves an expansion of output & employment and gives impression of economic viability and future prospects. The growth of sectors is reflected in their respective factor productivity, intensive use of labour time, better methods and a conducive Govt. Policy. The growth impulses generated in one sector is diffused to other sectors through the linkage effect. However different variables such as number of units, capital invested, employment generated, output-produced, and value added over time can be analysed to have an insight into the pattern of growth and performance of any one sector.

1.2.1 Growth of Manufacturing Units :

The growth of manufacturing units under private and public sectors are presented in Table—1. It is seen that in the Year 73—74 there were 891 units in total in organised factory sector out of which 692 units were under private sector (i. e. 77.7%) and 83 units were under public sector (i. e. 9.3%). The number of units within a span of twelve years have increased to 978 (i. e. 77.1%) and 140 (i. e. 11.0%) in private and public sectors respectively.

TABLE—1

GROWTH OF UNITS (in Nos.)

Year	Private Sector	Public Sector
1973-74	692 (77.7)	83 (9.3)
1980-81	855 (75.7)	133 (11.8)
1984-85	978 (77.1)	140 (11.0)

Private Sector

COV = 16.57%

$U = 560.36 + 36.67t$

Gr = 4.7%

Public Sector

COV = 22.56%

$U = 68.682 + 6.895t$

Gr = 6.79%

Figures in parenthesis represent percentage share in the total units

Source : ASI for different years, Directorate of Economics & Statistics, Govt. of Orissa.

The coefficient of variation estimated for growth of Units is found to be more i.e. 22.56% in public sector as compared to private sector i.e. 16.57%. The linear trend of units shows that the slope coefficients for both the sectors are positive. It is more (i.e 36.67) in private sector than in public sector (i.e 6.895). The respective growth rates of units are 4.7% and 6.79% for the private and public sectors.

1. 2. 2. Capital Investment :

Increase of units must be accompanied by adequate capital investment. Table-2 examines the growth of productive capital in both the sectors. It is observed that there is remarkable growth of productive capital in public sector as compared to private sector. While the public sector has accounted for 78.7% of the total productive capital, it is only 10% in case of private sector in the year 1984-85. The degree of variation in capital investment is more in public sector since COV is 40.50%, which is more than the COV of capital investment in private sector i.e. 26.12%. Here also the linear trends of capital investment in both the sectors are found to be positive. The intercept and the slope coefficient are the lowest in private sector. This show the lumpiness of capital investment in public sector. The respective growth rates of capital investment in private and public sectors are 6.8% and 12.55%. Thus, the capital investment in public sector has increased twice the growth of capital in private sector.

TABLE—2

GROWTH OF PRODUCTIVE CAPITAL (in Rs. Crores)

Year	Private Sector	Public Sector
1973-74	85 (15.8)	442 (82.4)
1980-81	160 (13.4)	968 (81.2)
1984-85	201 (10.0)	1578 (78.7)

Private Sector

COV = 26.12%

$K = 71.348 + 8.587t$

Gr = 6.8%

Public Sector

COV = 40.50%

$K = 234.303 + 105.864t$

Gr = 12.55%

Figures in parenthesis represent percentage share in the total productive capital invested.

Source : As mentioned in Table—1

1. 2. 3 Employment Generation :

In the face of population pressure, massive unemployment and stagnancy of the primary sector, creation of more employment opportunities must be the motto of all Industrial enterprises, since industrialisation to provide work for growing population is only the solution. Thus, industrial enterprises should create employment not for its own sake but for the gainful employment. The growth and efficiency of an enterprise irrespective of ownership can be assessed in terms of growth of employment. Despite repeated emphasis on employment generation in several plan documents, employment generation did not form an integral part of planning strategy in the country.

TABLE—3

GROWTH OF EMPLOYMENT (in thousands)

Year	Private Sector	Public Sector
1973-74	40 (39.2)	58 (56.9)
1980-81	50 (37.3)	66 (49.2)
1984-85	41 (29.7)	80 (57.9)

Private Sector

COV = 9.05%

N = 39.424 + 0.639t

Gr = 1.47%

Public Sector

COV = 11.69%

N = 51.606 + 2.073t

Gr = 3.17%

Figures in parenthesis represent the percentage share in the total employment generated by the factory sector.

Source : As mentioned in Table—1.

Table—3 reveals the pattern of growth and the percentage of employment of the private and public sectors in the total employment generated by the organised factory sector of the state during the period of reference. In the terminal year the manufacturing units under private sector have given employment to 41 thousand of people which come to about 29.7% of the total employment. In the public sector, on the otherhand, 80 thousand of people are found to be employed i.e. 57.9% of the total in the same year. The respective COV in growth of employment are 9.5% and 11.69% in private and public sectors. The linear trend slope coefficient shows that there is a negligible growth of employment in both the sectors. While the rate of growth of employment is 3.17% in public sector, it is only 1.47% in case of private sector. It may be pointed out here that the capital intensity of investment has increased significantly as the rate of growth of capital investment is much more than that of employment of labour.

1. 2. 4 Growth of Output :

Without entering into the controversy whether 'output' or 'value added' is to be taken as the true index of economic efficiency, the present study measures the growth of output and value added both in private and public sectors. The values of output produced by private and public sector manufacturing units are Rs. 119 crores and Rs. 166 crores respectively (Table-4) in the year 1973-74. They have increased to Rs. 431 crores and Rs. 1099 crores respectively in the terminal year.

TABLE—4

GROWTH OF OUTPUT (in Rs. Crores)

Year	Private Sector	Public Sector
1973-74	119 (39.8)	166 (55.4)
1980-81	335 (32.4)	603 (58.4)
1984-85	431 (25.2)	1099 (64.3)

Private Sector

COV= 34.81%

O=97.151+25.413t

Gr= 11.02%

Public Sector

COV= 48.17%

O=60.076+73.822t

Gr= 16.69%

Figures in parenthesis represent the percentage share in the total value of output produced by the organised factory sector.

Source : As mentioned in Table-1.

But the share of private sector units in the total value of output shows a declining trend. It has declined from 39.8% in 1973-74 to 25.2% in 1984-85. Conversely, the share of public sector has increased from 55.4% to 64.3%. Once again the COV of output in public sector is found to be more (i. e. 48.17%) than that of the COV (i. e. 34.84%) in private sector. In both cases the linear trend has registered a positive trend. The respective growth rates of output are 11.02% and 16.62% in private and public sectors.

1. 2. 5 Growth of Value Added :

The net value-added by manufacturing is a theoretically more revealing measure of output. It shows relative contribution to the Net State Domestic Product (NSDP) and thereby, becomes a measure of resource allocation.

TABLE—5

GROWTH OF VALUE ADDED (in Rs. Crores)

Year	Private Sector	Public Sector
1973-74	33 (37.5)	51 (57.8)
1980-81	70 (33.2)	127 (60.2)
1984-85	73 (21.5)	224 (66.1)

Private Sector

COV = 22.11%

$V = 35.212 + 2.762t$

Gr = 5.40%

Public Sector

COV = 43.50%

$V = 35.561 + 13.350t$

Gr = 13.86%

Figures in parenthesis represent the percentage share to the total.

Source : As mentioned in Table-1.

In Table—5 it is noticed that the value added by manufacturing in the Private sector has increased from Rs. 33 crores in 1973-74 to Rs. 73 crores in the terminal year. But its share in the total has gone down from 37.5% to 21.5 % during the same period. The share of public sector units in the total value added has gone up from 57.8% to 66.1%. The linear slope coefficient estimated for value added in the private sector is 2.762 which is quite negligible. It has increased at the rate of 5.40% per annum. It is the public sector which has added value to the state income at the rate of 13.86% per annum.

1. 3 Contribution to NSDP & Gross Fixed Capital Formation :

There is no grain of doubt that capital is the core of economic development which is in turn a diversion of part of the societies' current income (resources) to the purposes of increasing the stock of capital goods for an expansion of consumables in future. In fact increase in capital formation leads to further increase of national income, employment and the pace of development at large. In a welfare state, the primary motive of a progressive Government to see that there is growth of domestic capital formation in order to ensure high level of income, employment and welfare to the people at the National as well as at the state level.

TABLE—6

SHARE OF PRIVATE AND PUBLIC SECTORS IN NSDP

(From manufacturing)

Year	NSDP (in crores)	Private Sector (%)	Public Sector (%)	TREND & GROWTH RATES
1973-74	116.17	28.40	43.89	NSDP (Manufacturing) = 116.677 + 16.0395t Gr = 8.15%
1980-81	235.86	29.68	53.84	(Private Sector) Share = 29.038 − 0.6358t Gr = −2.51%
1984-85	343.64	21.24	65.18	(Public Sector) Share = 36 898 + 2431t Gr = 5.28%

Source : Estimates of GDFC Formation in Orissa,
Directorate of Economics & Statistics, Govt. of Orissa.

Thus, in this section an attempt has been made to estimate the respective contributions made by the private and public sectors to the NSDP and to the Gross Domestic Fixed Capital Formation (GDFCF). In Table—6 it is observed that the contribution by the private sector in the NSDP (from manufacturing) is negligible, fluctuating and showing a declining trend. In the terminal year the share is little above 20%. The negative slope coefficient further substantiates the fact that the contribution by the private sector to the state income is declining. It has declined at the rate of −2.51% per annum. But conversely, the share of public sector has increased and shows a rising trend. The slope coefficient and the growth rate are 16.0395 and 5.28% respectively.

Similarly, Table—7 reveals the trend of GDFCF by the private sector and its share in NSDP. Though GDFCF has increased at the rate of 31.62% but its share in NSDP has registered an increase of 18.06%.

TABLE—7

SHARE OF GROSS DOMESTIC FIXED CAPITAL FORMATION IN NSDP

Private Sector

Year	G.D.F.C.F. (in crores)	N.S.D.P. (in crores)	% of GDFCF to NSDP
1973-74	7.33	1620.82	0.45
1980-81	13.93	3095.76	0.45
1984-85	99.37	4741.30	2.09

TREND & GROWTH RATES

GDFCF $= -29.4914 + 11.2525\,t$

Gr $=$ 31.62%

Share of GDFCF in NSDP $= -0\ 1068 + 0.2110t$

Gr $=$ 18.06%

Source : Estimates of Gross Domestic Fixed Capital Formation in Orissa, Directorate of Economics & Statistics, Govt. of Orissa.

1. 4 Conclusion :

The major findings of the study may be summarised as follows :

(1) Respective growth rates of all five selected variables are found to be more in case of public sector than in private sector. Thus we may accept the hypothesis that the industrial progress in Orissa whatsoever achieved in between 1973-74 to 1984-85 is largely due to the growth of public sector. The industrial development under private sector is quite unsatisfactory.

(2) The rate of growth of capital investment in both the sectors is found to be more than the growth rate of employment. As a result, there is a fall in average employment per unit of capital invested and hence, there is rise of capital intensity in both the sectors.

(3) Performance of private sector has been quite dismal. While capital investment has increased by 6.8% per annum, the level of employment has gone up by 1.47%. Similarly, the growth of net

value added (5.40%), has remained below the growth of capital invested. This shows that the private sector has neither succeeded in generating sufficient employment opportunities nor increased the level of state income. Therefore, given the present economic environment the emerging prospects of private sector do not seem to be very bright in coming decade in Orissa.

(4) It is regrettable to observe that the private sector has negatively contributed to NSDP (from manufacturing sector). Its share has declined at the rate of −2.51% per annum within the period of twelve years i. e. from 1973-74 to 1984-85. On the otherhand the share of public sector has increased more than 5% per annum. However, Gross Domestic Fixed Capital Formation in private sector as a percentage to NSDP (State Income in total) has been growing at the rate of 18.06%.

(5) A similar trend is noticed in the performance of the bublic sector. Capital investment in this sector has registered a growth rate of 12.55% whereas the level of employment has increased only by 3.17% within the entire period of reference. It is worth noting that the growth of capital investment in public sector is twice to that of private sector.

Thus, it may be safely concluded that neither the private sector nor the public sector in Orissa has been able to realise the objectives of planned economic development. It is true that the issue of privatisation is being driven by a spirit of reaction to at least three decades of experience with the performance of public sector, not only in India but all over the world. The case for public ownership rests on allocative efficiency and the case for private ownership rests on incentives and constraints that the market provides to promote efficiency, which is synonymous with cost minimisation or profit maximisation. In India, the case for privatisation in the recent year has become more prominent with the structural adjustment of the Fiscal System, which relates essentially to the industrial segment of the Indian economy and in terms of the associated conditionalities of the World Bank. One of the conditions of IMF is to "privatise the public sector and leave the market demand to determine the pattern of investment and output".

But in India one cannot afford to forget that there are many "supply-side bottle-necks" which have to be removed only by deliberate long-term planning. The existing resources cannot be readily converted into foreign exchanges without inflicting heavy costs to the society and by some quick means. We should not throw the baby with the bath water in our excitement about the new economic thinking. We still need a sizeable public sector and a careful multi-objective and multi-level planning. There is ample scope for the coexistence of both public sector and private sector. We need an reorientation and reshaping but not a wholesale retreat.

REFERENCES :

Mishra, Bidyadhar, (1988), The Public sector in India, *Orissa Economic Journal*, Vol. XXI, No. 1 & 2, PP. 2-17.

Iyer, Ramaswami, R., (1991), Economic Policy Reform; Mindsets Old and New, *Economic & Political Weekly*, Vol XXVI, No. 52, Dec-28, PP. 3011-14.

Pattanaik, S. C., (1988), *Industrial Development in a Backward Region*, Ashis Pub. House, New Delhi.

Dholakia, B. H., (1986), *Public Enterprises in India, The Focus on Researchers, Performance Evaluation of Public Enterprises : Some issues relating to Evaluation Criteria and Information needs*, Himalaya Pub. House, Bombay.

Patel, I. G., (1992), New Economic Policies : A historical perspective, *Economic & Political Weekly*, Vol XXVII, No. 1, Jan 4-11, PP 41-46.

Chandra, N. K., (1991), Growth of Foreign Capital and its importance, in Indian Manufacturing, *Economic & Political Weekly*, Vol. XXV, No. 11-12, Annual Number.

Swaminathan, P., (1991), Industrial Policy Statement missing Dimensions, *Economic & Political Weekly*, Vol. XXVI, No. 39, Sept. 28.

Ray, Amal, (1992), New Economic Policy and Industrial Federalism Economic & Political Weekly, Vol. XXVII, No. 4, Jan 25, PP 147-48.

Leela, P., (1982), Role of Public sector in Indian Fertiliser Industry, *The Indian Economic Journal*, V. 30, Oct-Dec, No 2. PP1-16.

Privatisation and Public Sector Reforms in India

"Socialism would be sent back to the National Museum Library from where it had originally been picked up by Karl Marx."
—Mrs. Margaret Thatcher.

Dr. K. K. Sen.
M.A. (Eco.) (Pol.Sc), Ph.D.
Reader, M. P. C. Ev. College, Baripada
Mrs. U. Pujari,
Lecturer, Udala College, Udala

Once upon a time socialism was the most pervasive economic ideology, the most vocal political slogan. During the decades following the Second World War the global advance of socialism had been quite dramatic and unprecedented. However during the Seventies the interest in socialism gradually declined. Instead, since the 1980s the idea of privatisation has been gaining in popularity. Today privatisation has been sweeping through the countries, both in the developed as well as the developing world. In India also a public debate is continuing on privatisation and the extent to which it should be adopted. In this context, we propose to discuss certain issues involved in this controversy.

Privatisation : A World wide Phenomenon

Privatisation today has become a world wide phenomenon. It has been popular in the market as well as non-market, developed as well as developing economies alike.

Privatisation in the modern sense originated in England under Mrs. Margaret Thatcher. When Mrs. Thatcher assumed power in 1979, England was afflicted with unemployment, inflation, labour militancy and declining productivity. In place of a socialist welfare state she decided to establish a strong free market economy. Consequently, one after another, she privatised British Petroleum, British Airways, British Telecom, British Gas, British Steel, Jaguar Cars and many more. Ultimately she sold away 57 billion Pound worth of State owned companies. After privatisation these companies became highly competitive, profitable and prosperous.

France under the right wing government began privatisation in 1986. Since then she has adopted privatisation on a wide field of economic activity. In Germany privatisation was adopted in industry, transport and banking services. In other Eurpean countries like Spain, Netherland, Sweden and Finland etc. also experiment with the privatisation process has started. Italy has already sold the state airline 'Alitalia' to the private sector Austria has privatised about 200 loss making PSUs. In Japan also private share holders control the country's telephone system and national railway.

In the developing world also privatisation programme has been pursued through a variety of ways. Brazil under the crushing burden of foreign debt has drawn up privatisation programme on a large scale. In other Latin American countries such as Chile, Mexico, Peru, Costa Rica, Argentina, Guatemala, Honduras etc. privatisation has been proceeding with great speed. Some of the African countries such as Tanzania, Togo, Swaziland in course of time discovered that the nationalised industries led to an increase in public debt, volume of subsidies and other vices. To they started denationalising many of their Public enterprises.

In South East Asian Countries such as Malayasia, Korea or Thailand etc. privatisation phenomenon is becoming increasingly popular. In the neighbouring Bangladesh more than 600 state companies have been privatised. In Srilanka, the telecommunication system and the transport system etc. which were state monopolies earlier have been privatised. Nepal has decided to privatise Royal Nepal Airlines. Later on there is a proposal to denationalise the country's power supply, telecommunication and food corporations.

The cases of socialist world comprising U. S. S. R and East European countries are well known. They have all sacrificed socialism in favour of market economy. Even in China, there is also a move to privatise some of the public enterprises.

The process of privatisation in India began with the liberalisation measures introduced by Mr. Rajiv Gandhi in 1985. During 1990 and 1991 several measures, both explicit as well as subtle were adopted to facilitate privatisation. Five chronic lossmaking units have been handed over to workers' co-operatives. Already shares of 31 PSUs have been disinvested. There is a proposal to offer about 35 percent of the equities of the Air-India, Indian Air lines and Hotel Corporation of India to the employees and the public. Coal industry has been asked to become commercially viable. The government proposes to withdraw budgetary support from next year.

The centre is thinking of allowing the private sector to set up telephone companies. Calcutta Telephones was cited as a good case for privatisation. Besides the government has decided to allow the entry of the private sector into such value added areas as cellular mobile services, radio paging and remote area message net work for exchange of data.

The Electricity Laws (Amendment) Bill was passed in Sept. 1991 to widen the scope of private sector participation in power generation. In fact the private sector has already offered proposals to produce 24,500 MW of power.

Factors Popularising Privatisation in India

In the initial years of planning the public sector enterprises reflected the role of state as entrepreneur. Later on they assumed the role of nursing the sick enterprises from the public sector. In course of time the public sector assumed various other additional responsibilities, such as promotion of foreign trade (through the S.T.C. or M.M.T.C.), commodity price stabilisation (Jute Corporation of India) and Stabilisation of food economy (F.C.I.). Banks were nationalised during the 1970s. Thus the earlier view was that the public sector had a strategic role to play, in backward economies. But in the 1970s a "populist" demand surfaced which led to the spread of the Public Sector even in the non-strategic areas. Gradually the Public Sector became not only omni-potent but also omni-present. The sector became unmanageably vast. In 1989-90 in 233 central Public enterprises more than 23 lakh employees were working. The gross capital employed was Rs. 84,400 crores.

But these units suffered from a number of problems, such as lack of co-ordination and supervision, undue ministerial and political interference, lack of competent and professional management, excessive bureaucratic control, misuse of trade union power, low capacity utilisation and surrender to irresponsible trade union pressure. This resulted in poor efficiency, productivity and profitability. In 1990-91 public sector profit amounted to only Rs. 3781 crores on a total capital employed of Rs. 99,315 crores. Over the period 1960-61 to 1988-89 net profits after tax averaged only 1. 6 percent of total sales. The grossly unsatisfactory performance of the PSUs has been an important reason for the popularity of privatisation principle.

Secondly, the loss making PSUs have been a drain on Govt. resources, contributing to its budget deficits. The government intends to reduce the fiscal deficit to the targeted figure of 6·5 percent of the gross domestic product. As uncertainty prevails over mobilising resources from other accounts the government plans to mop up resources by dis-investment. By January 1992 an amount of Rs. 2000 crores has been mopped up through this method.

Thirdly there is a growing feeling in the society that public sector investments probably had a justification in the initial years of planning for building up infrastructure in areas where private sector was incapable or unwilling to undertake responsibility. But the situation has vastly changed during the last four decades. In terms of investible capacity or managerial capability, the private sector in India is quite well-equipped to undertake responsibilities. Hence the private sector should play an ever increasing role in the economic life.

Fourthly, the World Bank and the I.M.F. etc. have been pressing for privatisation in developing economies. The World Development Report 1990-91 concludes that countries with a "market friendly" approach to development have in fact developed faster than countries which sought to bring about economic development through "interventionist Policies" by the state. So the Report advises that state intervention should be restricted to areas such as health, education and infrastructure etc.. The private sector should be given the responsibility for production activity based on market demand.

Besides certain socio economic changes took place in the country which went unnoticed. The number of the "middle class" swelled to 200 million. Their demand for items of conspicuous consumption went up. A 'Consumerist Society' developed in the country. There was a change in the value system During the Eighties the "get rich quick" mentality permeated in the social fabric. The work culture suffered. Tha first casualty naturally was the Public Sector enterprises where an irresponsible work force got everything it demanded. All these sapped the vitality of the PSUs and added to their chronic sickness and mounting losses.

Privatisation No Panacea

Privatisation has been a great success in the capitalist market economies. But in the developing economies it has often led to stagflation, lowering of savings rate and imbalance in investment in priority and non-priority areas and inflation etc.

Hence it is worthwhile to analyse the justifiability of privatisation.

There is an attack on the PSUs on the ground of inefficiency. The private sector on the otherhand is made to appear as a Paragon of efficiency. But in overall terms, the technological and economic performance of the public sector is not vastly different than that of the private sector. According to a recent study the relative efficiency of the private corporate sector as compared to the non-oil public sector is illusory, since it is based on very different norms of estimating returns investment. Due to difference in the strategies of capital structuring the private sector may show superior financial performance. It does not mean a better productivity of capital.

Besides the argument that the private sector is more efficient than the public sector is not necessarily correct. The R.B.I. statistics on industrial sickness reveal that the fastest growth of sickness is not in the public sector but in private sector. By 1990 there were more than 2.5 lakh sick units in the country, almost all in the private sector.

Evaluating PSUs on the basis of profitability alone is not proper. A private unit has profit maximisation as the single objective. But an important feature of the Public Sector is the presence of "multiple objectives". The major objectives are self-reliance, industrialisation of backward areas, support and development of indigenous technology, employment generation, support to the small scale industries, model employers, creation of internal resources and profits. These objectives again could be conflicting. In presence of such multiple objectives, efficiency may often suffer. The public sector is also burdened with many sick units taken over from the private sector.

The actual performance of many PSUs may be much better than what is indicated by their accounts. This is often due to commercial accounting practices and capital structuring patterns adopted by these undertakings. On the basis of a statistical analysis, Prof. Ruddar Dutt in his presidential address to the I.E.A., in Dec. 1991 stated that there is no conclusive evidence to prove that the PSUs are less efficient than the private enterprises.

Privatisation has been a success in the U.K. and some other European countries. But in those countries, most of the privatisation has taken place in the services sector. In India privatisation will effect the manufacturing sector. Out of the top ten lose making units eight are in manufacturing. Unlike those countries again population growth in India is quite high. This highlights the urgency of employment generation and adequate provision of social services. To provide the minimum social needs, the public investment must be sufficient.

It is doubtful if in India market forces alone could influence investment decision and determine the pattern of production. For instance although remunerative prices influence the pattern of agricultural production, yet prices alone were not the sole determinants. As Arun Ghosh warns "a lot more is involved than mere pricing. Better seeds, irrigation facilities, fertilisers etc. have an important bearing on agricultural production.

It is true, in the Soviet Union and other socialist countries, the public sector did not succeed. But situation in those countries is different from that of India. C. H. Hanumantha Rao has very succintly analysed the significance of this difference on privatisation measures. First, those Socialist Countries were wholly planned economies, but India was already a market economy under overall planning. Second, those countries accorded a high priority on the evolution of technology but India excessively depended on imported technology. Third, liberalisation in those countries led to de-bureaucratisation as well as marketisation but in India liberalisation is taken for only marketisation. This leads to adverse social consequences in the economy due to highly unequal distribution of wealth and income. Lastly, unlike the socialist countries, in India a major problem before the government is to prevent exploitation of labour, as labour is particularly unorganised. Thus Hanumanth Rao concludes "if we have to meet our social goals comparable to what socialist countries achieved decades ago, our public investment has to be stepped up and not slowed down."

It is argued that privatisation leads to "people capitalism". In England after privatisation, about 20 percent of the British citizens have become owners of state enterprises. In India not even 5 percent of the population would be able to do so. The figure of 100-150 million middle income group people as potential investors is an exaggeration. In 1983 the investing population was only 3 million. Thus after privatisation the distribution of wealth and income in the economy may get more unequal. Moreover a survey of 361 companies indicated that in 1983 only 37.6 percent value of shareholding is accounted by individuals. Again 66 percent of the shareholding population comes from metropolitan cities and Ahmedabad. Hence any policy of the government to broadbase shareholding would be extremely difficult.

Privatisation also involves a gigantic human problem. For instance if out of the eighty odd lossmaking units, only the top 30 or so chronic loss makers are to be closed down, about 10 lakh employees have to be retrenched. The scooters India episode in 1986 and more recently the Dalla Cement Factory incident in U.P. prove that any attempt at privatisation may not succeed due to stiff workers' resistance. Due to the absence of a well-organised social security system in the country the workers would vehemently oppose any move for retrenchment or even compulsory retirement.

A recently released comprehensive report of the South Commission says that privatisation of PSUs in developing countries does not offer " across-the board" solutions: (a) In many cases privatisation may turn a public monpoly into a private one and the need to avoid private monopoly might have been the reason why public enterprises were set up at the first place. (b) "Efficiency of public and private sectors was correlated." Both were influenced by such factors as the dynamism of entrepreneurhip, the institutional mechanism for the use and allocation of resources and the nature of ths state itself" very often the efficiency of the private sector depends on the efficiency of the public sector, such as the production of basic intermediates, oil sector, power sector, Railway, Transport etc. (c) Privatisation may be "impractical or undesirable" in some sectors, particularly those of strategic importance for the development process. Each case therefore needs careful consideration both of the costs and benefits of alternative policies, the social role that the public sector is discharging and the capabilities of private enterprise within the economy.

Privatisation ultimately stands for a complete change in ideology. It also means that the government would no more perform some of the functions earlier performed by the state. Under the leadership of Pandit Nehru, India developed the tradition of a mixed economy. The concept of a paternalistic state is deep seated in the Indian Psyche. Privatisation stands for a complete anti-thesis to this dominant philosophy. To what extent the people will accept this sudden change is to be seen.

Public Sector Reforms :

In stead of dismantling the public sector enterprises lock, stock and barrel there is enough scope to revamp it. With suitable reforms efficiency in the public sector could be increased. In China drastic reforms have been carried out in the working of public enterprises, without exactly resorting to privatisation, which had a dramatic effect on the efficiency of Chinese public enterprises.

In India also the general opinion is that the public enterprises could improve their efficiency through greater autonomy in decision making regarding product-mix, in-put mix, investment pricing and labour management etc. In 1990 for example it was decided to reduce the number of guidelines issued by the Bureu of Public Enterprises from an astounding total of 800 to around 160. The number could still be brought down to a few dozens. There should be right rewards and incentives for the efficient workers. Similarly, the recalcitrant workers should be duly penalised. Union Minister Mr. P. A. Sangma has recently announced that the Centre has chalked out elaborate measures to restructure the public sector. Sri Venugopal Reddy has suggested that the PSUs must set to work on a corporate image. They should develop corporate strategies like collaboration with other enterprises, mergers, takeovers and diversification of ownership etc.

A time was there when "for the most effective and balanced utilisation of the country's resources the Public sector was assigned the commanding heights of the economy." The Second Five Year Plan categorically stated that major decisions regarding production, distribution and investment are to be made by the Public Sector. But today the private sector has become quite strong and vibrant. It must play an increasingly dominant role in the economy. To that end the role of the public sector should be redefined. It must withdraw from the manufacture of consumer goods, textiles or other services which could be more profitably produced in the private sector. Privatisation therefore should be adopted as a part of public enterprise reforms. It is reported that about 58 public sector units controlled by the union government were running at a heavy loss amounting Rs. 10,000 crores. These units should be privatised first. If the price is right and the right to retrench labour is given, there will be no problem in selling them away. In the future also the state should not take over any sick unit. The opposition parties and trade unions should stop playing a negative role. They are confusing the public about the exit policy. The government's total preoccupation with providing employment and job security has distorted the entire picture.

Conclusion :

The controversy between the public and the private sectors is not new in a mixed economy. But it is well known that these two sectors play a complementary role in promoting economic growth. While moving for privatisation this interdependence should be appreciated. In any case, the public sector can not be given a farewell in India. Privatisation should be a theraply to shed some extra unwanted fat that the public sector had accumulated over the years.

REFERENCES :

1. C. H. Hanumantha Rao, Public Vs. Private : Debating a non-issue, The Economic Times Feb. 27, 1991.
2. Ruddar Dutt, Presidential Address to Indian Eco. Asson, Dec. 1991.
3. P. Chattopadhyay, Central Government Enterprises, Facts for you, March 1989.
4. S. P. Murari, Privatisation in closed Economies, Indian Journal of Economics, April 1988.
5. Jiban K. Mukhopadhyay, The Privatisation Phenomenon, Forum of Free Enterprise.
6. Viren J. Shah, Privatisation. The Economic Times, Dec. 27-28'89.
7. Yojana Independence Day, November, 1991.
8. Sanjaya Banu, A Strategic Policy for the Public Sector. The Eco. Times 27 April, 1991.
9. H. D. Shourie, Privatisation : A Worldwide phenomenon, 23 May '91.
10. Y. Venugopal Reddy, Private Reforms of Public Enterprises. The Eco. Times 3 Nov. 1991.
11. H. T. Parekh, Mechanics of Privatisation. The Eco. Times, April 6, '91.
12. L. A. Rede, 'Privatisation' The Eco. Times' 4 April,' 89.
13. Arun Ghosh, Sick PSUs, The Eco. Times, Jan. 1, 1992.
14. Arun Kamath, Exit Policy, The Eco. Times Jan 6,' 92.
15. A. P. Parigi, Making Privatisation Meaningful, The Eco. Times. Nov. 6, 1991.

Privatisation : the Cause and the Fall-out

Dr. Kishor C Samal
Reader, P. G. Dept. of Economics
G. M. College, Sambalpur

Privatisation is a world-wide phenomenon. While a combination of severe budgetary constraints and a strong political commitment in favour of the private sector contribute significantly to the progress of privatisation in advanced countries, particularly of public enterprises in U.K. and of services in the U.S.A., the progress of privatisation of the public sector mostly in the consumer and capital goods industries in developing countries is modest and is taking place on the basis of recommendations of bilateral and multilateral aid agencies like IMF and World Bank for their project.[1]

I

Case Against Privatisation[2] :

Privatisation will not necessarily lead to substantial gain in productive efficiency where a unit is already working in a competitive atmosphere[3]. In India, public sector units like HMT and SAIL are working in a competitive market. If transfer of ownership leads to increased competition, it is argued, efficiency may improve, but the extent to which a market can be made more competitive is limited.

Moreover, the argument that privatisation of the PSU will improve efficiency is based on the biased assumption that the public sector undertakings in general are less productive. But are the PSU in general less productive than the private sector enterprises in India ? Do'nt the private sector units turn sick, as in the case of textile, jute and engineering industries ? According to a study[4] of World Bank which compiles information from 17 countries including India, productivity and ownership of enterprises are in no way related. Productivity in manufacturing depends on technology and economies of scale and not on ownership of enterprises.

In India, hardly 15 per cent of over 2600 listed scrips are traded daily on the Bombay Stock Exchange which account for nearly 70 percent of the total transaction in all the Stock Exchanges. Almost four-fifths of the business in Bombay are accounted for by the 80 scrips in the specified list. The lack of liquidity in an overwhelming large percentage of scrips is attributed mainly to lack of demand because of the poor performance of the companies concerned.[5]

There is a strong political and practical case as distinct from that based on the controversial grounds of economic efficiency—for the promotion of a market economy and privatisation.[6] Economic liberalisation and privatisation are seen as a way to regain government control of the fiscal accounts and the economy. The process of gaining fiscal control by reducing public expenditure to sustainable level and the subsequent liberalisation programme must inevitably entail either confronting the vested interests or buying them out.

It is argued that the transfer of ownership from the public to private sector will improve the financial position of the government. But this will be in the year of sale. In future years, their will be larger deficit due to loss of revenue in the form of remitted profit. The budgetary advantage of privatisation is likely to be minimal unless the sale of public enterprises leads to their improved performance and this improvement is reflected in their selling prices and in future tax receipts.

But this will be hardly realised in India. The Government has started disinvestment of PSU shares by selling not to the general public but to the mutual funds. In the first round the government had collected Rs. 1400 crores by selling shares of 31 PSUs. In the second round, the government has invited bids to mop up another Rs. 1200 crores by sale of equity of just 17 PSUs to public sector mutual funds. Thus, there is mutualisation or backdoor nationalisation of PSUs instead of pure privatisation.

The mutual funds have acquired these shares at very attractive prices.[7] For instance, in a particular package in the first round of disinvestment, the price of the share of SAIL has been estimated at a mere Rs. 15, while in the open market the equity share of TISCO fetches a price of Rs. 300 with a book value of mere Rs. 61.25. Similarly Bharat Heavy Electrical's share has fetched a price of only Rs. 38 in another packet while TELCO commands a market price of more than Rs. 275 when the book value of its share is less that Rs. 60.

Thus since the receipts by sale of PSU shares are comparatively very low, the budgetary advantage of privatisation is minimal. Similarly instead of improvement in tax receipts, the tax collection from the fully sold out PSU units may be nil; since private sector units avoid and evade taxes through various manipulation by taking advantages of flaws and lacunas in existing tax laws. For instance, top private sector giants in textile and engineering industries were not paying a single paisa of tax to the Government though their profit was very high. There were several other zero-tax companies who availed various types of concessions under the I.T. Act to avoid payment of tax.[8] Of-course there is a provision since 1986-87 central budget for compulsory tax on a minimum of 30% of book profit of companies.

Is privatisation necessary for loss-making PSUs ? There are also many private sector enterprises which are incurring loss even though adopting various dubious means including tax evasion and tax avoidance. The performance of private sector in India with its inefficiencies and with 2 lakh sick units does not inspire confidence in private managerial abilities either.

II

Privatisation Trend :

In spite of the above facts, there is a trend of privatisation in India. The Sengupta committee on public sector had not favoured the sale of share of PSU to the private parties or to the public. The SCOPE (Standing Committee Of Public Enterprise) was in favour of offering 4 percent of equity to employees of the organisation or public. The Working Group on the Development of Capital Market Under the Chairmanship of Abid Hussain has also advised the Government for the sale of shares of some big profit-making PSUs to public.

India is now resorting to privatisation not on the basis of various committees and commissions but on the basis of recommendation of IMF. The privatisation in India is in the form of (i) diminishing support to the public sector, (ii) joint venture of PSU with private sector (iii) selling shares of PSUs in the capital market, (iv) outright sale of PSU to private sector and (v) liberalisation of government control on various economic activities.

Privatisation of public sector is the most important condition of IMF for its assistance particularly to developing countries. Now this condition is vigorously followed after dismantling of socialist system in Eastern European countries as well as in U. S. S. R. Recently to satisfy the IMF condition, India has taken certain steps for privatisation of existing public sector undertakings.[9] Over 40 PSUs have been earmarked for disinvestmant. Three modes of privatisation of public sector undertakings are proposed :—viz (i) sale of share of profit making PSUs to public with a ceiling on the extent of such holding (ii) giving out management contracts to run loss-making PSUs on profit-sharing basis, and (iii) the auction of assets of chronically sick units and (iv) privatisation of manufacturing units and catering services in the railways.

Instead of directly selling share of viable PSU to public, the government have started process of transferring 20 percent of equity of the viable PSUs to mutual funds which in turn would list them in the stock exchange. The apparently non-viable PSU units will be closed down, as World Bank has assured to provide a structural adjustment loan to create a social safety net (National Renewal Fund) for the affected employees.

But the political feasibility of these steps is difficult since 22 lakh employees of PSUs will come to the streets. The fate of the new entrants of the sick PSUs is uncertain. As experience in U. K. shows, privatisation without a clear strategy is liable to create new monopolies without generating fresh investment.

Recently, the Government has taken the decision to waive listing guidelines for PSU shares to ease pressure on financial position of the mutual funds. Earlier the Government had thought in terms of bringing in a guidance which would restrict individual holding to one or two percent to avoid take-over bid of the PSUs. But it now feels that it can disinvest safely to 49 percent to retain control over the company. These steps will create new monopolies since large portion of shares of profit-making PSUs will be cornered by big business houses. This monopolistic trend will be further accentuated by New Industrial Policy, New Small Scale Policy and liberalisation measures.

III

Liberalisation and Related Measures :

The New Industrial Policy[10] having scrapped asset limit of MRTP companies, removing entry restrictions regarding prior approval of the Government permitting private investment in as many as 10 areas reserved for public sector, allowing direct foreign investment upto 51 percent of equity, clearing automatically import of capital goods will help the growth of big business and concentration of economic power in private sector, encourage multinationals' entry and expedite the decline of public sector.

Virtually the scrapping of MRTP Act may lead towards formation of cartels and trusts and concentration of capital in a few hands which will have a serious damaging impact on SSI and informal sector units. To save SSI units, a New Policy for small and tiny sector was announced on 6th August 1991. But the New SSI Policy by allowing 24 percent equity by "other industrial undertakings" including big business houses and multinationals and encouraging ancillarisation and linkages will help the industrial giants to encroach and exploit small and informal units and workers working in these units.

These policies along with two-strokes devaluation of Indian Rupee, 1991-92 central budgetary measures and New Export-Import Policy may lead to disaster. But though the Government realises this, it was pressurised by the IMF to do so for its loan from IMF under the CCFF and stand by Arrangement. But why India went to IMF for loan ?

IV

IMF Loan and Prescriptions :

Due to current account deficit, high debt-service ratio, deficit budget, political situation like communal riots and terrorist activities during 1990, credit-rating and country-risk, status of India was very low in the international financial market. So, India was very unable to get either easy official bilateral loan or commercial loan at market rate of interest during 1991. Therefore India swapped 20 tonnes of confiscated gold in June 1991 and further mortgaged 47 tonnes of gold in Switzerland and England respectively for loan but that was not sufficient for which India had to knock at the door of IMF for the loan under Compensatory and Contingency Financing Facility (CCFF) and Stand-by Arrangement. While providing financial assistance, IMF put some conditionalities. On borrowing member-countries particularly developing countries. In recent months, these conditions are satisfied, by the new Government at the centre by various steps mentioned earlier.

But all these measures instead of solving the main economic crisis will create a vicious circle of crisis in India. If we follow the IMF prescriptions in future, as we are following now, we will lose our economic and sovereighty as it happened in most of the Latin American countries when the IMF prescriptions of liberalisation, privatisation, devaluation and so on led these countries to disaster for which there was political turmoil, economic upheavel and social unrest.

V

The Fall-out :

The discontent with these policies has been expressed through sporadic movement in the country and these sporadic movements may turn into country-wide agitation in future when the economic crisis will deepen. These mass movements and economic crisis weaken the government at the centre and thus will lead to political crissis threatening the very existence of the nation which is what happened in U.S.S.R. due to perostroika and glasnost followed since 1985. The happening in U.S.S.R. is a warning to India.

Notes and References :

1. For details see, Paul Samuel, "Privatisation". A review of international experience, *Economic and Political Weekly.* Vol. XXIII No. 6, 1988, PP.273-276.
2. Kishor Samal, "Case against privatisation", *Mainstream,* Vol. XXVI No. 40.
3. *IMF Survey,* March 23, 1987.
4. *The World Bank Research News,* Vol. 7, No. 3, Winter, 1987.
5. D. P. Sharma, "Private Sector's privateness", *EPW,* Sept. 7, 1991, pp. 2074-75.
6. Deepak Lal, "The political economy of economic liberalisation", *The World Bank Economic Review* January 1987, pp 273-299.
7. *The Economic Times,* Calcutta, February 14, 1992.
8. For details about avoidance of tax by private sector units and zero-tax companies, see. Kishor C. Samal, *Tax Structure and Budgetary Trends,* Manak Publication Pvt. Ltd., New Delhi, 1992.
9. *The Economic Times,* Calcutta, July 15, 1991.
10. For a critical review of the new industrial policy, see H. K. Paranjape "New Industrial Policy : A capitalist Manifesto" *EPW,* October 26, 1991. pp 2472-2481.
11. For details about IMF financial assistance and its conditionality, see. *IMF survey,* Vol. 19, supplement, August 1990, *IMF survey,* Sept. 1991, supplement on IMF, and *IMF survey,* Nov. 26, 1990.

Sociological Implications of Privatization of Public Sector Enterprises in India.

Rajkishore Meher

Lecturer in Industrial Sociology, Nabakrushna
Choudhury Centre for Development Studies,
Bhubaneswar—751013

I

Influenced by the Hindu ideology of *Varna* and caste, since time immemorial, the Indian Society has remained more or less an inegalitarian and hierarchical society based on particularistic and ascriptive norms. However, the cultural contact with the west and the introduction of modern western education during the colonial rule resultant with the diffusion of western liberal ideology such as liberty, equality and fraternity gradually drew India towards the goal of achievement of an universalistic, egalitarian and democratic social order by discarding old, particularistic, ascriptive norms and values. So, when India achieved her independence after 200 years of colonical rule by the Britishers and many more years of Feudal and autocratic rule of the monarchs and upper castes, the common mass of India framed a new democratic constitution with the goal of achievement of an universalistic, achievement oriented society throughout the length and breadth of the country by replacing the traditional, hierarchical, caste society. But, added to the unequal socio-economic set up; owing to exploitative policy of the colonial rulers the country was pauperized and the people in general were leading a very poor life in comparison to the standard of living of the people in developed countries of the West. India was basically an agrarian economy with a weak industrial base, low level of savings and investment and near absence of infrastructural facilities coupled with large scale unemployment and disguished employment of people in agriculture, pressure of population on land and so on. There existed considerable socio-economic inequalities and low level of employment opportunities in between various strata of people and regions. It was, thus, obvious that if the country was to achieve its constitutional goal and maintain it in the long run, a big push of industrialization was required by the State. As such, State's intervention in all the sectors of the economy was inevitable because private sector had neither the necessary resources in terms of funds, managerial and scientific skill, nor the will to undertake risks involved in large, long-gestation investments. So, the first Industrial Policy Resolution, 1948 of the independent India proposed the concept of a mixed economy wherein the Government and the Private capitalists are expected to work together for the rapid industrial development of the country, leaving the key and basic industries with the State sector.

Hence, the major objectives of the public enterprises in a country like India are :–

(i) to help in the rapid economic growth and industrialization of the country and create necessary infrastructure for economic development;

(ii) generation of investible surplus resources for development;

(iii) to promote redistribution of income and wealth by reducing economic inequality between regions and various strata of population.

(iv) to create employment opportunities for all in a universalistic achievement oriented social frame work;

(v) to assist the development of small-scale and ancillary industries; and

(vi) to promote impact substitutions, save and earn foreign exchange for the economy.

However, being disappointed at the low level of economic growth or what the eminent economist Prof. Rajkrishna called the Hindu rate of growth till the end of the country's Fifth Five Year Plan and getting swayed by the high economic achievement of the countries in south-east and east Asia through the pursuit of a liberal export promotion policy, since early eighties the liberal economists and policy formulators of the country have started raising their eyebrows towards the economic rationality of promotion of public enterprises. They argue that because of low efficiency of the public sector undertakings and their dominance and crucial role in the country's economy, India has failed to achieve an accelerated economic growth. Although, the total investment of the central government has increased from only Rs. 29 crores as on 1. 4. 1951 in 5 enterprises to a staggering level of Rs. 85,564 crores in 232 enterprises as on 31. 3. 89[1], they have failed to convert India into an industrial dominated economy with improved living conditions for the common people. They have failed to generate investible surplus resources for economic development. Many of the enterprises are running at huge loss. Instead of enhancing their economic contribution towards the state-exchequer, they have become a burden and because of the failure of the country's core industrial and tertiary sector, the debt servicing burden of the government is increasing day by day. State's precious revenue is getting wasted on subsidies and the operational inefficiencies of the public sector enterprises have made India, a high cost, less efficient economy.

Although the argument for privatisation of public enterprises and replacement of imports substitution policy by the export promotion policy gained currency in the early eighties especially after the assumption of office Late Rajib Gandhi as P. M., of late, this has drawn the serious attention of the present Congress (I) government under the stewardship of Dr. Man Mohan Singh, the Finance Minister. Guided by the conditionalities of IMF Loan to mitigate the country's foreign exchange crisis, the newly formed Congress (I) government of Shri P. V. Narsimha Rao has made a drastic change in the Industrial Policy Resolution of 1948 and 1956, which were the main guiding force of India's industrialization strategy in commensurate with the country's constitutional goal for setting up an egalitarian democratic social order. The New Industrial Policy of 1990 wants to convert India into a free market economy and the previous classification of industries under schedule 'A', schedule 'B' and schedule 'C' for the purpose of industrialization under the leadership of the state sector has been totally dispensed with. On the other hand, the Government proposes to close down the sick and loss making public sector enterprises by creating a revolving fund for the rehabilitation of displaced workers with adequate compensation and selling of equity shares of well-managed public enterprises to the private houses and common public in order to release government's funds for the repayment and clearance of both internal and external debts and also to accelerate the rate of industrial growth by leaving the management of such undertakings at the hands of the more efficient and well-organized private sector.

However, it is argued in this paper that public sector in India is not so inefficient as it is believed to be so by the present government and liberal school of the country. Yearwise analysis of production performance of Central Public Sector Undertakings since 1971-72 to 1988-89 shows that they are as efficient as the organized private sector undertakings in the country. On account of expansion of public sector activities in the country during the various plan periods, the country is progressively advancing towards the achievement of our constitutional goal of an egalitarian, universalistic, achievement oriented social order from an institutionalized inegalitarian, particularistic, hierarchical and ascriptive social order. If the policy of promotion of public enterprises is abruptly discontinued at this stage and the economy of the country is left to the free play of market forces, it is apprehended that the old inequal and particularistic ascriptive social order which continues to exist in various forms and degrees in the operation of private sector undertakings in the country shall raise its head once again and instead of taking the country towards 21st century's economy, it may ultimately become a retrogressive step for the country by accentuating socio-economic and regional disparity in the long run. So, by analysing the production performance and socio-economic goals, achievement of the all central public sector undertakings in a consolidated way and the management culture of the private sector undertakings in India in the subsequent sections, the present paper makes an attempt to analyze the sociological repercussions of privatisation policy in case the country goes for an open market economy by disbanding of public sector enterprises.

II

Socio-economic Objectives and the Performance of Public Sector Undertakings:

Although out of 232 central public sector undertakings in the country during 1988-89, 101 enterprises are found to be lossmaking enterprises and there are continuously loss-making organisations like Delhi Transport Corporation, National Textiles Corporation, Heavy Engineering Corporation etc. for the past many years, the consolidated performance of all the central public sector concerns as a whole does not seem to be so unsatisfactory as compared to the over all performance of Private Sector undertakings of the country during all these years since early seventies. During the year 1987-88, the public sector undertakings as a whole have contributed a total income of 27.2 per cent towards gross domestic product (GDP) of the country from a contribution of only 10.00 per cent in 1960-61 and the central public sector undertakings as a whole have contributed a net profit of Rs. 2980.96 crores during 1988-89. This is 4.41 per cent of the total capital employed in these undertakings.

Figures published by the B reau of Public Enterprises show that during 1971-72 to 1988-89 production years, all the Central Public Sector Undertakings together have shown steady and satisfactory performance. Commensurate with the increase in value of capital employed, the total sales of goods, and services by these undertakings during 1971-72 to 1988-89 have shown a steady increase. By applying semi-log linear regression method, $Y=ab^t$ when the annual compound growth rate, 'r' value is calculated for these two variables, it is found that the value of 'r' comes to 18.00 per cent in case of variable like capital employed and it is 20.00 per cent in case of the sales variable. This means value of sales production in these undertakings is increasing at a faster rate and the percentage of value of sales has always remained higher than the value of capital employed during all these years except in 1971-72. More so, out of a total of 18 production years taken in the table, in case of 10 production years, percentage of sales to capital employad has remained above 140. Similarly, although the percentage of manpower cost incurred by these undertakings is not available for all these individual production years, it seems from the data presented by the Bureau that it is hovering around 8 to 11 per cent. This is found to be moderate and normal for all types of manufacturing and service enterprises including the private sector concerns.

Percentage of value-added to capital employed is also showing an increasing trend during all these years. Using simple linear regression method, $Y=a+bx$, when we estimate the regression co-efficient, value of 'b', it is found to be 0.93 and the 't' value of 'b' is 1.41, significant at 10 percent level of significance with R^2 value of 0.93.

It is further noticed that since the year 1974-75 to 1988-89, the average monthly value of sales production per employee in these central public sector undertaking has been registering a continuous increase both at current and 1970-71 constant prices. Using simple linear regression method, $Y=a+bx$, when we estimate the regression co-efficient, 'b' value of monthly value of sales production of these undertakings, it comes to 2. 51 and the 't' value of 'b' is significant at 1 percent level of significance with R^2 value of 0.89.

When we come to the profitability estimation level of central Public Sector Undertakings, that is also found to be equally encouraging, although it is not as good as the private sector's profitability performance. Because, the Central public sector undertakings operate their production in core industrial and service sector areas and they assist in increasing the production efficiency of private sector undertakings by providing infrastructural facilities and goods and materials to the down-stream industries at a cheaper price with easy availability. Besides this, they generate backward linkage effects in a larger way and promote private ancillary and small scale industries in the region of their location. So, taking into account the social responsibility and accountability of the public enterprises, if we assess the profitability level achieved by the central public sector undertakings during 1971-72 to 1988-89, it is found to be satisfactory. It is further noticed that during the said time period the percentage of gross profit to capital employed has remained between 4. 2 to 13.1 and since 1975-76 production year the percentage of gross profit to capital employed has remained between 7.5 to 13.1.

Employment Generation, Balanced Regional Development and Reduction of Social Inequality :

It is found that despite its controversial performance in the eyes of a few liberalists of free market economy school, the public sector bodies in India are the major provider of employment in the organized economic sector of the country. It is also found from Economic Survey 1991, that the employment share of public sector bodies including central government, state government, quasi-government and other local bodies has shown a continuous increase during 1977-89 period. It increased from 66.72 percent in 1977 to 71.25 per cent in 1989. On the other hand, the employment share of the organised private sector bodies decreased from 33.28 per cent in 1977 to 28.75 per cent in 1989 and that too in a liberal economic climate initiated by the government of India in the early eighties. So, in this situation one can well-imagine the effect of increasing privatisation by dismantling of public sector undertakings in an over populated country with a large scale of open and disguised unemployment of able-bodies working population. More so, it is found from the findings of many studies of private sector industries cited in the subsequent section that the management often prefers to follow a particularistic and ascriptive status oriented recruitment policy than our normative goal of an universalistic achievement oriented policy of recruitment, thereby accentuating the existing socio-economic disparity between various strata of population in the country. The particularistic social factors like caste, creed, language, region and religion influence to a great extent in case of recruitment in private sector bodies. Merit and efficiency are sacrificed at the alter of loyalty and ethnic identities of persons.

Although identification of man in Indian Society by such particularistic social factors still play an important role and the actual recruitment procedures in public sector bodies are also not totally free from such biases, the implementation of an universalistic achievement oriented normative guidelines, oriented by the legal and constitutional safeguards keeps the door open for the downtrodden section of Indian society to a great extent. It is seen from Public Enterprise Survey, 1988-89 that the representation of scheduled castes and scheduled tribes employees in the central public sector undertakings has shown a regular increase during 1979-80 to 1988-89 period. The representation of scheduled castes employees in these bodies increased from 18.37 per cent in 1979-80 to 20.37 per cent in 1988-89 and the scheduled tribes employees from 7.54 per cent to 9.66 per cent in the said time period. This together found to be far higher than the actual statutory reservation provision of 22 per cent of job in the public sector bodies for these groups of people.

Besides fulfilling the constitutional objectives of employment it is found that to some extent investment in public undertakings by the central Government has helped the country in reducing socio-economic disparity between states and regions. The capitalistic production system left to the free play of market-economy force will naturally incline to concentrate its industrial and economic activities in such regions, where the infrastructural and service facilities are well-developed with a large existing market set up for the marketability of the goods produced. However, the investment by the Central Government on Public Sector Industries has helped promoting balanced regional growth by locating key public sector industries in backward regions of the country such as Rourkela, Durgapur, Bhilai, Bokaro, Bhopal, Tiruchi and the like. Public Enterprise Survey 1988-89 also shows that the relatively more backward states such as Bihar, Orissa, Assam, Madhya Pradesh, Uttar Pradesh etc. have got better attention from the Central Government in terms of resource flow to these states as compared to the developed states like Punjab, Haryana, Gujarat, Tamilnadu etc. except Maharashtra. Because of operation of ONGC wells at Bombay High, the industrially most developed state of Maharashtra shows a high percentage share in the form of gross block and employment in the Central Public Sector Undertakings.

Thus, from our analysis of production performance of public sector enterprises and their degree of achievement in fulfilling our constitutional objectives, we can say that public sector industrialization programme for the overall socio economic development of the country is certainly not a failure. It is also corroborated from our field studies of public sector industry workers at Bhopal and Rourkela that promotion of large key industries in the backward region helps in providing a secured livelihood to a fairly large number of illiterate and lowly skilled workers besides generating their spread effects all over the country[2].

III

Management Culture of Private Sector :

Not to speak of the unorganized sector, most of the organized private and public limited companies in private sector of India are run like the personal property of certain castes and family groups. The so-called twenty big monopoly houses in India are found to be controlled by the people of *Parsis* and *Vania* communities like the Tatas, Birlas, Singhania, Thapar, Mafatlal, Ambanis, Bajaj, Dalmia etc. All these organized private sector companies although get enlarged and expanded with the help of many small share holders and big public sector financial institutions' money, they continue to run their organizations in a very personal and particularistic way. Studies of top managerial personnel as well as the skilled and unskilled workers in these concerns show that they give more importance to particularistic social factors such as caste, kinship, language, region and religion than the universalistic secular factors like education, technical knowledge, merit and efficiency while recruiting workers for their enterprises. N. R. Sheth has shown how the factory management manipulated caste networks to recruit loyal workers[3]. Morris D. Morris' study of textile workers in Bombay during British days shows that caste and religion factors of workers prevented them from joining and working in certain divisions of the factory[4]. Vander Veen's study of Bulsar region of Gujarat in the early seventies indicate that most of the factory workers in the private sector get recruited to various jobs by articulating patron-clienties and neighbourhood ties[5]. Most of the organized private sector undertakings do not follow a formal and objective recruitment pattern and often the management of a private sector factory depends on its old loyal workers as well as on the jobbers and middle-men, whenever it wants to recruit new workers. It is mainly because of this type of recruitment policy followed by the private sector undertakings in the country, the effects generated by the forces of modern industrialization on Indian society are found to be very limited for achieving our normative constitutional goal of an open and universalistic achievement oriented society. Observing the trend of industrialization in India, Holmstrom writes that most of the big industrial cities like Calcutta, Bombay and Bangalore have important ethnic minorities with pocket of employment for this or that group which can only be explained by fits and starts in industrial development and migration[6].

Thus, it is an accident of history that Bombay foundry men and heat-treatment workers are Hindi speakers from Uttar Pradesh and Bihar and Calcutta's boiler-makers are Muslims from Bangladesh[7]. The study of Bhattacharya and Chatterjee shows that it is because of particularistic recruitment policy, workers in jute Mills of Calcutta have come from Bihar and Uttar Pradesh, while the local Bengali workers willing to work in the industry, go to Howrah's small industrial establishments in search of jobs[8]. In Coimbatore too, recruitment practices are such that the local dominant caste workers preponderate in permanent and regular jobs in engineering industries, while the untouchable *Chakkiliyas* work either as casual or contract labour[9].

IV

Thus, in this climate of operation of private enterprises in India, if the country goes for privatization by replacing the old Nehruvian policy of mixed economy framework with a pivotal role for the public sector in country's economic development, it is apprehended that it will have serious sociological repercussions all over the country. Whatever the case may be, thanks to the public sector way of functioning, at least a few downtrodden and marginalised section of Indian society have got an opportunity to climb up the social ladder by virtue of their regular substantial earning from the employment in public sector bodies. Had the country in its initial plan period preferred to go for the evolution of a free market economy with a presumption that our normative constitutional goal could be achieved automatically when the country gets industrialized in a larger way, it is sure that in that type of development process, the marginal section of society would have remained left out in the darkness for ever. Despite our forty years of planning, the socio-economic disparity between various strata of population and regions still continue to exist in various forms and degrees. Hence, in this situation if the country goes for privatization of public sector enterprises and adoption of a free market economy, then the process of economic development and socio-economic transformations that have taken place in the country for achieving the goal of an egalitarian society within the democratic frame-work of the constitution shall come to a grinding halt. This may further give rise to the forces of nativism, regionalism and casteism in Indian Society.

Thus, duly taking into account the functioning and performance of Central public sector undertakings since the initial years of their production till this date, we feel that there is no need for the privatisation of public sector enterprises in India. The country can achieve high economic growth by suitably modifying and rehabilitating the loss-making enterprises and by making them free from the clutches of corrupt bureaucrats and unscrupulus politicians.

REFERENCES :

1. Government of India (1990) *Public Enterprises Survey 1988-89*, Vol. I, New Delhi. Ministry of Industry, Bureau of Public Enterprises.

2. Amitabh Kundu, G. K. Misra and R. K. Meher (1986) *Location of Public Enterprises and Regional Development*, New Delhi Concept and R. K. Meher. *Industrialization and Urban Social Structure—A Sociological Study of Interrelationships Between Industry, Ecology and Society at Rourkela* (Ph.D. thesis in progress).

3. N. R. Sheth (1968) *Social Frame work of an Indian Factory.*

4. M. D. Morris (1965), *The Emergence of an Industrial Labour Force in India*, California, University of California Press.

5. Klass Vander Veen (1979)

6. Mark Holmstrom (1985) *Industry and Inequality—Social Anthropology of Indian Labour*, New Delhi, Orient Longman, P. 246

7. *Ibid.*

8. N. Bhattacharya and A. K. Chatterjee (1974). Some Characteristics of Jute and Engineering Industry Workers in Greater Calcutta, Calcutta, Research and Training School, Indian Statistical Institute (Mimeographed).

9. M. N. Panini (1986) Industrialization and Social Stratification in India in K. L. Sharma (ed.) *Social Stratification in India*, Delhi, Manohar Publications.

The Privatisation Wave : Issues and Problem Areas"

Dr. Surendra Nath Behera
Senior Lecturer in Economics
Ravenshaw College,
Cuttack-3,

Introduction :

The ideas embodied in the 'Directive Principles of State Policy' of the Indian Constitution and the Industrial Policy Resolution 1956 clearly enunciated the goals for the establishment of a 'Socialistic Pattern of Society' in the framework of 'mixed economy'. The natural outcome was a division of the production units into public sector and private sector. It look at the relative spheres of public sector and private sector reveals that the former has not only occupied the 'commanding heights' of the economy but also has made a tremendous and phenomenal growth both in terms of number of units and capital investment. Total number of public sector units at the beginning of the plan was 5 which has gone up to 220 in 1984-85. In terms of total investment the amount has been raised from Rs.29.00 crores to Rs. 42,811 crores during the same period. Nationalisation of commercial banks and other financial institutions are also indicative of the trend of growth and rapid expansion of public sector. But in the New Economic Policy of the Government the reverse trend is going to be started at the backdrop of certain fiscal issues which will vitiate the earlier plan ideals and pull the economy to a 'capitalistic pattern of society'.

Need :

The experience of the contemporary economic scenario in India reinforced the view that the existing organisational arrangement of the public sector enterprises did not yield the best results from the point of view of efficiency and productivity of capital. In 1956 Industrial Policy Resolution Nehru has conceptualised the public sector as an engine of economic growth and an instrument to usher socialism. However, the performance of public sector enterprises has raised many eyebrows. Large number of public sector units have become 'white elephants'. Public sector has come in for severe criticism for the low returns on investments. Various causes can be attributed to the loss of the central and state level public sector enterprises including inefficiency in management, financial indiscipline, faulty market, erroneous policy, over capitalisation, overstaffing, large overhead expenditure, corruption, excessive bureaucratisation and centralisation of decisions making resulting in inordinate delays and cost escalation.

At this critical juncture the burning question is, how long the Government can continue subsidising such losing concerns ? The Government is no more in a position to nurture them and hence arises a consideration for a change over. Here arises the question, how far privatisation is a viable option to meet the acute financial stringency of the country and generate surplus for reinvestment, capital formation and economic growth.

The Concept of Privatisation :

Privatisation is an integral part of the New Economic Policy of the Government. The term 'Privatisation' implies induction of Private Ownership in publicly owned enterprises, but in a broader sense it connotes besides private ownership or even without change of ownership the induction of private management and control in the public sector enterprises. "Privatisation is the general process of involving the private sector in the ownership or operation of a state owned enterprise. It covers 'contracting out' and the privatisation of management through management controls, leases or franchise arrangements'.

However, while privatisation is more often equated with transfer of ownership, Privatisation is critically manifested in the transfer of managerial control to private hands, individual or co-operatives. Sometimes 'token privatisation' in the sense of disinvestment has also been mentioned. As for example in 1991-92 budget, the Finance Minister declared that 20% of the equity of the Central Public Sector Undertakings (CPSU) would be disinvested in favour of financial institutions and mutual funds. However, these are half-hearted attempts to privatisation.

Implementation and the Problem Areas :

The question has often been raised whether privatisation offers a panacea for the numerous ills of the public sector. Is it a bane or boon ? The Union Govt. has lately been actively considering sale or transfer of some leading concerns to private entrepreneurs in order that continuous losses to the public exchequer might be prevented. Private management holds out promise of efficient management and more profits for which privatisation of the perpetually ailing establishments may be favoured. But disinvestment of a few enterprises will not necessarily turn losing concerns to highly remunerative establishments in a short time but is likely to succeed in the long run. The process of privatisation started by Mrs. Margaret Thatcher in Britain some time ago has been continuing with considerable gain to the public Exchequer. Privatisation has for this reason became a worldwide phenomenon even in countries where until recently socialist principles held sway. Some 50 countries have already followed this example. The Govt. of India has decided to start disinvestment of 20% of public sector enterprises. In part, it is the resources crunch, low profitability and lack of competition that prompted the Govt. to launch upon this course.

But a great deal of controversy and problems appear in privatisation of public sector units and it still remains as a dispute whether it is a viable alternative for the losing concerns in the public sector. There is a lack of excessive faith in it and hence is opposed from different circles. In view of the historical back ground of public enterprises in India it is inconceivable that privatisation in this country will be accepted as an end in itself, since there is no consensus in favour of market solutions and property rights, nor are these considered prime mover for social and economic change.

Following problems are encountered in putting privatisation in to practice.

(i) There is a good deal of scepticism about the efficacy of privatisation itself. The perception of the people generally prevails that public sector is credited with welfare goals and private sector is exploitative in character. Undoubtedly, the performance of the public sector units can not be judged by the yardstick of profits since their justification lies in fulfilling certain broader socio-economic objectives. However accumulation of large losses in the public sector is indeed a matter of serious concern and need immediate and corrective action.

(ii) Workers feel that they can secure better working conditions in the public sector and hence oppose transfer of ownership to the private sector. On the otherhand, the fact remains that the work ethics remain low in the public sector because of lack of proper reward or incentives for enterprise. Hence, the chances of the scheme of incentivisation of efficient workers may be greater than the bitter pill of privatisation. Privatisation is antithetical to workers' democracy.

(iii) Privatisation, it is feared may go against the job security of workers and lead to their retrenchment. Hence on employment issue they are hostile to it.

(iv) There may not be many takers for the sick and perpetually losing concerns because every entrepreneur wants to make the best use of capital. · No one has money to waste in apparently dying establishments. Sick children of the private sector are treated in the emergency ward of the public sector, when they have been sucked dry. There is no confidence in the therapy of privatisation as the sole and dependable remedy for the ills of the public sector.

(v) Privatisation may lead to capitalism benefiting the microscopic minority of the better off section of the society. Greater concentration of economic and monopoly power will establish a 'capitalistic pattern of society' which will defeat the very plan purpose of ensuring social justice and cause a shift away from the Nehruvian ideals of establishing a 'socialistic pattern of society' and Democratic Socialism in a mixed economy.

(vi) If privatisation is pleaded as a means of financing the Govt, the first step would be privatisation of the private sector i. e. selling of Government shares held in the private corporate sector.

(vii) The socio-economic goals prescribed for the public sector enterprises can not be attained by privatisation. The argument and reasoning that privatisation will inculcate the spirit of competition, minimise waste and hence will promote consumers' welfare by more output at low prices have been disproved in case of cement and paper industry where price hike was the natural outcome of liberalisation. A good deal of promises were falsified and the oligopolistic market behaviour appropriated the real gains. The wave of economic reform under private sector will lead to decline in commanding heights of the economy. Privat sector is wrongly treated as a holy cow.

(viii) There is likely to be very strong, though silent opposition from the circle of bureaucrats and politicians. Vested interests of the working class, politicians and bureaucrats work against privatisation.

Concluding Remarks :

Mere transfer of ownership or management to private hands may not act as a magic word. Restricting the scope and area of the public sector may not achieve the desired plan goals. Private sector is depending for financial assistance on the public sector financial institutions. It has not been firmly established that there is no scope for improvement of the working of the public sector. There is no conclusive evidence to show that by a simple process of transfer of ownership, the enterprises operating as loss making units can be converted into profit making units. The possibility that privatisation is compatible with monopoly or oligopoly can not be ruled out. The welfare goals of increase in employment, removal of poverty, reduction of economic disparities, and reasonable prices of the products can not be realised through privatisation. A sense of commitment and objective assessment of each sector with rigorous discipline is called for. There must be a conscious policy of maximisation of efficiency in bringing about a convergence of both the public sector and private sector. It will carry meaningful and effective results rather than privatisation. There should not be privatisation of sick units. Careful measures must be taken to improve the efficiency of the loss making units in the public sector by sufficient delegation of powers, appropriate machinery for periodical review of the performances, capacity utilisation, plant-wise and product-wise accountability, closing down the non-viable units and suitable price policy. A policy of austerity ought to be adopted by curtailing non-developmental expenditure. That will generate more surplus to reinvest or ploughback.

In fact, the pace of privatisation depend upon political conditions, country specific attitudes on the questions of growth, equity and foreign capital. But the fact remains that low efficiency of the public sector units and their declining contribution to saving and growth accelerate the process of privatisation. No adhoc privatisation but a more planned approach is to be adopted which should spell out objectives, modalities and guidelines on specific issues of privatisation, policies of liberalisation. It still remains a debatable proposition to see whether privatisation will lead to higher efficiency, low cost and lower product price. In India opposition to privatisation can be reduced by encouraging co-operative or joint ventures. The ends of privatisation can be secured by employee ownership within the public sector and workers participation in management. However total privatisation giving unbridled rights to the business and industrial magnets is not in the interest of the economy. It still remains a problem area as to what shall be the role of Government after privatisation in a mixed economy. It will be judged from the performances rather than the promises.

REFERENCES :

1. Barbara Lee and John Nellis, 'Enterprise Reform and Privatisation in Socialist Economies', World Bank Discussion Paper 104, (1990) P. 1.
2. S. R. Mohnoit, 'Peoplisation via Privatisation' Financial Express, May 5, 1991.
3. K. N. Raj, New Economic Policy, Economic Times Dec. 24 and 25, 1985.
4. V. V. Ramanadhan, 'Privatisation in developing countries' (1990) P.P. 186-87.
5. Nand Dhameja, 'Privatisation in India—various problem Areas' MDI Management Journal Vol. 4, No. 1, Jan, 1991.
6. Ruddar Dutt, 'India's New Economic Policy' (1987).
7. Fredie A. Mehta, 'Virtues of Liberalisation' Times of India, Feb. 23, 1988.

Public Sector and Privatisation: Need for Resolving Conflicting Motives

S. N. Misra
Department of Economics
University of Berhampur

1.1. Nehru's Concept of Economic Planning :

Pandit Jawaharlal Nehru, the architect of Modern India, mainly advocated 'mixed economy' as an instrument of economic planning for India. He was not whole heartedly a supporter of free market economy as prevalent in western capitalistic countries. To him capitalism thrives on profit motive and the capitalists mainly direct the scarce natural resources for aggrandising their selfish motive for earning higher rate of profit. This desire for profit, to him, is antithetical to the general interest of the masses who live under the pangs of poverty and unemployment. Like-wise Nehru is also not a full supporter of the type of socialistic doctrine that operated in Soviet Russia, China and in most of the East European Countries. To him, this breeds authoritarianism and kills individual freedom and initiative. Accordingly as a via media he championed the case for a Mixed economy in India, where both public sector and private sector will co-exist for promoting development of the economy[1].

Mixed Economy, to him will seek to promote the public sector and private sector on a balanced manner for purpose of economic development. On the context of mixed economy type of planning, he emphasised the need for a large scale expansion of public sectors. They are required to chanelise the available scarce resources for the benefit of the society at large. The public sectors will avoid competition, wastage of economic resources for the interest of the society in general. They will not hanker after profit, since they stand for meeting social obligations more than private profit motive. Accordingly he emphasised the need for strategy and core sectors of the economy being managed and promoted by the public sector. However, his approach towards public sector was in no way aimed at undermining the importance of private sector. He equally pleaded for an expanding private sector. Activities which cannot be shouldered by the public sector, need be performed by the private sector as both of them are complementary to each other in many respects[2]. However, in the process of industrial development of the country, public sector assumed a commanding height and the Industrial Policy Statements increased not only the importance of public sector, but also effectively controlled the working of the private sector.

In course of their long stay in the economy, the public sector, however, exhibited a number of imbalances ; these are : low profitability, high cost of operation, poor management and growing dependance on financial exchequer for meeting their resources etc. For all these reasons suggestions were made to reduce the importance of public sector in the country. Various commissions and enquiries were made but the health of the ailing public sector could not be restored normalcy in the country. Therefore a strong plea was made for gradual privatisation of public sector units. In the words of Mr. Rajiv Gandhi (1984), "The public sector has spread into too many areas where it should not be. We shall be developing our public sector to undertake jobs that the private sector can not do. But we will be opening up more to the private sector so that it can expand and the economy can grow freely".[3]

Thus, since 1980's a marked departure from the Nehru's basic philosophy of socialism was visible, wherein greater emphasis was accorded to the promotion of private sector in the economy. It is in this context that an attempt is made in the paper to analyse the relevance of privatisation as an instrument of economic progress in the country.

The study mainly seeks to touch the following aspects in this brief paper. They cover aspects like, (i) the meaning and concept of privatisation, (ii) Move towards privatisation in India, (iii) Ills of public sector and their problems, (iv) capability of private sectors to take up the onerous responsibility of privatisation, (v) An alternative approach to privatisation etc.

1. 2 Meaning and Concept of Privatisation :

Privatisation is mainly understood in two senses: narrow and broad.

In a narrow sense, privatisation means induction of private ownership, in publicly owned enterprises. In short, this refers to transfer of ownership from the state to the hands of private corporate sector.

In a broad sense, privatisation refers besides private ownership or even without change of ownership, to the induction of private management and control in public enterprises. Privatisation indicates the emergence of a new culture in the society in which marketisation, competition and efficiency become the guiding principle in decision making. As a matter of fact privatisation takes any one of the forms;. total de-nationalisation, liquidation, creation of joint ventures, formation of workers' co-operatives, contracting out to private agencies, leasing and financial restructuring etc. It is in this broad sense that privatisation is viewed in this paper.[4]

1. 3. Performance of Public Sector in Indian Economy :

Public Sector units, comprising centrally owned units and state operated units have existed in the country since a long period of time. But in course of their operation, they have exhibited a number of weaknesses. The principal charges against the public sector are; low rate of return on investment, declining contribution to national saving, poor capacity utilisation, overstaffing and bureaucratisation, excessive delays and wastage of resources, creation of excessive burden on the financial exchequer.

(1) It is noticed that the public sector units, particularly the central public sector units, have not earned adequate profits. Althoughs this is not a principal policy goal of these units, yet continuous decline of profit in such units is a matter of deep concern. It is incorporated in the plan documents that public sector units should earn a rate of return of 12 percent per annum. In most of the years, the rate of return was much less than the prescribed minimum.

(2) Operational efficiency of state government enterprises :

The operational efficiency of state government enterprise are at low level. The chief trouble makers are state electricity boards, irrigation works and Road Transport Corporations.

The accumulated losses of these state government enterprises stood at Rs. 14,006 crores in the 1989-90. Of these losses, the State Electricity Boards alone accounted for Rs. 8060 crores. This was 57.0 percent of the total accumulated losses in the year 1989-90. Next to State Electricity Boards, irrigation corporations accounted for 36.6 percent of the total losses in the said year.

(3) Low Contribution to Saving :

The contribution of the public sector in gross domestic savings has declined over the years. In the year 1970-71, whereas it stood at 18. 5 percent, the same was 7.9 percent in the year 1989-90.[6]

(4) Capacity Utilisation :

It is observed that in most of the public sector units, there is underutilisation of capacity to the extent of 20 to 30 percents. Frequent power shortages, strikes and lockouts and non-availability of raw materials etc. are some of the factors responsible for this. It is significant to note that in telecommunication, Hindusthan Telephone's capacity utilisation declined from 60 percent in 1988-89 to 25 percent in 1989-90.[7]

1. 4. Difficulties encountered by Public Sector Units in course of their operation :

The dismal performance of public sector units is mainly due to the following factors :

(1) Limited freedom for decision making by the managing directors in public sector units. The managing directors very often depend upon ministers or ministries for decision making. Consequently this has given rise to inordinate delays in decisian making resulting in inefficiencies, lack of capacity utilisation and low productivity.

(2) Pricing policies in a number of public sector units are not guided by national economic considerations. Social and political constraints compel public enterprises to charge uneconomic prices resulting in losses.

(3) Public enterprises can afford soft budget options because their losses can be met out of the general revenues. In view of the availability of this option and absence of competition, the pressure to take hard economic decisions is conspicuous by its absence.

(4) Managers of public enterprises are more procedure-oriented rather than outcome-oriented and thus start playing safe. They hesitate to take any risk.

On account of these problems, the element of subsidization of the public sector assumed intolerable proportions. This is vividly reflected in the annual budgets of the central government.

1. 5. Are the private sector enterpises sailing smooth ?

The private sector units have existed in the Indian economy for quite a long period of time. During different periods, they have been provided various incentives and opportunities for expansion and growth. However, in course of their operation it is noticed that everything is not well with the private sector. They have not lived upto the expectations.

The record of the private sector as revealed by the RBI Survey of the Finances of Public Limited Companies (RBI Bulletin 1990) reveals a rather disappointing picture of the private sector.

(1) The number of profit making companies declined from 1368 in 1985-86 to 1164 in 1987-88, indicating deterioration in the finances of private sector companies. The proportion of loss making companies which was 30 percent in 1985-86, increased to 40 percent in 1986-87 a rather dissappointing trend.

(2) Gross profit percentage of total net assets also showed a decline from 8.8 percent in 1985-86 to 7.4 percent in 1987-88.

(3) Even gross profit as percentage of sales also declined from 9.0 percent in 1985-86 to 7.8 percent in 1987-88.

(4) In course of time, the number of sick private sector small units have also gone up quite considerably. In December 1980, number of sick small scale private sector units have gone up to 24,550 in which a total bank credit of Rs.1826 crores was locked up. The sickness is not confined to small scale sector alone, but even 17000 large units with a bank credit of Rs.1 crore and above, were found to be sick in the country. A considerable amount of bank funds was also locked up in these units.[8]

(5) Sickness was not confined to the Industrial Sector. Even 8 out of 28 major nationalised commercial banks in the country like United Commercial Bank, Oriental Bank of Commerce and United Bank of India have also become sick. There were losses to the tune of Rs.125 crores in 1989-90.

(6) Even the contribution of private sector enterprises to the gross domestic saving in India was also not substantial. The percentage share of private sector savings to the total gross domestic savings, which stood at 9. 7 percent in 1970-71, remained at 9.8 percent in 1989-90. This indicates that the share of private sector savings to the total in the country mainly hovered around at 9 percent on an average between 1970-71 to 1989-90, indicating a lower performance of private sector units. [9]

1. 6. Difficulties in introducing privatisation :

In the Indian context however, there is difficulty in introducing privatisation. There is not only opposition from Trade Unions and political parties, the Government has also to provide huge amount of compensation in closing some sick units. Unemployment may also increase due to privatisation of public units. In the absence of any social security system, the unemployed will be a great social problem in the country.

1. 7. A plea for a realistic solution :

Broadly, the profit making public sector units do not pose any serious threat to the country. It is therefore, suggested that the units which are earning continuous profits must continue to remain with the public sector. More so, sectors which are of strategic and core in nature must remain in the hands of public sectors. These public sector units must enjoy autonomy in decision making. The management of these units be further toned up so as to enable them to improve their efficiency and productivity. The administered price prevalent, at present, is too unremunerative. The pricing of the products of these units be made on national economic consideration taking into account cost-price factors. [10]

The problem, however, is more acute for those units which are loss making units. The schemes of rehabilitation reorganisation in the past have not improved the performance of these units in any significant way. Hence it is decided that such units be gradually transferred to workers' Co-operatives, a practice which is more popular in Britain and in other East European countries. The equities of the loss making units be sold to the worker's Co-operatives of the concerned units. The government can provide all assistance to the workers' Co-operatives which in turn can attain higher capacity utilisation and large amount of profits. In addition, some sort of joint ventures may be promoted in consumer goods industries.

1. 8. Conclusion :

In India, the policy of privatisation as followed in western countries may not be of much relevance. It is true that public sector units have not fared well in the past. It does not, however, mean that there is no scope for improving the working of the public sector. Likewise it can not also be claimed that private sector will deliver the goods required by the economy. They also have exhibited a number of problems in course of their operation. Hence it is strongly advocated that the efficient public sector units need continue to be managed by the public sector. The loss making units however can be gradually handed over to workers' co-operatives for higher performance and increased profits. Joint ventures need also be experimented with greater share holding by private sector. These alternatives will help to maintain the spirit of Nehru's philosophy of socialism without much of dilution.

References :

1. Sundar Rajan, J. J., Relevance of Nehru's Mixed Economy to-day, *Yojana* Vol : 31, No. 20, 1987, New Delhi, P. 27.
2. Rao, M. J. & Reddy, A.V , Economic Planning : Yesterday To-morrow, *Yojana* Vol : 31, No. 20, 1987, New Delhi, P. 25.
3. Kumar, Narendra, Bank Nationalisation in India, Vikas, 1970, New Delhi, P. 7.
4. Mukhopadhyay, J K., The Privatisation Phenomenon and its relevance to developing countries, Forum of Free Enterprise, Bombay, 1988, quoted in the speach of Mr. Rajiv Gandhi in 1980.
5. Dalt, Rudar, Public Sector and Privatisation, Presidential address, Indian Economic Association, 1991.
6. Ibid, P 17.
7. Centre for Monitoring Indian Economy, Public Sector in the Indian Economy (May 1991) P. 14.
8. C.I.E.R. Industrial Data Book (1988-89), 1990, New Delhi, P. 0-16.
9. V. V. Ramnadhan, Privatisation in developing countries Routlege, London, 1990, PP 186-187.
10. Srinivas Raghvan, T.C.A. Privatisation : where will the money come from, *The Economic Times*, Vol. 31 No. 87, Calcutta, 1991, 31.5.91.

Fiscal Improvidence and Somersault on Privatisation

Dr. Kumar B. Das

Deptt. of Applied Economics,
Utkal University

India is confronting one of the worst ever economic crises since independence both at the external and domestic spheres. The structure of the industrial development since the last decade, has altered in such a way that the survival of the most Indian industries largely depends upon the imports of machinery and equipments. It has widened the gap between imports and exports. The large trade deficit and the escalation of debt service-ratio resulted in severe depletion of foreign exchange reserves. The internal economic scenario is also equally bad. In spite of high growth rate in the manufacturing sector during the last decade, the employment in the organised manufacturing sector has not increased and inflation has substantially accentuated.

1. 1. Genesis of the Crisis :

The present crisis is mainly attributable to the process of liberalisation of the early seventies, which was further encouraged in eighties. The main features of the liberalisation policy adopted by the Government of India were as follows :

(a) lowering the restrictions on imports.
(b) enlisting more items under CGL.
(c) removing the upper limit of foreign investment.
(d) reducing the discretionary control on import licence.
(e) reducing tariff duties.
(f) liberal attitude toward NRI loans.
(g) raising of domestic investment limits.

With the above type of liberalisation both domestic investments and foreign investments were stimulated into areas of high profit margin. As a result the goods with low social priority, mostly consumed by the educated elitist group recorded higher growth rate than more important basic, intermediate and capital goods sector. There was high degree of disproportion in the growth of durable and non-durable goods, consumed by the richer and poorer sections of the society. In the face of this economic crisis the Government of India, sought for a loan from the IMF and simply accepted all the conditionalities associated with it.

The structural adjustment envisaged relates essentially to the industrial segment of the Indian Economy and in terms of the IMF conditionalities. India is required to :

(a) globalise the economy, meaning thereby gradually abolishing import control over all items including consumer goods.

(b) reduce the rate of import duty with a uniform duty rate of anything between 20 to 40%.

(c) Privatise the public sector enterprise and leave the market demand to determine the pattern of investment and output.

1. 2. Objectives :

This paper attemps to :

(a) analyse the extent of employment generation by the public sector in the Indian Economy, and

(b) compare its performance in terms of employment creation with that of the private sector of the Indian economy.

(c) compare its achievement in terms of capital formation with that of the private sector of Indian Economy and State economy of Orissa.

1. 3. Methodology and data source :

The data from various secondary sources have been collected for the purpose cited above. The period of reference pertains to 12 years ranging from 1976 to 1988. The data relating to volume of employment under different public sector organisations have been collected from the various publications of the ministry of Finance, Government of India. Data relating to employment in the private sector according to different industry classifications have been obtained from the Economic Survey of Government of India, New Delhi. The statistical method used here is the index and growth rate computed on the basis of exponential trend i. e. $Y = ab^x$ or $\text{Log } Y = \text{log}a + x \text{ log } b$.

1. 4. Data Analysis and Main Findings :

It is useful to briefly examine the record of growth of public sector in India. During the four decades of planning there has been a definite strategy of public sector participation as a means to accelerate the development process. This strategy was based on a certain faith in the working of the public sector and doubts about the efficiency of private sector to achieve social and developmental objectives. In 1950-51, there were only 5 public sectors with total investment of Rs. 29.00 crores. They have increased to 232 public sector enterprises with a total investment of Rs. 85564.00 crores in 1988-89. During the last 4 decades contribution of the public enterprises has failed to attain in the plan targets. Their performance at best with some exceptions is considered to be unsatisfactory. Most of the public enterprises made inadequate profits or incurred losses and often benefited from the privileged access to capital, various types of subsidies and protections. The growing deficits and perceived inefficiency of the public enterprises resulted in huge deficits and created the idea of privatisation.

From the analytical and empirical exercises we observe that employment in all the segments of the public sector has marked an increasing trend. Table-1 shows that the employment in the Central Government organisations has recorded a very marginal growth of 1.017% during the period 1976 to 1988. But the growth of employment in the quasi-govt. organisations is the highest (i.e. 5.351%). But the employment in the entire public sector has increased by 3.08% during the period.

In order to examine and compare the performance of both public and private sector in the employment front both the sectors have been divided into 9 subsectors as follows :

(1) Agriculture and Hunting (AH)
(2) Mining and Quarrying (MQ)
(3) Manufacturing (M)
(4) Electricity, gas and water supply (EG)
(5) Construction (C)
(6) Wholesale and Retail trade (WR)
(7) Transport, Storage and Comunication (TS)
(8) Financing, Insurance and Real Estate (FR)
(9) Community, Social and Personal Services (CS)

It is observed that the (Table-2) growths of employment in AH both in public and private sectors are 4.323 and −0.109 respectively. The growth of employment of the manufacturing in the public sector is 4.71% and that of private sector is only 0.48%. In case of WR subsector the employment has increased by 7.26% in public sector and by −0.024% in the private sector Similarly in case of FR subsector, the growth of employment in the public sector is 8.028% and in the private sector 2.54%. It is noticed that the growth rate of employment in the private sector is negative for AH, MQ, C, WR and TS sub-sectors. And growth of employment in the public sector including all its sub-sectors is always higher than that of the private sub-sectors.

Again it is observed that the growth of gross capital (Table-3) formation in public and private sectors of India is respectively 17.30% and 13.72.%. But growth of gross capital formation in the public and private sectors of Orissa is 12.46% and 16.42% respectively. But when one decomposes the state economy further into two subsectors i. e. (a) construction and (b) maintenance and equipments, one notices that the growth of gross domestic fixed capital formation in the public sector construction activity is 15.23% whereas it is only 13.019% for private sector construction activity. Similarly the growth of gross domestic fixed capital formation in the maintenance-equipment of the public sector is 17.56% as compared to that of 19.47% in the private sector. Hence from the above analysis we derive the following points :

(1) It is wrong and inclusive to assert that the public sector is inefficient and its performance is unsatisfactory.

(2) The performance of the public sector in the aspects of employment is much better than that of the private sector over the period.

(3) The achievement of the public sector in the aspects of capital formation is better than that of the private sector.

(4) In the regional economy of Orissa the gross domestic fixed capital formation in the *construction* activity of public sector is much higher than that of the private sector.

(5) But the growth of capital formation in the private sector of Orissa is better than that of the Public sector. It is because of the fact that the capital formation in the maintenance-equipment sub-sector of the private sector in Orissa is better than that of the public sector.

1. 5. Concluding Remarks :

It is true that the Indian economy is passing through an abnormal financial crisis which has never been visualised. The symptoms of the present crisis are basically attributable to structural deficiencies and rigidities of our development process that has an inherent tendency to generate macro economic imbalances which are now setting the economy into a situation which tends to jeopardise the growth process, increase inflation, worsen balance of payments and reduce the living standard of the masses. It is true that the present crisis in India is the result of long-run fiscal improvidence.

But the remedy does not lie on privatisation. One can not afford to forget that there are many supply side bottlenecks, which have to be removed by long term deliberate planning. The existing resources can not be readily converted into foreign exchanges simply by fiscal restraint and sound exchange rate policy. We should not throw the baby with the bath water with the excitement about the new economic thinking. In fact we need a sizeable public sector with multi-objective and multi year planning. We need reorientation, reshaping, re-grouping, a resurrection but not a wholesale retreat from it. We need reforms of our approach, not a retrenchment.

A society as divided and unequal as ours simply cannot afford to regard distribution merely as an off-shoot of development. The Development process has to have a clear accent on raising the productivity of all classes of society and particularly of the weaker and poorer sections of the society. If the present crisis has been alarming, it is clearly because the successive governments of 1980's have preferred to abdicate their responsibility to the nation for the sake of short-term partisan political gains, unbridled populism in trying to achieve everything and pleasing every one.

It is true that plethora of direct controls over investment, production, prices, imports, foreign capital and even exports have played havoc with the efficiency and therefore, with the process of development. The real problem of the country is 'accountability'. The politicians, bureaucrats and businessmen 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 of the country. The same set of advisers are there only with different positions and capacities. They are not accountable. They proceed with trial—error method. They are now prescribing for a 180°—turn and trying to globalise and privatise the economy and for structural readjustment and all that. They argue that we must adopt outward looking policies even if they entail an industrial recession, unemployment and inflation. With the acceptance of privatisation and all that, the country is being pushed headlong into a set of policies which is in a way irreversible. The remedy of the crisis does not lie in privatisation but in promoting efficiency of the public sector. The idea of transferring the ownership from public sector to private sector for India is too immature rather than wrong. The role of the state and public sector has to be duly emphasised, with the belief that state is more knowledgeable and objective and market is rigid, imperfect and short-sighted.

TABLE—1

Growth of Employment in the Public Sector of India (In lakhs)

Years	CG	SG	QG	LG	Total
1976	30.47	48.97	33.92	19.85	133.22
1977	30.82	50.20	36.75	19.89	137.66
1978	30.92	51.60	39.29	20.15	142 00
1979	31.34	53.09	41.70	20.63	146.76
1980	31.78	54.78	43.43	20.80	150.78
1981	31.95	56.76	45.76	20.37	154.84
1983	32.66	60.38	50.40	21.11	164.56
1984	33.11	61.54	52.74	21.30	168.69
1985	33.29	62.80	54.96	21.64	172.69
1986	33.46	64.73	56.74	21.90	176.83
1987	33.50	66.66	57.95	22.14	180.25
1988	33.81	67.81	59.48	22.11	183.20
Growth rate (%)	1.017	3.186	5.351	1.083	3.080

CG=Central Govt., SG=State Govt., LG=Local Govt.
QG=Quasi Govt.

Source : Economic Survey 1989-90, Ministry of Finance, Govt. of India.

TABLE—2

Employment in public and private sector
(according to industry divisions) in Lakhs.

Sl. No.	Sector/ Industry		1976	1980	1988	g.r%
1.	AH	PS	3.59	4.31	5.54	4.323
		VS	8.27	8.60	8.44	—.109
2.	MQ	PS	7.19	8.97	9.56	3.016
		VS	1.32	1.25	0.93	—2.885
3.	M	PS	11.32	14.46	18.67	4.719
		VS	41.58	44.17	43.95	0.482
4.	EG	PS	5.36	6.61	7.85	4.238
		VS	0.35	0.34	0.40	1.847
5.	C	PS	9.92	10.68	12.14	1.674
		VS	0.94	0.73	0.50	—4.335
6.	WR	PS	0.56	1.10	1.39	7.268
		VS	2.87	2.74	2.83	—0.024
7.	TS	PS	24.18	26.51	30.11	2.103
		VS	0.74	0.71	0.51	—3.367
8.	FR	PS	4.90	6.91	10.95	8.028
		VS	1.83	2.06	2.38	2.543
9.	CS	PS	66.83	72.24	86.35	2.591
		VS	10.55	11.67	13.97	2.866
	Total	PS	133.72	150.78	183.20	3.080
		VS	68.47	72.27	73.91	0.664

Sources : Same as table—1, P. S—47
PS=Public Sector
VS=Private Sector.

TABLE—3

Gross Fixed capital Formation
(Current Prices of India and Orissa)

Years	Public Sector		Private Sector	
	India (Crores)	Orissa (Lakhs)	India (Crores)	Orissa (Lakhs)
1970–71	2394 (5.5)	9544 (8.52)	3911 (9.1)	4739 (4.23)
1974–75	4272 (5.8)	17130 (9.64)	6731 (9.2)	6433 (3.62)
1979–80	4974 (8.7)	30427 (12.8)	11333 (9.9)	17577 (7.4)
1984–85	23396 (10.1)	100227 (20.19)	22026 (9.5)	34362 (6.92)
1988–89	39948 (10.2)	118759 (8.9)	32430 (9.8)	45527 (7.24)

Source : Publication of DES. Govt. of Orissa, Bhubaneswar.
Figures in the parenthesis indicate % of the gross domestic fixed capital formation to GSDP and GDP.

REFERENCES :

1. J. S. Bedi, (1992) IMF Loan and Conditionalities. *Mainstream*, Jan 11th

2. A. Guha (1992) Management of the Economy and IMF conditionalities, *EPW*, Vol. XXVII (No. 1-2) Jan.

3. — —(1991) Political Economy of Structural Readjustment, *EPW*, Nov XXVI (48).

4. P. Jaiswal (1989) Privatisation of Public Enterprises, *Yojana*, Vol. 33 (18) Oct.

5. K. P. Levitt (1992) IMF Structural Adjustment : Short term gain for long term pain, *EPW* Vol. XXVII (3) Jan. 18th.

Role of Private Firms in the Accomodation Sector of Orissa

Dr. (Miss) Pragati Mohanty
S. D. Women's College, Rajgangpur.

Privatisation has now become a global phenomenon. With the emergence of severe economic crisis, Govt. of India has accepted the 'slogan of privatisation'. The main thrust of present industrial policy is to adopt outward looking policies by transfering the ownership from the public sector to the private sector. The role of private firms in the Accommodation sector is very significant not only in Orissa or India, but also in the entire world. Smooth working of competitive elements in this industry has resulted in its steady growth. Private sector has very substantial share in the Hotel Industry of Orissa not only in terms of room-capacity bed-capacity but also in terms of volume employment or capital investment.

Objectives :

This paper attempts to :

(a) analyse the pattern of growth of hotels in the private sector of Orissa.

(b) examine and compare the growth pattern of different types of hotels operating in the private sector.

Data Source & Methodology :

The data for the present purpose of this study have been collected from various published sources of Government of Orissa and Government of India for the period of a decade ranging from 1980 to 1989. For the estimation of the growth rate exponential trend of the form, $Y=ab^x$ has been fitted. Besides this various devices and indices have been used for the analysis of growth pattern of different classes of hotels.

The hotel industry has certain unique features which distinguish it from other service industries. Its product is intangible, non-transportable and perishable. A room-night that is not sold remains unsold for ever. Hotels sell a concept. The production and consumption of the hotel service occur at the same place and simultaneously. The probability of defect in service quality is much higher in its product than that of other tertiary activities. Any failure in hotel service is essentially irrepairable. It has an inbuilt inflexibility. The supply of its product is perfectly inelastic. Its infrastructural need is highly elaborate and needs careful planning. It is the vital and essential component of tourist industry. It is the key stone in the arch of global tourism. It has the tremendous potentiality for earning foreign exchange yielding tax revenue providing employment, promoting the growth of ancillary activities and overall development of backward regions through its linkage effects.

H. I. like any other industry does not operate in isolation. Demand for hotel services tends to expand due to following factors:

1. Increasing Population
2. Rapid urbanisation
3. Growth of Tourism
4. Proliferation of economic transaction
5. Proximity to large towns and cities.

Growth and performance of any industry is an important dimension. Growth optimisation may be the goal or an instrument to achieve some other goal like maximisation of sales, profit, economies of scale etc. Growth of an industry can be quantified by taking different variables like, volume of investment, volume of production, employment capacity, sales etc. The growth profile of hotel industry in Orissa has been analysed in terms of its capacity generation, which is represented by three different variables i. e. number of hotels established, number of rooms, and number of beds available. The data on these three variables are obtained from various secondary sources for the decade 1980-1989 It is observed from Table—1 that the total number of hotels operating in the accommodation sector, number of rooms and beds have recorded a phenomenal growth throughout the period. In 1980 the number of hotels was only 188 and number of rooms and beds were only 3202 and 6265 respectively. After a decade the number of hotels has increased to 473 and correspondingly the number of rooms and beds have increased to 9369 and 17827 respectively. The index number of room and bed has increased to the extent of 293 and 285 respectively.

That there has been an incongruity in growth pattern so far on different class of hotels and firms are concerned. There are three different class of hotels in Orissa : High Spending Hotels (HSH), Medium Spending Hotels (MSH) and Low Spending Hotels (LSH). All these categories of hotels have grown over the period. It is seen that (Table–2) HSH have increased from 8 to 43, MSH have increased from 40 to 89 and LSH has increased from 140 to 341. So there is some degree of disparateness in the growth rate of three class of hotels. It is interesting to observe the growth trend of room-bed capacity of three class of hotels. The bed capacity of HSH, MSH and LSH has increased by about 6 times, 2.5 times and 2.5 times respectively. By fitting an exponential trend the growth rates of all these three variables for different class of hotels have been estimated. It is found that all the three variables of HSH have high growth rates contrasted to MSH and LSH. Growth rate of MS hotels is as low as 8.57 and growth rate of LSH rooms is as low as 4.81. But the room-bed capacity of HSH has risen by more than 23.1%. But the industry's average growth rate lowers around 13.5% only so far as room bed capacity are concerned. The mean firm sizes are about 35, 26 and 16 rooms respectively for HS, MS and LS hotels.

TABLE—1

Growth of Hotel Industry

Years	No. Hotels		Room		Bed	
	No.	Index	No.	Index	No.	Index
1980	188	100	2202	100	6265	100
1985	281	149	6044	189	11146	178
1989	473	252	9369	293	17827	285

TABLE—2

Growth of different Class of Hotels

Years	Hotels			Rooms			Beds		
	H	M	L	H	M	L	H	M	L
1980	8	40	140	255	805	2142	498	1680	4087
1985	31	58	192	1003	1605	3436	1931	3247	5968
1989	43	89	341	1522	2277	5570	2903	4665	10259
Total		473			9369			17827	

H=High Spending Category Hotel.
M=Medium Spending Category Hotel.
L=Low Spending Category Hotel.

TABLE—3

Growth Rates

Variables	Growth Rate			
	HSH	MSH	LSH	Total
H	21.75	8.57	11.66	11.65
R	23.16	12.81	4.81	13.73
B	23.11	12.26	11.91	13.58

Main Findings :

The whole discussion of the paper can be summed up under three main points only;

(1) During the period 1980-89, the industry has steadily expanded. The rate of growth in terms of number of hotels, rooms and beds are respectively 11.65%, 13.73% and 13.58%.

(2) There has been an incongruity and disparateness in the growth pattern of hotel industry so far as different classes of hotels are concerned.

(3) Highest rate of growth is seen in case of High Spending Hotels and lowest rate of growth is seen in case of Low Spending Hotels in terms of room or bed capacity.

Concluding Remarks :

The private sector firms play a very prominent role in the accommodation profile of Orissa. However the growth of private firms in the accommodation sector largely depends upon the expansion of public sector. Number of hotels or rooms in the public sector hotels may be less, but the infrastructural development on which the private firms operate is the contribution of the public sector. Therefore, the public sector has a definite and positive role to play in the accommodation sector. Left to the private sector only, the environment of investment in the hotel industry will be disheartening. So both public sector and private sector must act and operate in a complementary manner and there is sufficient scope of their coexistence and coordination. They should not operate competitively but complimentarily.

Hotel Industry plays a very versatile role not only in creating employment opportunity but also acting as an effective means of reducing regional disparity of the state and correcting adverse balance of payment situation of the nation. Its role is small yet significant and it certainly deserves to be treated seriously as a vital component of the economic life of the country.

Hotel Industry should no longer be viewed as peripheral or luxury oriented activity meant for only business class and richer sections of the society. The ramification of hoteliering and related activities has reached out many sectors of the economy. It is in fact a crucial resource generating activity and its role in pushing up the pace of economic development of a backward region cannot be over emphasised. With the advent of automobile and easy transportation facilities, the hotel industry has assumed greater prominence. The traveller in need of accommodation is no longer tied down to the hotel in the vicinity of railway station or bus terminal. He in fact moves from point to point in search of such accommodation which will serve his taste and financial constraints. The result is that the competition in the industry is no longer confined to small number of hotels located in the centre of the city, but it has extended to various class of hotels scattered throughout the town and even other remote areas.

Orissa's tourism potential are immense. Orissa being suitably located in the eastern part of India with a long coastal belt has many places of tourist attractions. It is the land of rich cultural heritage. Its historic and cultural mosaic is really splendiferous. Its geographic features are very colourful. Its beaches are said to be one of the best beaches of the world with irresistible combination of sun, sand and sea. The scope of earning foreign exchange from tourism and generating income and employment are therefore almost infinite in Orissa. A view of immense Tourism potentials of Orissa, the hotel Industry has a significant role to play not only in the national economy or tourism sector but it also occupies a pivotal position in enriching the regional economy of the state where the incidence of poverty, unemployment and inequality is highly pervasive.

References :

Anand M. M. (1976) *Tourism and Hotel Industry in India—A study in management*, Prentice Hall, New Delhi.

Kachru A. (1981) Role of Hotels in Indian Tourism, *The Economic Times*, 4th July.

Krishnaswamy J. (1980) Hotel Industry needs incentives, *Commerce*, 17th May.

Mathur Anil (1980) The Hotel Industry *Hindustan Times*, 8th Oct.

The Political Economy of Private Sector and Economic Implications of Privatization

Sridhar Behera
Lecturer in Economics
Bhadrak College

This paper is an attempt to integrate the interactions of institutions in the capitalistic frame-work, the necessity of regulating the private sector and also the implications of privatization. The paper is divided into two sections. Section I deals with the complementarity between the basic institutions of freedom, competition and the logical necessity of control in the private sector. Section II deals with the recent attempt with privatization and its economic implications.

Section—I

Historically, three schools of thought emerged viz. the dogmas of right which assume no government intervention with the profit making business of individuals; the dogma of the left which assumes cent per cent collectivism along with the abolition of private profit seeking enterprises. The third group steers a path between the above two dogmas which best serves the public interest. The arguments of the third group is justified on the ground that there is not a single system which is pure in the true sense of the term.

The capitalist thinkers take private property as an important institution of capitalism. But at the same time they recognise some government intervention in private enterprise for which there is a public need. It implies that the right to private property is not completely unrestricted. However, the capitalistic bias was in favour of minimum state intervention.

The collectivists consider private profit seeking enterprises as immoral. Their point of argument is that the production process should be state owned because this would better lead to social and economic welfare. But individual property rights are not altogether abolished. So both the systems are not pure in thair theoretical frame-work. Therefore, A P. Lerner had provided a compromise formula between the two.

Lerner's Criteria:

Lerner's Welfare approach was however, to steer a path between the two dogmas, counting neither of the two as only good; but to consider a state which uses its controls to any case that best serves the public interest. The benefit of both the institutions can be reaped in a controlled economy. Lerner's purpose was to show that in a controlled economy both the private and social interests are satisfied. But Lerner agrees to the fact that in the interest of "efficiency", the control should be minimum. According to him "The uncontrolled economy may be likened to an automobile without a driver but in which many passengers keep reaching over to the steering wheel to give it a twist while complicated regulations prescribe the order and degree to which they may turn the wheel so as to prevent them from fighting each other about it. The controlled economy has a driver; so these regulations are unnecessary."

The basic philosophy of organisation in a controlled economy is that in any situation the means and measures that serve the social interest best should be the one that will prevail. Lerner has renamed it as "Service Economy". It is really very difficult to make a distinction between the two streams of thought, one flowing from liberal capitalism and the other from liberal socialism. So the compromise will depend on the political situation.

Freedom :

Freedom, what Friedman has called, is a rare and delicate plant. History tells us that the main threat to freedom is the concentration of power because power makes a man of different stamp and it makes people corrupt by the power they exercise. Friedman has suggested two broad principles to avoid the threat to freedom. Firstly, the scope of government activity must be limited. The government should preserve and protect individual's freedom both from the outside and inside threat so that the individuals can freely enforce private contracts, participate in competitive markets and so on. The second principle is that the government power must be dispersed, so that the individual can be free to choose his own alternatives. Thus, securing freedom is the main reason for limiting and decentralising government power.

Economic freedom and political freedom are greatly interlinked. Economic freedom is an unavoidable means to achieve political freedom. So when economic arrangements are viewed as a means to achieve political freedom, it is important to prevent concentration of economic power. Competitive capitalism as an economic organisation provides economic freedom directly, also promotes political freedom because it distinguishes between economic and political power and enables the one to offset the other.

In the beginning of the nineteenth century, Bentham and some philosophical radicals argued that political freedom is a means to economic freedom. This Benthamite liberalism in the nineteenth century England was followed by the intelligentia toward increasing government intervention in other countries after the two world wars. So welfare and not freedom became an important note in democratic countries. Realising this threat to individualism, the descendants of the philosophical radicals including Dicey, Mises, Hayek and Simon, to name a few, apprehended that the movement toward centralised control would lead to "The Road to Serfdom" as Hayek entitled in his epoch making analysis and it became a major concern of the then capitalist thinkers. So these groups emphasized economic freedom as a means towards political freedom. But Friedman argued that a free market does not eliminate the need for government. Government is necessary for determining the "rules of the game" and as an umpire to interpret and enforce the rules decided on.

Competition :

Competition is the second propelling proposition to prove one's efficiency in profit seeking interest. It refers to the freedom of exchangers to buy or sell at the prevailing market price without any power to coerce upon the individuals. The price in the market fluctuates up and down in response to changes in supply and demand conditions. This serves two crucial functions—the rationing function which tends to allocate goods and services to those who are willing to pay the ruling price and the motivation function of prices which influences both product and factor markets. So the price mechanism in a free market economy tends to influence the producers about the prospective of profit opportunities in the economic activity.

So the favourable price signals and the prospective profit are the two important genesis of economic rivarly in a capitalist frame-work. Economic freedom compatible with competition serves the interest of both the producers and the consumers. The competitive market will lead to a desirable price structure because no individual has got any influence on the price structure. It is definitely better from the view point of consumer's sovereignty and welfare. But one pertinent question comes to our mind, that is, will this "constant competitive conditions" prevail for all the time to come ? —certainly not.

For this, three aspects of the society should be taken into account viz., social preferences, technology and civilisation. When these three aspects change it may need to have some price-market readjustment. For example, the technological change may not be convenient to all the producers because all are not equipped equally in terms of technology due to differences in their adaptability. This may also lead to competition on "cut-throat" basis and all the firms may not sustain such competition. Ultimately there will be concentration of economic power in those few firms which survive in "price war" of the market. This will again have a threat on economic freedom. We can call this as "freedom-competition paradox".

The Role of Government :

Freedom and competition are two conflicting tools and they can not be put in one box in the absence of any controlling or regulating mechanism. So the role of government is of influential importance in the context of welfare in the society. The social frame work of a private enterprise economy does not altogether derecognise the need and role of government. After all the government is a balancer between the private and public interest and streamlines the economic activity.

Lerner has suggested a dynamic leadership of the government in the economic, social and political interest of the society. Thus, government intervention is necessary but its applicability should be in the context of both economic freedom and efficiency in production process. Since we are living in a dynamic society, the public and private management are interchangeable in respect of their origin in search of an efficient and optimum production process.

Section—II

Economic Implications of Privatisation :

From the above discussion, it is clear that the fundamental issues in political economy are the question of definite boundary between public and private sector. But this has received a very scanty attention in the mainstream of economic thought. However, these issues gathered attention in many developed and developing countries in the 1980's and more dramatically privatisation programme started even in the socialist countries in the late eighties.

The economic implication of any privatisation proposals can be analysed from the following three important view points.

(a) Creation of an efficient structure for enterprise performance.

(b) the need to protect government revenues in financing public debts and deficits.

(c) the distributional and political implications of privatisation.

These implications are not equally applicable in the developed and developing countries because the problems of developing countries are somehow different from that of developed countries. The privatisation programme can be undertaken in three different ways. Firstly, privatisation of the competitive firms or transfer of state owned enterprises to the private sector in case of a substantial market failure. Secondly, privatisation of monopolies i. e. the transfer of state enterprises with substantial market power like net work of public utilities in telecommunications or electricity to the private sector. Lastly, the contraction of public sector organisations to the private sector. In case of the first and second type of privatisation, the government frequently retain some right of control in the form of regulation to tame the problems of monopoly and market failures. The contracting out case of privatization also does not involve the sale of assets altogether but it is on the basis of a service contract only.

Privatization do affect the efficiency of an enterprise. The relationship between the trinity of ownership, incentives, and efficiency is broad and complex. The empirical evidence suggests that private ownership is better in competitive conditions so far as efficiency is concerned. But privatization without government intervention is also risky. For example, Sappington and Stiglitz (1987) argued that privatization affects the transaction costs of government intervention in private enterprise decision-making.

The Case For Privatization :

The failure of public sector and Central Planning System has created a consensus that the move to a private economy is of imperative need in the context of efficiency and incentives. We can also argue that since public ownership backed by the principles of "every body's responsibility" may practically become the "nobody's responsibility", the wholesale privatization or any part thereof may solve the problem to some extent. The gigantic size of the public sector and its management some-times become difficult which accounts for loss of revenue and efficiency in the public sector. So privatization may be taken as a "Shift-in" alternative strategy to have a dent upon the problem.

The privatization process would give a chance to the owners to monitor, assess and control the targets and performances of the managers in running the enterprise more effectively. The productivity linked incentive provided in the private sector can achieve the purpose. It can ensure their cost of production to be minimum and the output determined in response to market signals. This was emphasized by Ludwig Von Mises and Friedrich A. Hayek over half a century ago Mises and Hayek showed that rational economic calculations and the operation of an efficient market economy were only possible in a system of private property.

But Privatization Programme will create two important problems viz., unemployment and unequal distribution of income and wealth. The privatized enterprises will shed excess labour and this will lead to a sharp increase in unemployment. Ultimately it will lead to a highly skewed distribution of income. But these arguments do not suggest the postponement of privatization but indicates that during the process, steps should be taken to reducing the pains of the transition costs.

Distributive Effects of Privatization —Forecasting for India

The distributive and welfare aspects are considered to be an important political objectives of privatization. Because the political and economic freedoms are complementary to each other and if privatization leads to mass scale deprivation, then the whole system of political and economic frame will collapse. Therefore, it is important to deal carefully with the welfare aspects of privatization.

There are some inherent purposes of privatization which the government has in its mind in the context of public interest. The individual producers would receive a well diversified portfolio of assets in the industrial sector so that it may help to avoid the risks to individuals. Similarly, a well-diversified portfolio for consumers is given to ensure the distributive and benefit aspect of privatization for all citizens. The diversification of portfolios amongst the individual producers and consumers will also provide more provision for both economic and political freedom and welfare. On the contrary, a risky asset composition in the privatization process may provide less benefit to the citizens. So a fully diversification of the process of privatization would have some positive distributive effect.

In the context of India, the effects of privatization are far reaching but it is very difficult to forecast its future at the moment. However, we can make some generalisations on the basis of empirical evidence and experience from other countries. In India, there is always a threat to the employment position. The flow of employment mainly comes from the public sector and this responsibility is entrusted with the public sector.

The working of public sector was somehow satisfactory upto the sixties. But people started showing disinterest in the public sector since the mid seventies. This tendency more or less emphasized privatization in India. The present position of the country is such that it may lead to stagnation of employment in some sectors. The public sector has provided more employment at the cost of efficiency. If employment is linked to productivity, there will be less of employment. The effects of privatization must also be analysed from the view point of income distribution. The privatization programme may lead to a high degree of concentration of economic power and this will endanger the peoples' welfare to a large extent.

Conclusion :

The political economy of private property, freedom, competition and control are complementary to each other. Competition is the basis to justify one's freedom and control is the logical necessity from the view point of welfare and equity. Though the laissezfare principle does not provide any scope for state intervention, the capitalist thinkers are in favour of a minimum state regulation.

The economics of privatization is analysed from the view points of efficiency, structural adjustment and equity. The experience of different countries coupled with the imperative need of the economy necessitates privatization of the public sector in India. Different countries started their privatization programme from the eighties. In India, there was a serious thinking of privatization in the 90's.

In India, privatization is necessary at the moment from the view point of both short-term and long-term structural improvement and efficiency in production. But in the context of equity we can not neglect the importance of public sector. The success of privatization depends on some important considerations. Firstly, the private sector should take the decision but the government will watch that their decision making does not pose serious problem of unemployment. Secondly, in the matters of efficiency the government should provide some foreign technology and stand as guarantor of any loss and depreciation in the process. Lastly, in order to fulfil the principle of equity, steps should be taken to have a favourable price structure.

Issue of Privatisation

Dr. Uttam Charan Nayak
&
Shri Natabar Rout

The inherent weakness in the system naturally led to a gradual reduction in the desirability of the public sector movement. Thus the phenomenon of privatisation began to get concretised. Privatisation per se is usually taken to include Public Sector asset sales on the one hand and "contracting out" on the other. These measures are designed to open up competitive pressures which in turn promote improvement in resource allocation and consequently in over all economic performance. Depending on individual situation the thrust for privatisation is taking different forms. In the industrial countries, privatisation generally has come mainly through divestiture of Government economic activities which means privatisation of ownership mainly through the sale of equity. Privatisation includes a whole set of measures towards economic liberalization such as, relaxation of statutory monopolies and of licensing and import arrangement with a view to bringing the Private Sector effectively into areas of economic activity which were previously served by the Public Sector.

In 1979, the United Kingdom set off the most aggressive and well known privatisation programme. The British Government realised roughly seven billion pound sterling from the sale of nationalised industries primarily by stock floatation, the most notable example being the sale of British Telecom and British Gas. Privatisation also began in 1979 in Canada at the provincial Government level. West Germany and Japan are also active in the business of privatisation. In America where public ownership plays a relatively minor role in economic activity, also plans to sell public assets to private agencies. Government of France has announced plans to transfer public assets to the private sector. Several South-East Asian nations have initiated privatisation of their telecommunication system through the sale of stock to the public. Therefore it is clear that in recent times the concept of privatisation as an instrument of greater economic prosperity is sweeping across global economies regardless of their dimension, status and sharply divergent economic policy environment.

In an attempt to high light the issues involved in privatisation the US Agency for International Development (USAID) in early 1986 hosted in Washington the largest ever international conference devoted to privatisation. Nearly 500 policy makers, business representatives, economists and technical experts from 46 nations including 42 developing countries took part in the deliberations. Various facets of privatisation with particular reference to the modalities of privatisation in developing economies in order to set them on a faster growth path were examined during the three day conference. Furthermore, in recognition of the growing importance of privatisation, the USAID announced that it was establishing a Privatisation Fund to provide technical assistance to developing countries that wish to privatise some of their state owned enterprises.

Lately, there has been much talk of privatisation of the Public Sector in India. Any discussion on the issue of privatisation really demands a close scrutiny of the performance of the Public Sector units in India since 1951 when only 5 enterprises were State owned with an investment of only Rs. 29 crores. In 1985 there were 221 units in the Public Sector with the figure of investment reaching Rs. 42,800 crores.

The over all performance of the Public Sector shows that in 1984-85, the net profit earned reached the highest figure of over Rs. 9280 millions. This figure is all the more impressive as it was attained after adjusting the losses incurred by the non-profit making concerns and the sick units of the Private Sector that had been nationalised accounting for a net loss of about Rs. 3470 millions in the same year.

One sphere of the Public Sector that has attracted much criticism is that related to capacity utilisation. This is of course an important indicator to measure productivity and performances of the unit concerned The number of units having 75% or more capacity utilisation marginally decreased from 88 in 1983-84 to 87 in 1984-85. There was a similar reduction in the units with 50 to 75 percent capacity utilisation from 49 to 47. This decline though marginal is being viewed with serious concern by the Government which has taken several steps to improve the utilisation of existing capacity rather than create new capacity.

Public Enterprise Survey, 1985-86 shows that as many as 90 enterprises incurred losses of Rs. 1,656.37 crores during 1985-86 as against Rs. 1,110 7 crores in 1984-85 by 92 units. The top ten undertakings accounted for 59% of the total losses of loss making enterprises. These include four from the Coal Sector and two from Fertilizers.

While 35 units could reduce their losses in 1985-86, as compared to the previous year, 40 enterprises sustained higher losses. Eleven undertakings incurred losses in 1985-86 but had earned profit in 1984-85.

The Survey of Public Enterprises in 1985-86 reveals that the 51 nationalised *Sick Units*—nearly onefourth of all the enterprises—accounted for cash losses of Rs. 194 crores only, nearly 17.7% the total cash losses of Rs. 1094 crores. These sick units had, however, reduced their cash losses in 1985-86 by Rs. 87 crores as against Rs. 281 crores in 1984-85.

Even though, closure of some of the loss making undertakings has been recommended from time to time, the Government because of political considerations has been dragging its feet and their losses are mounting.

Apart from the other considerations what is noteworthy is the *steady decline in Public Sector Savings* from 4.5% of GDP in 1981-82 to 1.7% in 1989-90. Thus it is the worsening Public Sector saving performance which has largely led to a decline in the 1980's. During the same period the Private Sector saving rate has remained more or less stable. For the Public Sector the gap between investment and saving rates has more or less steadily widened.

The process of development of the Public Sector needed a thorough review in view of some of the ailments that had been impeding its growth. Hence a nine-member committee headed by Dr. Arjun Sengupta, a noted economist, was set up in September, 1984 to analyse the performance of the public enterprises, identify constraints and suggest measures to improve their functioning. In its report submitted to the Government of India on December 31, 1984, the Committee noted, "the expectation that the public enterprises as Commercial Ventures" should improve the revenue of the State and provide a return which can be used for further investment and growth have not been fulfilled. Even for units which were making losses because of the nature of products or because of their serving some specified social objectives, the efficiency of operation has often deteriorated.

The Committee thus felt it imperative that a new look at the functioning of Government Public enterprise is essential if performance standards are to be enforced as it would not be realistic to expect results without giving necessary autonomy to the enterprises with regard to the decisions which affect such results

The Committee had suggested a number of recommendations for its efficiency improvement. Even then there is no hope of improvement. However, Sengupta Committee on Public Sector, had not favoured selling of the shares of Public Sector companies to private parties or to the public on the ground that this will "create problems of ownership...". But at present the Government which is in favour of privatisation of Public Sector is trying to sell equity, though in a selective manner.

Review of the international experience of privatisation by Samuel Paul indicate an implied acceptance. Two points need to be discussed. (i) By privatisation we would be changing the character of a Public enterprise as it would no longer remain a public enterprise. Therefore we are not really solving the Public Sector efficiency problem, (ii) The Second point is that, we are assuming that public sector enterprises are less efficient than private enterprises. But there is no justification for this assumption Among public enterprises as among private enterprises, there are good, bad and indifferent performers. On the other hand it is quite clear that there is a considerable incidence of sickness in the private sector. Thus it would be wrong to draw a line between public and private enterprises and regard it as a line between inefficiency and efficiency.

Prof. L. K. Jha strongly defended the Public Sector and said "it is my belief that the role of the Public Sector needs to be strengthened and even those who may have an ideological bias in favour of the Private Sector should on purely pragmatic considerations accept this basic fact of life...Even in countries which claim to be capitalist and pin their faith in private enterprise, the Public Sector acts as a powerful engine of growth, though of course, the spheres in which it engages itself vary from country to country depending on its own circumstances and priorities. In India, with our economic compulsions as well as social commitments, the role of the Public Sector has to expand rather than shrink.

Privatisation And The Problem of Income Distribution

Balaram Misra
Rabi N. Patra
P. G. Deptt. of Economics
Bhadrak College

This paper is an attempt to examine the problem of income distribution under privatisation. The paper is divided into two sections. Section I deals with the theoretical aspects of the problem of economic inequality under privatisation and the logical necessity of Government intervention for overcoming the frailties of the system. Section II deals with the experience of different countries with privatisation and its implications for the Indian economy.

I

Two ideologies prevail—Capitalism and Collectivism. They have successes and failures. There are some settled objectives like higher production, better distribution, stabilisation etc. for each economic system. 'How much of output', 'of what kind' and 'for whom' are common to all economic systems. Each economic system pursues policies in different proportions to achieve the objectives.

By 'privatisation' this paper means free play of market mechanism with minimum governance. Some of the existing literature has revealed frailties of private market mechanism and suggested corrections. It is often argued that private market mechanism ensures Pareto-efficiency but does not lead to social justice. This does not mean that a command economy does not have failings. It has its own successes and failures. It has solved some market generated weaknesses and competently handles the problem of social justice but may not be Pareto-efficient. So there is a heated controversy between the two economic systems vis-a-vis freedom and control It can briefly therefore be stated that a market economy may be Pareto-efficient but the total economic performance under this system may not tally with social ethics; while a command economy may not be Pareto-efficient but it can successfully handle the problem of social justice.

Most of the countries of the world follow a middle path. They are treated as mixed economies. Here public sector co-exists with the private sector, and the latter is allowed a free play in certain fields.

Inequality of wealth, income and levels of living is a colossal problem. It is all pervasive and is the outcome of institutional and distributional arrangements of an economic system.

There are many income distribution theories. All these theories have laid rules for the determination of input prices and relative shares of factors of production. Prior to 1914 demand-supply theory and subsistence theory were prevalent though millions died of starvation when subsistence theory of factor pricing was in full swing. During 1914-40 many changes took place—the world experienced two wars, suffering got mounted, liberalism lost its ground in the context of human suffering, people wanted exogenous help, the necessity of a welfare state was felt, marginalism gr w and the Marginal Productivity Principle became more acceptable as it synthesised the theory of production with the theory of distribution. The Marginal Productivity Principle guided the micro-functional income distribution for a pretty long time.

But at present wage rate differentials are due not to difference in productivity but to norms, social conventions, hierarchy, status, prestige, sex and ultimately normative considerations. If Marginal Productivity Principle (applied under privatisation) would be rigorously applied without some normative considerations, physically handicapped, widow with dependent children and the aged would not find a place to survive. Normative consideration in the functional income distribution is also an element of social justice. This consideration does not appear under privatisation.

With the passage of time, people became concerned for their own living. A lot of literature of personal income distribution came in post 1950s. By 'personal income distribution' we mean distribution of income by the size brackets of income and wealth of economic units. Personal income distribution has been highly skewed under privatisation. The skewness in personal income distribution has been attributed to chance and choice.

Chance element is highly uneven. Inequality due to chance is socially unethical and unacceptable. This is because, genetic make-up, socio-economic condition of parents, and educational level of parents determine the chance of their off-springs to get through. Further, inequality in genetic endowment is a result of the whole process of mutation and selection.

Choice inequality is due largely to difference in human capacities—variation in education, training, experience, age, energy, will, ambition and so forth. It is argued in economic literature that choice inequality is economically desirable and socially acceptable for higher incentives and growth. But in the context of unequal demand and unequal powers and imperfect market signalling, choice inequality is also assailable.

Inequality due to chance is unjust; inequality due to choice is not altogether just.

Smith, Tinbergen, Buchanan, Friedman and others believe in maximum freedom of individual action. To them, people should be let free to choose their occupations by freely displaying their talents. Thus suggests Buchanan "Let us give a chance to the market". But talent of the people to earn income may be due to initial difference in endowment. Initial difference in endowment is regulated by laws of inheritance and variation in general abilities which are due mostly to the socio-economic environment of parents. Further, variation in human learning which is treated as one of the important determinants of choice of occupation largely depends on the socio-economic class difference. Market plays neither to reduce the chance element nor on this aspects of distribution.

Under market mechanism, even if some one starts with equal endowments, he may not end with equal outcome. The original title of holding and access to assets are debatable. Because of such imperfections, a redistribution has been suggested time and again. The role of state participation in income formation as well as income distribution has been advocated.

Market presupposes all property and contracts natural. But they are neither natural nor legitimate. History has recorded extreme economic inequalities in market capitalism. Poverty is a manifestation of inequality. Abject poverty is a manifestation of the society and not a consequence of individual character. Demand under market mechanism is free but unequal. The individual is subordinate, the real currency is power. The problem of income distribution has therefore been vital and the need for redistribution is felt to protect the less privileged from the adverse market trend.

Lerner, Pigou & others have therefore, strongly pleaded for necessity of a pluralistic state. In their view, nobody distributes income in a market economy and full-fledged freedom to individuals leads to anarchy. The economic system must provide the basic necessities to those who do not get these. It may be at the cost of efficiency but it totally tallies with the spirit of humanity. Further, institutional norms do not change under market capitalism. Inequalities are the result of institutional imperfections. Therefore, income distribution imply intervention in the income formation process itself. The economic system must keep sufficient room for public sector operations as these act as a protective valve for the macro economy in general and for those adversely endowed in particular.

II

The trend towards privatisation in the world, especially in the command economies started in mid 1970s.

The first move towards privatisation originated in the United Kingdom in 1971 in the form of worker-capitalism i.e., worker-participation equities. Consequently

(i) the proportion of G. D. P. attributed to state owned industries fell from 1 per cent to 5 per cent;

(ii) the productivity of labour and capital improved commendably (i.e , in Truck Company productivity increased by 30 per cent ;

& (iii) net profits touched new peaks (e.g. it increased by 25 per cent in the Telecommunications industries).

France has proceeded with privatisation in Gas and Engineering. Investment Bank, Insurance, Large industries etc. West Germany now has privatisation in transport industries and banking and partial privatisation in energy, chemicals and aluminium industries. Japan began privatising its small public sector in 1984. She has privatised Telecommunications, Tobacco and Salt Industries and privatisation of Railways is in progress now. The Chinese economy has been partially privatised. In Southern China workers in three State-owned industries invested 2.9 million dollars to buy 30 per cent of shares. In Latin America, Brazil, Argentina etc. privatisation has been adopted as a means to revitalise the economy. In the African countries the process of privatisation is yet to accelerate. In Sri Lanka the transport sector has been privatised and the Telecommunications system is on for sale. And the old communist countries of the Eastern Europe including former Soviet Russia have accepted privatisation as their economic goal.

The experience of all these countries with privatisation has been—

(i) higher rates of economic growth,
(ii) product competitiveness,
(iii) improved managerial abilities,
(iv) economic concentration.

India has opted for a mixed economic set-up. Here government sector, private sector and the co-operative sector co-exist. Government has acted as a producer, consumer, regulator and umpire. It means, government competes with the private sector in certain fields and at the same time acts as a guardian for the private sector. The most valuable part of the government and the public sector in Indian economy is that it not only participates in the total economic performance as producer and consumer but also restricts the private sector from flouting the basic norms of responsibility. It also lays down rules and regulations for the private sector in order to avoid unfair and cut-throat competition.

To start with, technological and capital intensive industries were reserved for the state in India. Government role was predominant (as it is now) in certain important service areas such as banking, insurance, posts and telegraphs, telecommunications etc. The public sector's predominance in these areas was justified on grounds of social ethics and the public sector was expected to confer special benefits in the form of externalities.

The government of India has recently adopted some measures for privatisation or more appropriately liberalisation of rules and policies for the private sector. It may mean decontrol and deregulation of the private and co-operative sectors and may also mean that Non-Resident Indians, Multi-National Corporations and foreign private commercial concerns are to operate without government directives.

Arguments for privatisation are as follows :

(i) Socialism has failed in the Soviet Union and other East-European countries and has been abandoned there. So India must abandon her public sector.

(ii) Privatisation policies have produced economic miracles in countries like South Korea, Taiwan, Singapore etc. and it would also do the same in India.

(iii) Economic development is a function mainly of industrialisation and the industrial sector in India can expand only with private foreign direct investment and technology.

(iv) Most of the public sector units in India have been incurring mounting losses and they are to be privatised.

We have already discussed in Section I that there is market imperfection and imperfect market signalling under private market mechanism. This problem is all the more difficult in a developing country like ours. Therefore, the scheme of privatisation will not maximise the social welfare function.

Again, because socialism has been abandoned in Soviet Union and privatisation is doing miracles in S. Korea and Singapore, this does not stand surety for its success in India. The fact remains that we have a different political system and our country's conditions and capabilities are not identical to those of these countries. Add to it, the logic that industrialisation can not expand without foreign investment and technology seems mythical in the Indian context. Further, mounting losses in the public sector units are neither due solely to inefficiency nor is there any guarantee that privatisation will make these units viable. The public sector pursues certain avowed social goals and sometimes losses of the private sector are spilled over to public sector losses as in case of taken over of sick private sector industrial units.

Furthermore, total privatisation is out of question as the private sector in India does not have the resources and required managerial expertise to manage the big public sector industrial units. Last and not least, large scale privatisation is likely to have large labour displacement effects furthering the problem of unemployment.

Liberalisation is not a major break-through in India. The role of co-operative sector is crucial for fair competition with checks and balances. The public sector units are pace setters. They set the ruling prices. Further, the public sector guarantees a sense of security so that the private sector units run smoothly. It is equally important to protect the position of the public sector in the field of public utility services.

In view of these, the economy if at all goes for privatisation must have to strike a balance between market-friendliness and poor-friendliness or else it would help a handful of families to thrive at the expense of the overwhelming majority and produce a crisis of legitimacy of gigantic proportions.

Our experience with public sector is not too long. Let us give a chance to the public sector to work with more rigour. True, initial benefits from the public sector have not been substantial, but benefits will come in modicums.

Concept of "Privatisation" —Merits & Demerits

Dr. P. K. Mohapatra. M. A. LL.B., Ph. D.
Sr. Administrative Officer
CARE—Orissa, Bhubaneswar—751007

The concept of private ownership leading to the present day terminology as "PRIVATISATION" is as old as the mankind is. In good old days this was used by the kings and courtiers in various forms to run their day-to-day business. Subsequently during pre-independence period, affluent classes in the society use to control means of production under their private patronage and did rule the country for a considerable period. This procedure had distinct identity of its own. The people use to earn their livelihood comfortably and were answerable at each phase of activity for common good of the society. There was reasonable understanding between the owners of the means of production and the workers which ultimately benefited both. With attainment of independence, the trend for Government to take care of every thing emerged and this ideology itself gave rise to Nationalisation of Establishments, Industrial Undertakings etc. Thus a quite number of Public Sector Undertakings were established. The then planners considered this as an appropriate methodology not only for industrialising the country at a faster rate, but also to augment additional employment of the growing population. This was accepted as an important Management Philosophy pervading all aspects of Industrial and Business organisation. Study of literature reveals that Government's function being of public welfare in nature, such step was warranted at the then moment as people in our country prior to independence were tortured a lot.

This philosophy did envisage—

(a) Programmetic requirement to expand industrialisation in the country side.

(b) People to cultivate work culture and display work ethics.

(c) To increase managerial efficiency and thereby strengthen financial stability for the industry concerned, and

(d) On overall basis to increase quality production and increase in net profit which will be a source of inspiration in replicating such ideas elsewhere in the countryside and thereby enlarging employment opportunity for the workforce.

But unfortunately, with passage of time, Government have observed that this philosophy has been grossly misinterpreted. This has resulted Government to sustain heavy loss in all fronts. To quote a few instances : Government have invested approximately 99,315 crores of rupees on Central Public Sector Undertakings and have derived profit of only 2.8% to 4% which is very marginal. Government have come to know that 50% of its enterprises are running on loss. Hence there is now a thinking to privatise some public sector enterprises. Of course Government will retain establishments under core sectors like that of Railway, Mining, Atomic Energy, Telephone & Telegraph Etc. Government thinks that by privatisation, cosumers' interest, labourers' interest, share holders' interest and interest of the general public at lagre will be safe guarded.

Some of the people argue that in public sector undertakings employment opportunity is wide. This notion is some what erroneous. Because at times, such employment becomes more than the requirement and thereby dilutes the very essence of the work and reduces the quality of services rendered.

As per available report, in our State, Government have invested approximately Rs.1800 crores through 33 Corporations and have sustained loss of approximately Rs.320 crores as of March 1991 end. Basically mismanagement, financial indiscipline, corruption, erroneous policy decision, faulty market assessment, more number of transport (Jeeps & cars), Telephone and misuse thereof and more employment than what is needed are attributed as the main causes of such huge loss. Government had created such undertakings not to generate more employment, but to generate profit which ultimately will help the state exchequer for further multiplication of such units else where in the State. But these have incurred huge losses and such losses are on increasing trend. How long Government can continue subsidising such losing concerns all through has become the topic for discussion.

The latest report of the Comptroller and Auditor General of India on financial affairs of such outfits has justified the call for privatisation. According to the Auditor General's report these units have turned into White Elephants and the Government is no more in a position to nurture them. The report indicates that 20 of the 80 state units and Corporations involving a capital investment of Rs. 84 lakhs have become defunct and 26 of these defunct companies were in the process of liquidation.

Moreover, most of the active companies and Corporations have been found to be in red, eight of them having incurred an accumulated loss of Rs. 73.80 crores which far exceed their paid up capital of Rs. 16.54 crores. The finalisation of accounts of five others are running in arrears ranging from two to eight years and five have been running at losses. The major losers are the Orissa State Electricity Board (OSEB), Orissa State Road Transport Corporation (OSRTC), Orissa State Financial Corporation (OSFC) and Orissa State Commercial Transport Corporation (OSCTC). OSFC which has finalised its accounts for the year 1988-89 has shown a net deficit of Rs. 49.30 crores while OSRTC sustained cumulative loss of Rs. 55.39 crores as of March 31, 1989. OSFC's losses up to 1989-90 amounted to Rs. 11.54 crores. OSEB suffered losses mainly on account of incorrect application of tariff and its failure to take legal recourse against more than 7,000 consumers. The revenue loss on these account was about Rs. 8.22 crores.

Most shocking has been the going on in the State Civil Supply Corporations where misappropriation to the tune of Rs. 3.32 crores has been detected till September 1990. Showing total disregard for established norms and procedures, the corporation officials failed to ensure submission of monthly bills and return showing receipts, disposal and shortage by Agents as also timely conduct of physical-verifications of stocks, scrutiny of records of Agents and collection of adequate security deposits.

The company incorporated in September 1980, maintained huge balances ranging from Rs. 21.93 lakhs to Rs.72.30 lakhs in current accounts without earning any interest thereon. Simultaneously, it availed of cash credits from different banks at 16.5 percent interest which resulted in an avoidable tax burden of Rs. 20.11 lakhs from 1987 to 1990. Four Inspectors of the company managed to misappropriate stocks worth Rs. 17.35 lakhs because the company failed to ensure the submission of duplicate copies of issue orders to retailers along with the weekly return of the stock positions.

Under Co-operative Department of Government of Orissa several commercial organisations have been created. These are like Co-operative Banks, Spinning Mills, Milk-production Centres, Potato

Grower's Co-operative Cold Storages and marketing federations etc. which are mostly running on loss basis. I quote below the performance of one such establishment.

In the years 1974-76, the writer was involved in construction of a Potato Growers' Co-operative Cold Storage at Hindol Road, Odapada in Dhenkanal District where CARE Organisation of Orissa donated plant and machinery free of cost worth several lakhs of rupees and also met 50% of the civil construction cost. CARE also facilitated in installation of an electrical substation through Chainipal Division. At the request of the then District Collector, CARE gave extra financial grant of Rs. 10,000/- (Rupees Ten thousand) towards electric tariff enabling commissioning of the Project. All concerned had high hopes in the creation of this asset under Co-operative sector which was expected to serve as a source of inspiration for small and marginal farmers to undertake potato cultivation on Brahmani River belt and thereby enable them in improving the quality of their life style. The project was commissioned by the then Hon'ble Governor Mr. Akbar Ali Khan and foundation was laid by Hon'ble Governor Sri Bhagabat Dayal Sharma.

Similar assistance was given by CARE organisation for establishing a milk chilling plant at Kaimati of Dhenkanal developing a dairy project at Mohada Kankia of Berhampur, energisation of Dug wells all over the State and several other projects in different districts. But to our utter surprise on October 30, 1991 when I alongwith my Organisation Administrator visited, we were told that the "Cold storage is in the chilled condition for all time to come". This situation has prevailed for last two years due to non-payment of Electric Tariff which has accumulated at the rate of Rs. 33,000/- per month. The profits earned earlier have been misused or used up (unknown to the writer) and none of the authorities has ever bothered in revival of the project. However we could find that the authorities have been generous enough in allowing continuance of a few employees there who are just sleeping and guarding the establishment. Had this been given to private party, presumably this situation would not have prevailed.

This gives us an idea that the "GOVERNMENT IS NOT COMPETENT TO DO ANY BUSINESS". Here again the importance of work culture and work ethics assumes prime importance. It has been observed that at times people in Government do not take pride in their profession and as such belongingness is not felt at all. Hence the need for PRIVATISATION comes up. The merits as advocated in fovour of privatisation are as under :—

1. It undoubtedly displays belongingness of the individuals.
2. It ensures effective utilisation of factors of production and thereby increases Management efficiency.
3. Establishment of more number of identical units in private sector gives rise to competition amongst producers and thereby ensures availability of quality product.
4. It also ensures productive employment.

While privatisation has above advantages, some of the critics are of the view that, it is wrong to presume that private sector is more efficient than the public sector. Reserve Bank of India's statistics on industrial sickness shows that the fastest growth of sickness is not in the public sector. As of 1990-91 end, there were more than 2.5 lakhs sick units in the country, all most all 100% privatised. According to Professor Dr. Dillip Swamy of the Delhi University, it is nothing new for the Indian Economy to have profitable areas of the market concerned by private sector monopolies leaving the un-profitable areas for the public sector.

He says this aspect becomes clear when we see exactly what is being privatised. At the head of the proposed list for privatisation are the State Bank of India, Maruti Udyog Ltd and Petro Chemical Corporations. These are precisely the units which have been making healthy profits in recent years. In the name of improving efficiency, what is contemplated to be handed over to the monopolies are the money makers of the public sector According to Dr. Swamy after many years of nearly zero profit, the public sector as a whole started showing increasing net profits which totalled nearly Rs. 4,000 crores during 1989-90.

Professor Swamy also says that there is no doubt that the performance of this sector is abysmally low and that it should be doing much better. One of the facts that the media is conspicuously silent is that this demand has been made most vigorously by the public sector employees. In fact a detailed critique of public sector working has come from the trade unions and officers' associations in the public sector itself who have been taking a close look at its functioning from a different stand point. According to them, a substantial improvement in performance and productivity can result from tightening the management of these units and plugging obvious leakages with the active participation of the trade unions and the Officers' associations. Why has this not happened already ?

The major impediment to this proposal is political. Bonafied workers' participation obviously requires bonafide workers' unions—Unions which have workers' genuine mandate. This is not the case today, where most of the so called workers' representatives are nominated by the ruling party from unions which are never democratically elected by the workers. Also workers' participation is not ensured by the authorities of the autonomous bodies in rightful manner. They always prefer representatives who can accept their dictates. Thus from the above analysis, the concept also reveals some of the disadvantages which are as under :—

1 After 44 years of independence, the Indian private sector has grown to the point where it can actually contemplate a take over of the strategic and potentially profitable sectors of the Indian Economy with a possibility of forming monopolies.

2. The above being the situation, undoubtedly concentration of Economic Power amongst a few will be the thumb rule. Under the plea of quality production, this will limit the employment potentiality, will have erratic application of labour laws and the management will be subject to the whims and caprices of authorities.

3. To avoid the problem narrated above, Government has decided that shares in core sector industries can not be privatised.

Whatever be the analysis, from the experience of neighbouring countries like Pakistan, Bangla Desh, Nepal etc. it is deduced that privatisation of 20% share of the selected industries will strengthen the confidence of the entrepreneurs and will create an improved environment for business and industry. Secondly privatisation will also increase National Savings and investment which because of certain inbuilt efficiency in the system.

In private establishments, 'hire and fire' becomes the guiding principle in giving employment to the workers. While this policy envisages workers' dedication to organisation's activity and thereby increases over all productivity; at times due to whims of the authorities, security of employment and furtherance of their career development become questionable. As such while contemplating for privatisation, this aspect needs to be taken into consideration. Similarly in the absence of Government intervention, several other benefits to workers, share holders and that of other functionaries remain at the mercy of the few in Management. Considering the above difficulties, following suggestions are made for consideration :—

1. First of all those industries which are sick and appear beyond revival, need not be given for privatisation by any Financial Institution or Agency using their mutual funds etc. as those just can not contribute to any productivity.

2. For transacting day-to-day activity, a trust should be created comprising Management, Employees and Share owners. Workers' participation needs to be promoted for success of the scheme. Their continuance and safety have to be looked into.

3. Government need to monitor the Organisation's activity so as to ensure social justice and satisfy smooth running of the project and protect Employees' and Share owners' interest. Government in all such cases should act as a facilitator in promoting activities rather than implementing any project direct.

4. In a developing country like India, neither we can do away totally with public sector nor can we privatise the system as a whole As such before contemplating privatising any industry, people ought to think how best the industry in question can be activated and those concerns which are incurring losses on regular basis, how that can be checked and improved upon.

Simultaneously those private industries which are running satisfactorily and contributing to the State exchequer profitably need to be encouraged so as to enthuse others to manage likewise. Promotion of work ethics and work culture is a must no matter whether it is private or public sector.

Privatisation Policy : A Reversal of the Nehruvian Plan Perspectives and its Consequences

Dr. Binayak Rath
Department of Humanities & Social Sciences
Indian Institute of Technology
Kanpur-208016 U.P.

I. Introduction ;

In the post-independence period our plan perspectives and strategies, which were primarily based on Nehruvian philosophy and ideologies, had often focused on promoting the planned goals like higher income generation, employment generation, promotion of equity and social justice, establishment of group as well as regional redistribution, and attainment of self-sufficiency. And to accomplish these goals the Government adopted a mixed economic path with emphasis on growth of public utilities, service sectors and public sector undertakings (PSUs). A spate of nationalisation measures was undertaken in the 1950s, 60s and 70s, whereby the role of public sector was widened. But since mid-eighties our government, being swayed away by the wave of privatisation and market-oriented economic strategy in the world and owing to the pressure from IMF & World Bank, have twisted its economic policies towards liberalisation and privatisation.With a view to strengthening the country's socio-economic fabric, while Pandit Jawaharlal Nehru had laid the foundations of planning through democratic solialism based on pragmatism, activism and flexibility, his daughter, Mrs. Indira Gandhi strengthened the socialistic foundations by adopting a number of radical economic measures. But in the Eighties his grandson Rajiv Gandhi initiated a reverse trend by pleading for market friendly approach to take India into the 21st Century. However, he left the task unfinished for Mr. Narasimha Rao's Government. The new government tries to fulfil the dreams of Mr. Rajiv Gandhi by announcing a number of liberal economic policies, known as New Economic Reforms. Hence, one observes that there have been major policy shifts in our economic policies including the industrial policy, industrial licensing and trade policies. Significant changes have been announced with respect to role of public as well as private sector undertakings, international trade, import of foreign capital, monetary and credit contraction policies, fiscal austerity measures, technological policies and marketing strategies. The Government even contemplates the denationalisation of banks, privatisation of the power sector, irrigation, public transport, generation and distribution of electric energy and so on. These policy changes constitute significant departures from the structuralist model that India accepted from the beginning of the planned era in the country.

These drastic changes are, no doubt, a reversal of the Nehruvian Plan perspectives. In this paper I have attempted to examine the genesis, rationale, philosophy as well as the compulsions of our Government in initiating this u-turn in its policies. Moreover, we have investigated their long-run impact in the economy.

II. The Genesis of Privatisation :

During the 1980s, the global wave of privatisation has become so sweeping and overwhelming a process that it will be no exaggeration to call this a new found economic strategy, aimed at bringing socio-economic transformations in any society. The policy was first pursued in Great Britain under the dynamic leadership of Mrs Margaret Thatcher as a counter to the previous wave of nationalisation. Mrs Thatcher pioneered this new drive towards privatisation with an ideological zeal in U.K. when she launched the Conservative Party's Manifesto in 1979. The Party's Manifesto of 1979 introduced privatisation by saying : "The British people strongly oppose Labour's plans to nationalise yet more firms and industries such as building, banking, insurance, pharmaceuticals and road haulage. More nationalisation would further impoverish us and further undermine our freedom".(1) With victory of the Conservation Party, Mrs Thatcher became the Prime Minister and she introduced this programme with such a decided dynamism that the changes were considered as one of the "most radical economic changes since 1945".

The success of this policy intervention measure in U.K. induced other industrially advanced and newly industrialised countries of the world to adopt the policy of privatisation and denationalisation. Even the communist block countries like the erstwhile USSR, China and other East European countries started experimenting with the basic tenets of

---

1. Jiban K. Mukhopadhyay, "The Privatisation Phenomenon and its Relevance to Developing Countries", Form of Free Enterprise, Bombay, July, 1988, p 3.

market economy. Leading economists and statesmen foresaw the advantages of privatisation and started praising it. For instance, the former French Prime Minister, Mr Jacques Chirac, a great admirer of the privatisation process, remarked that "the state was not meant to be a producer; when it tries to be one, it does expensively an badly." Similarly, Spain's Socialist Prime Minister, Felipe Gonzalez, called his country's public sector a "white elephant graveyard". Mr Gorbachov's radical proposals based on "Glasnot" and "Perestroika" were examples of USSR's move towards privatisation. Brazil's President, Jose Sarney, declared "Leadership of the economic development process should now pass to a private sector freed from the shackles of statism".(2)

In view of these world-wide changes, towards the end of 1980s this new instrument had emerged as a major policy issue in more than 50 countries—spanning through industrial countries of the West, erstwhile centrally planned economies of Eastern Europe, debt-ridden nations of Latin America, newly industrialised countries (NICs) of Asia-Pacific region including India, and a host of other developing countries. Many have invoked this new instrument as a result of fiscal compulsions, others have motivated ideologically and still others are led by cold logic of resource productivity.

III Economic Theory Behind Privatisation :

The Neo-Liberal economic thought that shook the world in the mid 1980s and that which attemted to reinforce the views of new-classical economic theorists about competitive equilibrium situation (Marshall) provides the theoretical justification for the economic policy of privatisation. The policy is aimed to be closer to the Laissez faire policy of the classical economists. Economic efficiency and proper allocation of resources are to be maintained by free play of market and individuals rather than by state intervention. The role of the state should be confined to public utilities, and taxation/subsidy measures to take care of externalities. It envisages to provide a limited role to planning in terms of offering guidelines for proper utilisation of resources to provide information base and infrastructure facilities, and to encourage infant industries.

The Neo-Liberals have attacked the structuralists' views on the ground of bureaucratic control in planning and excess state intervention in economic activities which lead to inefficiency of the economic system. They have argued that the structuralists' process is slow and LDC's will always lag behind. Very high costs result due to indecision, delay and

2. Ibid.

lobbying by conflicting interest groups leading to wrong decisions by bureaucrats under control of political bosses The production and distribution get affected and high efficiency costs result due to rent (revenue) seeking behaviour.[3] There are significant distortions in market prices leading to market failures. In view of these weaknesses, the liberals have put forth that the long run growth and development process would depend on short run allocative efficiency rules, those are embodied in the market oriented policy. There is no dichotomy in the world about price policy and effect of market system for ensuring resource allocation in DC's or LDC's.

IV. Privatisation : As Reflected in the Industrial Policy of 1991:

Although, the liberalisation of Indian economy started from early 80's with automatic expansion of capacity allowed under 1980 policy, the import liberalisation started from 1984-85 with enlargement of list under OGL. It resulted in many foreign collaborations particularly in automobile, computer, television and other consumer durables. However, the major changes have been announced in 1991 industrial policy statement and trade policy changes along with currency devaluation. The main features of the latest industrial policy are as follows :

Its basic aim is to unshakle the Indian industry from the cobwebs of unnecessary bureaucratic controls, which had resulted in unnecessary delays, lack of incentives and at times rent-seeking activities in the economy in the past.

The policy proposes to provide :

1. Industrial Licensing dispensed with except in 18 industries.
2. MRTP assets limits removed. No prior approval required for MRTP companies.
3. Foreign investment limit has been allowed upto 51% in 34 priority industries.
4. List of areas reserved for public sector confined to eight.
5. Automatic approval for foreign technology agreements. Automatic clearance of import of capital goods for equity covering exchange requirement.

---

3. For details on rent-seeking behaviour, see Mick Moore "Rent Seeking and Market Surrogates : A case for Irrigation Policy", in Christopher Colclough and James Manor (Ed) "States or Markets ?", Oxford University Press, 1991 pp 279-305.

6. Mandatory convertibility clause enabling FI's to convert loans into equity removed.

Besides the above, the other measures announced are :

All existing registration schemes, viz., delicensed registration, exempted industries registration, DGTD registration are abolished. Only information memorandum on new projects and substantial expansions is to be filed. In case of foreign technology agreements, no permission will be necessary for hiring foreign technicians, foreign testing of indigenously developed technologies.

As a part of the exit policy, the Government announced that the public enterprises which are chronically sick will be referred to the Board for Industrial and Financial Reconstruction (BIFR) to advise on their exit or restructuring. In order to raise resources, a part of the government's share holding in the public sector would be offered to mutual funds, financial institutions and general public. Greater autonomy would be granted to public sector management to improve efficiency of public sector.

As far as removing unnecessary controls, there has been a general tendency in that direction due to too much of technical view taken and unnecessary delay due to less professional, technical expertise of bureaucrats. Though during early 1990, the liberalisation of licensing and improving the efficiency of public sector were proposed, in the present policy importance has been accorded to foreign investment, capital and technology that has invited some controversies and contradictions. There are allegations that these policies are pursued under pressure from foreign governments as well as the international lending agencies.

V. Why this Reversal Trend from Nehruvian Perspective ? :

As we know that it was not an easy job for Pandit Nehru to persuade the nation in the early fifties that India should strike a middle path between capitalism and socialism, i. e. a mixed economy, with a strong and growing public sector where the efficiency of the market would be combined with growth and equity assured by democratic planning. To overcome our economic problems he pledged a policy of "tryst with destiny". Indeed the same perspective continued to play a dominant role in determining our planned strategies and priorities upto the Sixth Plan period. During his tenure as Prime Minister upto the Third Plan period, he had stressed the need for a balanced growth by maintaining harmony between agriculture and industry. While in the First Plan his stress was on agriculture, in the Second Plan his emphasis was on the public sector by giving priority to industry to build up a socialistic pattern of society. In the Third Plan the thrust was shifted to social service. Similarly in the subsequent three plans, the emphasis changed to self-sufficiency, group income redistribution, and higher production and productivity through integrated rural development, however, with focus on greater controls by the State. All these changes in our planned strategies envisaged a strong public sector that can promote our broad planned goals. But towards the end of the Sixth Plan, signals for a change toward privatisation were indicated by Mrs Indira Gandhi, which set an example for Mr Rajiv Gandhi to propose a reversal trend from the Nehruvian perspectives during his tenure as Prime Minister. To overcome the economic maladjustment, in January 1985 Mrs Indira Gandhi had introduced certain loosening up of controls in the area of industrial licensing, liberalisation of import control policies, reduction of corporate tax rates and long term fiscal policies. It was expected that these liberalisation policies in a mixed economic set up would usher in a new liberal era of industrialisation where productivity, efficiency, cost consciousness, competitiveness and new management ethos could be easily promoted.

VI Privatisation : The New Challenge for the Government and the Consequences:

The New Economic Reforms based on privatisation have, no doubt, generated mixed reactions in the country. In the labour circles, in public sector undertakings, within social organisations, among economists and small level entrepreneurs, a fear psychosis has been developed in the wake of this new policy. Critics argue that this policy rests on too much of optimism in the export front, in respect of open invitation to foreign capital and technology from abroad and in terms of encouragement to large firms and capital intensive technology with entry of private interest in crucial sectors. It is said that though there is agreement on favourable effects of export led policy compared to import substitution policy due to cost considerations and enlargement of markets. But the international environment is not favourable for increasing exports particularly with foreign technology based process.

It is feared that the free entry of large foreign companies and reduction in the role of public sector will seriously worsen the unemployment situation. Further, if the Government implements its proposed exit policy, the new reform would mean retrenchment of workers in the PSUs.

The NTC plans to retrench 65,000 workers and other PSUs, as the World Bank experts indicated, would retrench 6 lakh workers. This will aggravate our existing problem of unemployment.

The new policy may lead to concentration of economic power in a few hands thereby weakening the effective control of government on the economy as well as on the policy. The consumer welfare may be seriously affected due to misallocation of scarce natural resources for benefit of minority population, seriously affecting the small scale sector due to their inability to compete with multinational giants and flight of capital and income abroad.

There have been a number of studies about exports, growth of income in developing countries and in case of highly debted countries. Generally, it has been agreed that developing countries may not be able to compete in the presence of protectionism by DC's and ever increasing burden of debt, interest payment and high unemployment rates. The experience in eighties, particularly since mid-eighties has been that, though the rate of growth of production has been good in industry, the trade deficit has continuously increased, private sector employment has shrunk and inflation rates have gone up, creating further pressure on already thin employment in organised sector.

The public sector undertakings have cast doubt about their role and future growth patterns. The labour union and banking sector have alleged about pressure of IMF for privatisation of crucial sectors in the economy. With regard to role of small scale sector and development of indigenous entrepreneurship, many speculations have been created with respect to their market demand and further growth. Their role is particularly important in the field of providing employment, self-employment to ever increasing workforce, large scale sector being unable to absorb the surplus labour provided by agricultural sector.

Even the present conditionalities have been created owing to the short sighted and over optimistic trade policy implemented since the mid-eighties for clearly non-priority cousumer durables like automobiles and computers directing misallocation of scarce foreign exchange resources. There has been a decline in labour use in the industrial sector since mid-eighties. The interest payment burdens have increased thereby putting Indian Economy in the clutches of international lending agencies. This export sector has not grown at the expected rate while imports have increased steadily.

In the light of studies undertaken by different writers, I would like to conclude that the new economic reform measures are going to create more problems in the economy rather than resolving the crisis. Hence, the industrial future of the country is gloomy and the economic growth would be scuttled. The details of our concluding observations run as follows :

1. That the industrial policy based on privatisation argument may ensure encouraging results in large modern sectors for a brief period, say, about 2 years. Thereafter it is likely to result in stagflation. The policy gives only lip service to the small scale sector. So the intensive industrialisation which has been thrust upon the economy by ignoring or rather jumping over the extensive phase would have a boomerang effect in our economy.

2. Even the policy as enunciated would not be fully implemented owing to bureaucratic interpretation or red-tapism which has always created hurdles. Even the political interferences would create obstructions for its implementation.

3. Largely capital intensive technology would be preferred in the name of efficiency and higher productivity. These methods being labour displacing and less labour absorbing would create large scale unemployment and the same will lead to higher capital output ratios.

4. In the last two policy statements one can notice that there is a tendency towards export led strategy for industrialisation rather than import substitution. But this export-led strategy is associated with large scale import of spare parts, machines and inputs. This policy has been thrust upon by the lending agencies which are under quasi control of big industrially developed countries. International experiences from the LDCs have shown that this export-led strategy would ultimately result in BOP crisis.

5. This type of industrial development would fail to generate linkages in and around the local regions or areas where the projects come up. In the absence of any supporting system, the rural poor is deprived of the benefits from industrialisation. The new industries could not make any significant effect on the local people.

6. The new strategy would fail to establish any close link with the development of agricultural sector, because the industries promoted

in the private sector being influenced by the consumerism culture would aim at producing consumer durables like TV, Radio, Scooter, Motor Car, Electrical Gadgets. Besides there is a tendency to reduce labour share in industry, hence low wage rate and low income generation.

7. The dualistic structure existing within the economy would be strengthened. It would look as if there are two separate sectors with separate socio-economic and political entities. The various componets of the new industrial policy like the manpower development, trade policy, agriculture policy, infrastructure development have all been framed against small scale, labour intensive and rural sector, thereby further creating and strengthening dualism.

8. The new policy has a tendency to accentuate regional inequality and income inequality rather than reducing them by concentration of industries in the developed regions and in urban centres as well as concentration of wealth and income in few hands.

9. The balance of trade, which has become unfavourable for the country, is being sought to be corrected by the same policies and instruments that are primarily responsible for the problem in trade front.

10. The large monopoly houses have been encouraged and helped to multiply their assets and thereby possess much larger monopoly power. There has been political influence also by the industrial houses lately in the policy making.

11. Large scale unemployment being existent in the economy the tendency to produce items of luxuries and comfort that are being encouraged at the cost of essential items for consumption by poor working class and rural people, will aggravate the demonstration effects. Demonstration effects being already pronounced will create social tensions.

In view of these observations we would like to draw the conclusion that there are many doubts about the health of the economy in future due to the new economic reform measures particularly, in the area of employment generation, balance of payments, regional income redistribution, income equity, breakdown of well knit social structure and agriculture industrial linkage. Above all, the socio-economic structure in India, the external environment (the growing protectionist attitude of rich countries) and political atmosphere are not conducive for adopting a radical structural adjustment by the government. Another very serious implication of the new policy will be in the form of concentration of too much economic power in a few hands. It may have political effects. The foreign companies also put significant pressures and due to conditions of loans and grants our economic sovereignty may also be jeopardised. An open invitation to foreign technology will dampen the spirits of innovations and in the presence of unequal competition, new and suitable R & D for local needs may not develop. SSI units will be badly affected, even in terms of finances. No doubt, the poor rural people will be badly affected in terms of prices and availability of goods for their consumption. The dualism will be highly strengthened.

Thus any attempt to marginalise the role of the State under the Neo-Liberal political economy, such as, the new industrial policy and new economic reforms, at this critical juncture would not deliver the desired results. Instead, it will lead to a perpetual dependency of our economy on the rich industrially advanced countries at the cost of our sovereignty even. Hence, the present policy will generate a damnifying effect rather than expansionary effect in the economy.

The Extra Plant Effect of Modernisation
(In and Around Rourkela)

Shipra Sarkar
Bastia Smruti Sadan,
Sector-6, Rourkela-2

The word "Modernisation" has got a very wide meaning. Due to various limitations it is not possible to discuss it in the present paper. But as far as the present study is concerned "Modernisation" means transformation of the old and obsolete machinery into the new ones and in addition incorporation of the new technology. The modernisation plan of the Rourkela Steel Plant has been prepared with a view of bringing about a number of changes in the economy by improving the health of the plant, equipment, quality of raw material, production and by controlling environment pollution.

In this paper an attempt has been made to study the impact of modernisation of the Rourkela Steel Plant on the development of small scale industries in and around Rourkela. This will also throw some light on the input output relationship of the industries with the plant.

Methodology and Data Coverage :

This study is based on primary data. The main source of the data are questionnaires, personal interviews with the managers, industrialists and other highest officials in the industries and District Industries Centre, Rourkela. The enquiry was undertaken during December 1991.

To find out the impact of the modernisation of the Rourkela Steel Plant on the various categories of industries, a sample study of seven slag based cement industries and fifteen number of engineering and chemical industries have been made.

The industrial development of the region with the establishment of Rourkela Steel Plant alongwith the modernisation programme is presented below.

TABLE—1

No. of small scale industrial units established during the year 1978-80 to 1988-89 in and around Rourkela.

Year	No. of units set up	Total investment in areas	Total employment
1978-80	345	2.03	2070
1980-85	891	11.03	8000
1985-86	194	4.49	2197
1986-87	150	4.02	1444
1987-88	122	3.57	1082
1988-89	125	2.63	1238

Source : DIC, Rourkela.

It is observed from table-1 that from 1978 to 1980, 345 Small Scale Industrial units were established with the investment of Rs. 2.03 crores and with the engagement of 2070 employees. While from 1980 to 1985, 8000 people were employed in 891 new SSI units with the investment of Rs. 11.03 crores, in 1985-86, 2197 number of people were absorbed in 194 additional SSI units at the cost of Rs. 4.49 crores. In the year 1986-87 Rs. 4.02 crores were invested for creating employment opportunity for 1444 people in 150 SSI units. During the year 1987-88 Rs. 3.37 crores were spent to employ 1082 labour force in 122 new SSI units. And in 1988-89, 1238 number of people were employed in 125 new SSI units with an investment of Rs. 2.63 crores.

Besides there are some other industries which are directly purchasing and consuming the Rourkela Steel Plant products, ie. 17 nos of Mixed Breeze coke industries, 21 nos of Re-Rollable Scrap using SSI units, 20 nos of Melting Scrap using units and 15 nos of Defective Plates using SSI units are wholly and solely depending on RSP. Large number of other categories of SSI and medium size units, engineering, chemical and slag based industries are there in and around Rourkela.

It is expected that with the increase of production and productive capacity, the supply of raw material (wastes) to the above mentioned categories of small scale units will increase and alongwith it the volume of production, productivity capacity utilisation and annual turnover of these units will increase. As per the information provided by the DIC, Rourkela there has been an increase in value of order placement of the steel plant on the SSI units. According to Mr. R. N. Padhee (Project Manager, DIC, Rourkela) during 1990-91 the SSI units have received orders worth of Rs. 30 crores from Rourkela Steel Plant. As a result of the ongoing modernisation programme it is expected that these units would get the orders worth of Rs.35 crores during 1991-92.

Further, it has been found that the Rourkela Steel Plant has undertaken the installation of a Slag Granulation Plant. Negotiation has taken place between the Rourkela Steel Plant and the cement manufactureres in Orissa to utilise the granulated slag for slag cement manufacture. The slag is a waste product of the Rourkela Steel Plant. Under full production (4600×0.65 tonnes) of slag will be produced by the Blast Furnace of the Rourkela Steel Plant.

Out of the seven slag based industries, the Orissa Cement Ltd. has the highest production capacity of 2500 metric tonnes of cement per day. The Chariot Cement Industries is a medium size industry and produces 6 hundred metric tonnes of cement per day. The other five industries are of small size. All these surveyed industries are the sole customers of the slag remains of the Rourkela Steel Plant. The supply of slag to all these industries is quite adequate. The capacity expansion and optimum utilisation of the existing capacity of the industries are related to the supply and availability of the slag remains of the Rourkela Steel Plant. All the industries are very much hopeful about the modernisation of the Rourkela Steel Plant and its favourable impact on the capacity expansion of the slag based industries. They are also of the view that with capacity expansion there will be an increase in labour employment.

The impact of Rourkela Steel Plant on the industrial development and the development of chemical and engineering industries in Rourkela and its neighbouring region show that out of all the fifteen industries surveyed four industries are having input relation, another four are having output relation. While the other SSI units are in both ways related to the Rourkela Steel Plant, the industries are not getting sufficient and regular orders from the Rourkela Steel Plant. The nature of demand for the product of the industries are seasonal. The average number of workers in each industry are 22. Out of these ten are unskilled and twelve are skilled. So far as the nature of employment is concerned out of 22 workers of each unit 12 are regular and 10 are casually employed. In regard to the impact of modernisation of Rourkela Steel Plant on the small scale industries, about 75% of the industries feel that modernisation will improve their position.

Conclusion :

The main findings of the study are as follows :

With the establishment of Rourkela Steel Plant many industries came to be established in and around Rourkela which are directly purchasing and consuming the Rourkela Steel Plant products.

Due to the ongoing modernisation programme there will be an increase in production, productive capacity and the annual turnover. There will be also an increase in the value of order placement on the SSI units.

The slag based industries studied do have an optimistic view about the favourable impact of modernisation programme on the slag based industries.

The engineering and chemical industries surveyed show that they are related to the Rourkela Steel Plant in one way or the other. But they are not getting sufficient and regular order from RSP. Most of the industries are expecting a change for the better with the modernisation of the Rourkela Steel Plant.

Thus it can be concluded that there is a very close relationship between the Rourkela Steel Plant and the industrial development in and around the region. With modernisation of the RSP there will be an increase in production, productive capacity and placement of orders. As a result more industries will be established, employment opportunity will be created and chances for regular employment will be brighter.

References :

1. Moore, Wilbert E. The impact of industry. Prentice Hall of India Private Limited, New Delhi 1969.
2. A Preliminary Report, Rourkela Retrospect and Prospect Study.
3 Steel Authority of India Limited, Rourkela Steel Plant. Highlights on Modernisation of Rourkela Steel Plant.

MINIMUM WAGE AND AGRICULTURAL LABOUR IN ORISSA

Trend in Agricultural Wage in Orissa

Dr. R. C. Mishra,
Lecturer in Economics,
Waterworks Road, Puri

Agriculture is the main source of livelihood to a majority of people in India. More than 65 percent of working population are engaged in agriculture. In Orissa the percentages of agricultural labour in the distribution of workers in different industrial categories are increasing both in 1971 and 1981 in comparison to 1961 census. The percentage of cultivators in 1961 (58.82) has come down (47.00%) in 1981 census. It is seen that in course of time due to want of gainful employment in other sectors the marginal cultivators have turned into agricultural labourers. Since the land is a crucial limiting factor in agriculture, the average income of agricultural labourer household is derived from wage employment. Therefore the economic condition of the agricultural labourers depends on the wage rate more particularly on real wages. Hence the trend in real wage rate would be a good indicator of the living condition for the agricultural workers in the rural sector.

This paper makes an attempt to study the trend in money wage and real wage in Orissa over the period 1961-62 to 1990-91 and the impact of wage rate on the living condition of general agricultural and industrial workers in the state. The objectives of the paper are as follows.

(a) to study the difference if any between the minimum wage as fixed by the Govt. from time to time and the prevailing wage rate of agricultural labour in the state.

(b) to study the trend in money wage and real wage rate in Orissa from 1961-62 to 1990-91.

(c) to study the impact of increase in agricultural production on real wage rate of agricultural workers in the state.

(d) to study the impact of increase in money wage rate on the cost of living of working class, agricultural labourers and industrial workers in the state.

Materials and Methods :

The data regarding the wages of agricultural labourers, consumer price indices for general workers, agricultural labourers and industrial workers, indices of agricultural production are collected from various published sources of Directorate of Economics and Statistics, Govt. of Orissa. The data regarding minimum wages are collected from Directorate of Labour, Govt. of Orissa. The real wages are worked out by deflating the money wages by the Consumers' Price Index for agricultural labourer in Orissa taking 1960-61 as the base year.

The impact of increase in wage of consumer price indices and on general workers, agricultural workers and industrial workers is studied with the help of simple regression technique by taking money wage rate as independent factor and consumer price indices for working class, agricultural workers and industrial workers dependent on money wage.

The impact of productivity on real wage rate is studied with the help of multiple regression technique taking real wage rate as dependent upon the indices of agricultural production in relation to time. It is hypothesised that a rise in production by stimulating demand for labour would have positive effect on real wages. The trend factor as an explanatory variable has been introduced to pick up the effect of all these changes over time.

Results and Discussion :

The Govt. of Orissa as per the Minimum Wages Act 1948 and rules made thereunder in 1954 (Orissa Minimum Wages Rules, 1954) had fixed the minimum wage of 62-75 paisa for men, 50 paisa for women and 37-43 paisa for child labour in 1954. The rate was revised from time to time (Table-1) from Re. 1.00 in 1965 to Rs. 25/- in July 1990.

The comparision of minimum wages fixed by Govt. and the prevailing wage rate shows that there was difference between prevailing wage and minimum wage in most of the years, in some years, prevailing wages was higher and in some years lower than minimum wage. In only two years (1980 and 1984) the minimum wage rate was equal to the actual wages paid to the agricultural workers.

Table-2 shows the money wage rate, the deflator (ACPI) Consumers Price Index for agricultural labourers), the real wage rate and the indices of real wage rate for Orissa state during the period 1960-61 to 1990-91 for studying the trend in real wage rate movement during the period under study. Two sets of indices have been worked out with

1960-61 and 1970-71 as the base years. The first one describes the wage rate movement in real terms in the entire period. The second index relates to study the changes if any introduced on real wages due to the introduction of new technology in agriculture. It is seen from the table that the money wage rate except in the year 1964-65 shows an increasing trend over the period. In absolute terms the money wage rate in 1990-91 has become 10.64 times higher than the rate prevailing in 1960-61. But the real wage rate was lower than what was prevailing in the base year from 1965-66 to 1983-84. From 1984-85 to 1989-90 the real wage rate was slightly above the real wage rate compared to the rate prevailing in the base year.

The real wage rate declined to the lowest (0.58 paisa) in the year 1972-73, which was 54 percent lower than what it was in the base year. During the entire period of study the real wage has declined to the extent of 14 percent.

By shifting the base from 1970-71 it is seen that the declining trend in real wages which was noticed from 1965-66 onwards has been arrested in as many as 4 years out of 17 years.

The introduction of new technology in agriculture in the form of a large scale use of high yielding varieties might have had an impact on the movement of wage rates. But the over all trend period is disappointing which shows that the real wage rate in Orissa was not that high as to cater to the needs of the agricultural labourers. This downward trend in real wage has increased the misery of the agricultural labourers by forcing them to be below the poverty line inspite of various developmental schemes introduced by the Govt. for the upliftment of weaker section.

The impact of indices of agricultural production (x_1) (Triennium ending 1969-70=100) in the state on real wage rate (y) is studied with the help of multiple regression technique from 1970-71 to 1989-90 (for a period of 20 years) in relation to time (x_2). It is hypothesised that increase in agricultural production in the state would have influenced the real wage rate in the state. The results are presented in Table-4. The required regression equation is $y=76.05+0.028 x_1+4.19x_2$. Partial regression co-efficient of agricultural production in relation to real wage is positive which shows that with 1 percent increase in agricultural production, real wage increases to the extent of 0.028 percent. But the calculated t value is not significant which shows that the impact of agricultural production is not significant in influencing the real wage in the state although it is positive.

On the other hand the time factor plays a positive role in influencing real wage as the money wage is deflated with consumer price index of agricultural workers by linking it with the technological change on agriculture by shifting the base from 1960-61 to 1970-71. (By shifting the base from 1960-61 to 1970-71, it is seen that the falling trend in real wage has been arrested by 4 years instead of 17 years).

Both these two factors explain 68 percent (R^2) of change in real wages. The calculated F value (18.42) which is higher than tabulated F value at .01% level of significance shows that time and agricultural production together have got significant contribution in determining the real wage in the state.

Mr. M.V. Paga Committee appointed by Maharastra for fixing minimum wages under employment guarantee scheme recommended the following basis to determine wage.

(a) Each family was assumed to be of 3½ units.

(b) Calory requirements were worked out at 2100 equivalent to 625 grams of staple food of inferior variety (Jowar).

(c) One-seventh was added for the weekly holidays.

(d) Food was taken as 40 percent of the total budget.

On these basis 3 kg of Jowar per day were considered to be the minimum wage for workers in Maharastra. This amount could be purchased at Rs. 4/- from the fair price shop and hence the minimum wages were to be equivalent to this at 1981 prices. Since the non-food component was considered to be 60 percent of the earnings, it was recommended that a sum of Rs. 2.70 was to be paid in cash and Rs. 1.30 for one kg of Jowar[1].

As the staple food in Orissa is rice, accordingly the rural wages estimated and rural wages paid in Orissa are shown in Table 3. It is seen that the rural wages paid are much below the rural wages as estimated from 1955 to 1990. It is also observed that the difference between estimated and actual rural wages was lower to the extent of (0.18 paisa) in 1960, this gap was extended to 0.59 paisa in 1970's and further extended to Rs. 1.43 in 1980's. Hence it can be concluded that the rural wages which are paid in Orissa to the agricultural labourers are much below the estimated average. It is because of this lower wage rate, the people below the poverty line are higher in the state in comparison to the othar states. Of course Mr. V. G. Paga Committee has left a number of other things like shelter, clothing, medicine, education which need consideration for fixation of minimum wage. Moreover a family of 3½ is not actually the prevailing situation in India. Again a person getting work in a family will not be able to meet the needs of the family. If all these are taken into consideration, the amount will be more than 3 kg of rice per day.

While putting-forth an argument of higher rural wage it should not be forgotten that wage as an income to the labourer is also a cost. It is often alleged that higher wage rates will push up the cost of production thereby cost of living of the agricultural workers, workers in the state and industrial workers. Hence one can establish a relationship between agricultural wages in Orissa with that of consumer price indices for agricultural and industrial workers and other workers to find out the truth of this hypothesis. This can be done with the help of regression technique by choosing wage as independent factor (x) cost (a) of living indices as dependent factor (y) on wage. The regression equation which can be fitted here is

$$y = a + bx$$

where x is wage rate

y is consumers price indices

b is co-efficient of x

a is intercept.

Results of regression of money wage with consumer's price indices of working class, industrial workers and agricultural labourers are tabulated in Table-4.

The regression co-efficient of wage rate (independent variable x) with working class consumers price indices shows that there is a +ve relationship between money wage rate and working class consumer price index at Cuttack. In absolute terms with 0.93% variation in wage rate the consumer price indices for working class increases to the extent of 1 percent. The relationship is +ve and significant.

Similarly the regression co-efficient of wage rate with consumer price index of industrial workers shows that with 0.76 percent variation in wage rate the consumer price indices varies to the extent of 1 percent. This relationship is positive and significant.

The regression co-efficient of wage rate with consumers price index of agricultural workers shows that with 0.57 percent variation in wage rate the consumer's price indices varies to the extent of 1 percent. This relationship is positive and also significant. Among these three types of indices (working class industrial workers, agricultural labourers) the working class consumer's price indices are most effected and consumer's price indices of industrial workers are more affected than consumers price indices of agricultural workers. This happens due to availability of food stock and supply of family labour to the agricultural operation in case of agricultural labour family of the state.

The following conclusions emerge from the above analysis.

(a) The prevailing rural wage falls below the minimum wage as fixed by government from time to time during the period of study (1960-61 to 1990-91) except in the years 1965, 1972, 1989 and in 1990 when the govt. has almost doubled the minimum wage rate as fixed in 1989.

(b) Although the money wage of agricultural labourers in the states shows an increasing trend from 1960-61 to 1990-91, there is a sharp decline in real wages from 1960-61 to 1983-84 with slight increase from 1984-85 to 1989-90 in comparison to the base year 1960-61. By shifting the base year from 1960-61 to 1970-71 it is observed that the fall in the real wage is arrested in 4 years instead of 17 years. Hence it appears that the introduction of improved method of technology due to green revolution has arrested the fall in real wage in the state. But during the entire peirod of study the real wage has declined to the extent of 14 percent in relation to the base year 1960-61.

(c) The regression results between real wage (1970-71 as base, taking as dependant variable) and indices of agricultural production (triennium ending 1969-70=100, as dependent variable) in relation to time shows that the relationship between increase in indices of agricultural production with real wage although +ve is not significant. Hence increase in agricultural production has least impact in increasing the real wage in the state. The time as an explanatory variable has got positive effect on changing real wage, as the base of real wage from 1960-61 to 1970-71 has been changed purposively to examine the effect of technological change due to green revolution on real wage in the state.

(d) Impact of increase in money wage has been felt on the consumer price indices of general workers, industrial workers and agricultural labourers in the state as these indices move in a positive direction.

It is observed that the general workers are hard hit compared to industrial and agricultural labourers due to change in money wage in the state. Among the industrial workers and agricultural labourers, the industrial workers' price indices are more prone to the movement of wages than agricultural labourers in the state. Agricultural labourers are least affected due to availability of family labour and wage goods at their disposal. Hence the increase in wage rate has a strong bearing in increasing the consumers' price indices of general workers, industrial workers and agricultural labourers in the state.

So the government has to strike a balance between the interests of the agricultural labourers (by providing a fair wage) and general workers, industrial workers, agricultural workers in the state. It is pertinent for the Govt. to follow a correct wage policy in the present context. While fixing the minimum wage the Govt. should take family size, required calories of food for the family, availability of number of working days in a year, price indices, shelter, clothing, medicine and educational need of agricultural labourers into consideration. In fact if work is not available all the year round either in the Govt. schemes or in the private sector, then minimum wages should be such that food requirement of the entire family be met for the entire year.

TABLE-1

Minimum Wages fixed by the Govt. of Orissa

Year	Wages as fixed by the Govt.	Prevailing wage (Rs.) (for men)	Difference between minimum wage and prevailing wage
1954	62-75 paisa	—	—
1965	Re. 1.00	1.77	+0.77
1972	Rs. 2.00	2.30	+0.30
1974	Rs. 3.00	2.89	−0.11
1976	Rs. 4.00	3.93	−0. 7
1980	Rs. 5.00	5.00	—
1982	Rs. 6.00	5.34	−0.66
1984	Rs. 7.50	7.50	—
1986	Rs.10.00	8.45	−1.55
1989	Rs.11.00	11.46	+0.46
1990	Rs.25.00	12.99	−12.00

Sources : (a) Minimum wage—Labour Directorate of Orissa.
(b) Prevailing wage—Statistical Abstract of Orissa, Directorate of Economics and Statistics, Govt. of Orissa.

TABLE-2

Money wage rate, ACPI, Real wage Rates and Indices of Real Wage in Orissa 1960-61 to 1990-91.

Year	Money wage rate	Defla for ACPI	Real wage	Index of Real wage rate base	Index of real wage rate
1960-61	1.22	—	1.22	100	
1961-62	1.25		—	—	
1962-63	1.36	—	—	—	
1963-64	1.43	—	—	—	
1964-65	1.15	—	—	—	
1965-66	1.77	162	1.09	89	
1966-67	1.97	218	0.90	73	
1967-68	2.18	213	1.02	83	
1968-69	—	212	—	—	
1969-70	—	233	—	—	
1970-71	2.14	248	0.86	80	100
1971-72	2.16	282	0.77	62	89.534
1972-73	2.30	397	0.48	46	67.441
1973-74	2.46	385	0.64	51	74.441
1974-75	2.89	344	0.84	68	97.674
1975-76	3.34	351	0.95	77	110.465
1976-77	3.93	350	1.12	91	130.232
1977-78	4.09	417	0.98	80	113.953
1978-79	4.21	350	1.20	98	139.534
1979-80	4.55	417	1.09	89	126.744
1980-81	5.00	441	1.13	92	113.395
1981-82	5.16	501	1.03	83	119.76
1982-83	5.34	610	0.88	71	102.32
1983-84	6.45	601	1.07	87	123.41
1984-85	7.50	579	1.30	105	151.16
1985-86	7.93	569	1.33	109	154.65
1986-87	8.45	616	1.37	112	159.30
1987-88	9.22	718	1.28	104	148.83
1988-89	10.32	756	1.36	111	158.13
1989-90	11.46	770	1.49	121	173.25
1990-91	12.99	—	—	—	—
Average			1.05	86	

—Agricultural year July to June.

Source : Labour Bureau, Ministry of Labour, Govt. of India.

TABLE-3

Estimated Rural wage and the actual wage paid in Orissa

Year	Price of Rice per kg.	Price of 3 kg of rice to be paid as rural daily wage	Actual rural daily wage given to one (field labourer)	Difference
1955	0.37	1.11	0.92	0.19
1956	0.41	1.23	1.07	0.16
1957	0.43	1.29	1.29	—
1958	0.47	1.41	1.06	0.35
1959	0.41	1.23	1.13	+10
1960	0.50	1.50	1.22	−28
Average	0.43	1.29	—1.11	(−0.18)
1961	0.43	1.29	1.25	—0.2
1962	0.50	1.50	1.36	—0.14
1963	0.58	1.74	1.43	—0.31
1964	0.62	1.86	1.45	−0.41
1965	0.67	2.01	1.77	—0.24
1966	0.76	2.28	1.97	—0.31
1967	0 90	2.70	2.18	—0.52
1968	1.08	3.24	—	—
1969	1.02	3.06	—	—
1970	1.04	3.12	2.14	+0.2
Average	0.76	2.28	1.69	(—0.59)
1971	1.06	3.18	2.16	—1.02
1972	1.24	3.72	2.30	—1.42
1973	1.29	3.87	2.46	—1.41
1974	1.83	5.49	2.89	—2.60
1975	2.24	6.72	3.34	—3.38
1976	1.64	4.92	3.93	—0.99
1977	1.65	4.95	4.09	—0.86
1978	1.62	4.86	4.21	−0.65
1979	1.74	5.22	4.55	−0.67
1980	2.09	6.27	6.00	−1.27
Average	1.64	4.92	3.49	(−1.43)

1981	2.21	6.63	5.16	−1.47
1982	2.75	8.28	5.34	−2.94
1983	3.34	10.02	6.45	−3.57
1984	2.75	7.95	7.50	−0.45
1985	2.79	8.37	7.93	−0.44
1986	2.81	8.67	8.45	−0.22
1987	3.11	9.33	9.22	−0.11
1988	3.56	10.68	10.32	−0.36
1989	3.51	10.53	11.46	+0.93
1990	3.47	10.41	12.99	+2.58
Average	3.02	9.06	8.52	(−0.54)

Source :— Statistical Abstract of Orissa,
Directorate of Economics and Statistics,
Govt. of Orissa.

TABLE-4

RESULTS OF REGRESSION

(1) Multiple regression

Dependant variable Real Wage Rate (y)

Independent variable (a) Index of agricultural production (x_1)

(b) Time from 1970-71 to 1989-90 (x_2)

(N=20)

Equation : $y=76.05 + 0.028x_1 + 4.19x_2$

$R^2 = 0.68\%$ F value = 18.42

t value of b_1 (of x_1) = 0.220

(a) F value significant at 0.01 Level of Probability.

(b) t value is not significant.

(2) Simple repression :

(a) Wage rate independent variable (x)

Working class CPI for Cuttack from 1961 to 1989

(N=29)

as dependent variable (y)

Equation : $y = 43.89 + 0.93x_1$

$R^2 = 0.97\%$

t value = 35.76

significant at 0.01 level of probability

Standard error of estimate 40.50

Standard error of Regression co-efficient 0.026

(b) Wage rate independent variable (x)

C.P.I. for industrial workers of Sambalpur as dependent variable(x)

N = 1964 – 1989 (25 years)

Equation : $y = 37.12 + 0.76x$

$R^2 = 0.97$

t value 29.23

significant at 0.05 level of significance

Se = 37.06

Sb = 0.026

$$t = \frac{0.76}{0.026} = 29.23$$

(c) Wage rate as independent variable (x)

C.P.I. for agricultural workers from 1965 to 1988-89 (N=24) as dependant variable

Equation = $99.37 + 0.67x$

$R^2 = 0.90$

t value

Se = 57.76 (Standard error of estimate)

Sb = 0.046 (Standard error of Regression co-efficient)

$$t = \frac{0.67}{0.046} = 14.56$$

Significant at 0.05% level.

TABLE-5

Indices of agricultural production, consumers' price indices for working class (Cuttack), industrial workers (Sambalpur) and agricultural labourers in Orissa.

Year	Working Class (G) Consumer Price Index Cuttack 1960=100	C.P.I. for indust. workers Sambalpur 1960=100	Year	C.P.I. (G) for Agri. workers 1960-61 =100	Indices of Agricultural production triennium 1969-70 =100
1961	131		1961-62		
1962	139		1962-63		
1963	148		1963-64		
1964	171	121	1964-65		
1965	187	133	1965-66	162	
1966	203	157	1966-67	181	
1967	237	169	1967-68	201	
1968	247	178	1968-69	218	

1969	247	181	1969-70	213	
1970	257	192	1970-71	212	106.7
1971	259	194	1971-72	223	95.8
1972	275	213	1972-73	248	107.1
1973	289	233	1973-74	282	115.7
1974	347	301	1974-75	297	89.3
1975	391	342	1975-76	285	121.2
1976	369	298	1976-77	344	89.7
1977	38[illegible]	334	1977-78	351	121.0
1978	40[illegible]	350	1978-79	350	129.9
1979	446	376	1979-80	417	88.2
1980	491	434	1980-81	441	131.3
1981	541	455	1981-82	501	131.1
1982	597	528	1982-83	610	114.3
1983	682	587	1983-84	601	168.1
1984	739	60[illegible]	1984-85	579	134.0
1985	815	649	1985-86	596	164.9
1986	872	68[illegible]	1986-87	616	153.6
1987	919	7[illegible]7	1987-88	718	127.0
1988	1018	791	1988-89	756	165.0
1989	1028	880	1989-90	—	185.0
1990	—	—	1990-91	—	—

Source : (a) Economic Survey of Orissa.

(b) Statiscal Abstract of Orissa.

References :

1. Bensil, P. C., Agricultural Statistics in India, A guide, Oxford IBH Publishing Co., New Delhi, 1984.

2. India, 1979, 1984, 1990, Publication Division, Ministry of Information and Broadcasting, Govt. of India.

3. Shrivastava, O. S., Policy Issues of Agricultural Economics, Allied Publishers, New Delhi, 1987.

4. Agricultural Situations in India, August, 198[illegible].

Wage Revision and Agricultural Labour, —A Study in the Context of Orissa

Dr. R. K. Panda,
Utkal University

Agriculture continues to provide the largest volume of employment to the working population in Orissa. According to 1991 Census, out of the total main workers, those (cultivators and agricultural labourers) engaged in agriculture come to 73.06 percent. Between the censuses of 1981 and 1991 there has been a decline in the proportion of cultivators in the total main working population from 46.94 to 44.21. But during this period, the size of agricultural labourers has increased by 1.09 percent (from 27.76 to 28.85). Thus, leaving aside cultivators, agricultural labourers form the largest segment of working force in the state.

Studies[1] point out that technological development in agriculture has brought in deterioration in the production relations. The post-green revolution has witnessed rise in the proportion of casual labour in the total workforce in agriculture.[2] This has resulted in higher uncertainty and greater moral hazards. Poverty has been severe among the agriculture labour households.[3] The increasing plight of the labourers is because of dominant role of non-wage factors influencing the work environment in the agricultural sector. Under the circumstances, the study attempts to examine the efficacy of a wage revision policy adopted by the government of Orissa to provide higher material benefit to the agricultural labourers in Orissa.

Agrarian Structure and Demand for Labour :

Demand for labour in agriculture depends upon prevailing firm-structure in a region. An economy with concentration of small holdings reveals greater engagement of family labour in farming operations compared to hired labour. Empirical studies[4] have shown that in view of the poor economic position, the small farmers use higher percentage of their resources on technological inputs like HYV seeds, fertilizers as compared to hired human labour. Besides, the family members of the small farm households including women take part in farming operations. The dependency of small farmers on family labour being very high, the demand for hired labour in an agricultural structure with high concentration of small holdings become less.

In the Orissan context, the small holders predominate the agricultural scene. As per 1985-86 Agricultural Census the small holders (below one hectare of operational land) constitute 52.08 percent of the total farming community. The large farmers with more than 2 hectares of operational holding comprise of 22.54 percent of the cultivating households. In view of such an agrarian structure with large farmers below one-fourth of the total cultivating class, the scope for employment of agricultural labourers seems very limited.

To make matters worse, not only the percentage of small holders in the state is very large, but also the holding size of all sizeclasses of farms is declining due to sub-division and fragmentation. The four Agricultural Censuses bear ample testimony to this fact (Table-I). Taking all farm-sizes together, the average size of operational holdings was 1.89 hectares during 1970-71 and subsequently has fallen to 1.46 hectares in the year 1985-86. The decline in size of operational holding between 1970-71 to 1980-81 is faster in Orissa than at the all-India level.

Technology Adoption and demand for farm-labour :

Studies[5] indicate that adoption of modern technology (biological technology) in agriculture leads to large demand for labour. These studies also show that as technology used in agriculture is land-augmenting, it is very much labour-absorbing. Modern agriculture being very much dependent on irrigation and other infrastructural developments, the creation and maintenance of such projects call for greater labour demand. In case of Orissa, there has not been much technological breakthrough in agriculture. Because of inadequate irrigation facility, the area under HYV has registered a slow growth. At the end of 1989-90 the area under HYV comes to 22.59 lakh hectares. This amounts to 35.73 percent of the net sown area in the State. The cropping intensity has remained low and during 1989-90 it was only 149[6]. Thus, slow process of modernisation of agriculture has not generated desired demand for labour in agriculture.

It is pointed out that higher technological use in agriculture encourages greater diversification of rural economy. Allied and ancillary units develop in rural areas to cater to the needs of agriculture. As a result the labourers who used to work in agriculture at a subsistence wage earlier, get better employment opportunity at a higher wage rate. The migration of workers from agriculture to other occupations reduces the burden of maintaining a huge workforce in agriculture at a subsistence wage rate. This also boosts up the wage rate in the agricultural sector for the remaining workers. The latest available data show that in Punjab and Haryana, the progressive use of modern technology has resulted in lower dependency of workforce on agriculture As per 1991 Census the percentage of workers (cultivators and agricultural labours) depending upon agriculture comes to 58.91 in case of Haryana and 46.14 in case of Punjab. In Orissa, the percentage of working population depending on agriculture comes to 73.06. This is higher than the all-India figure (64.90 percent[7]). Because of less number of workers engaged in agriculture the prevailing wage rate in Punjab and Haryana is much higher than that in Orissa[8].

Barring aside inter-state comparison, within Orissa there lies unequal concentration of agricultural labourers between different regions (Table-2). The coastal plains consisting of districts like Balasore, Cuttack, Ganjam and Puri accommodate higher percentage of workers in the agricultural sector as compared to other three regions. The Eastern Ghats region also accommodates quite a sizeable percentage of labourers in agriculture and ranks second, next to coastal plains. The Central Table land and Northern Plateau employ less number labourers in their respective agricultural sector in comparison to the proportion of the Gross Cropped Area they share from the state as a whole. This reflects that both in terms of number of agricultural labourers engaged per unit of GCA and area operated per unit of labour, the coastal plains and the Eastern ghats are placed below the state average. On the contrary the Central Table land and Northern Plateau are favourably placed in both ways over the state average. Thus the agricultural sector of coastal plains and Eastern ghats are comparatively over crowded with labourers as compared to Central Table land and Northern plateau. It is to be pointed out that technological breakthrough in terms of expansion in area under HYV has made higher progress in Coastal Plains as compared to the other regions (exception being Sambalpur district under Central Table Land). In view of this, 'there is need for inducing migration of agricultural labourers to other regions. This will in no way decrease agricultural output in the region. Instead it will boost the wage rate upward.

The small size of holding with large scale traditional farming practices has resulted in poor yield in Orissa. It is estimated that the realised profit and net profit reaped per hectare of cultivated area are lower in Orissa as compared to all-India average. This provides less opportunity to the labourers to get employed, in farm-sector. As a result the actual earnings of the labourers in Orissa are much below the all-India average[9].

Conclusion and Policy Implications :

The uneconomic size of holding coupled with large-scale traditional farming results in less opportunity before the agricultural labour to get employed in agriculture. Besides in certain regions there is high concentration of labour in agriculture which ultimately depresses the wage rate. In the prevailing agricultural scenario any upward revision of wage rate will not do good to the agricultural labourers. Here the policy should be to develop employment opportunity in different allied and ancillary occupations so as to induce migration of labourers to such areas. Very often we come across the news that the labourers are leaving their native places in search of employment to neighbouring areas and states. This shows that there is dearth of employment in the native areas of the labourers. In Orissa 'Dadan' labourers are very much prevalent and these labourers migrate to different places in off-seasons in search of work. In view of such prevailing situations the labourers should be encouraged to start different allied activities on co-operative basis. Institutional credit may be provided towards this end. A legislation may be passed to ban further sub-division and fragmentation of land. This will urge upon the rural households to start different allied activities instead of clinging to a small bit of land which they inherit after every succession.

TABLE—1

Holding size in different farm-sizes between 1970-71 and 1985-86 Agricultural Censuses in Orissa

Year	Below 1.00 hectare			1.00 to 2.00 hectares		
	No	Area	Holding size	No	Area	Holding size
1970-71	14756	7700	0.52	11207	17139	1.52
1976-77	16751	8532	0.50	10435	14651	1.40
1980-81	15597	7945	0.50	8910	11938	1.33
1985-86	18676	9194	0.49	9101	12731	1.39

Year	Above 2 hectares			Total		
	No	Area	Holding size	No	Area	Holding size
1970-71	8111	39648	4.88	34074	64487	1.89
1976-77	8715	34328	3. 3	35901	57511	1.60
1980-81	8775	328 2	3.74	33282	52775	1.58
1985-86	8078	30683	3.79	35855	52608	1.46

TABLE—2

Region-wise distribution of Agricultural Labourers in Orissa in relation to Gross Cropped Area. (1990-91)

Regions	GCA (in 1000 hect)	No. of Agril. labour	Agril. labour per unit of GCA	Area per unit of labour
Coastal Plains	3291	2964751	0.90	1.11
Central Table Land	2148	1621679	0.75	1.32
Northern Plateau	137	878947	0.65	1.53
Eastern Ghats	2133	1779512	0.83	1.19
Orissa.	8918	7244889	0.81	1.23

References :

1. Rudra Ashok, Labour Relations in Agriculture – A study in a Contrasts Economic and Political Weekly, April 25, 1987.
2. Vaidyanathan A, Labour use in Rural India – A Study of Spatial and Temporal Variations, Economic and Political Weekly, December 27, 1986.
   Dantwala M. L., Rural Assets Distribution and Composition of Labour Force, Indian Journal of Agril. Economics, July-September, 1987. Cited from various National Sample Surveys, Government of India.
3. Dev. Mahendra. S., Poverty of Agricultural Labour Households in India, – A State Level Analysis, Indian Journal of Agril. Economics. January-March-1988.
4. Panda, R. K., Agricultural Indebtedness and Institutional Finance, Ashish Publishing House, New Delhi.
5. Paul Satya and Rajesh Mehta, Technology, Factor Demand and Substitution in Indian Agriculture, 1960-1983, Indian Journal of Agril Economics. Oct -December, 1991.
6. Government of Orissa. Economic Survey (1990-91), Planning and Co-ordination Department.
7. Census of India ,1991, Provisional Population Totals, Director of Census Operation, Orissa.
8. Acharya Sarathi, Agricultural Wages in India : A Disaggregated Analysis, Indian Journal of Agril. Economics, April-June 1989.
9. Dev, Mahendra. S. Opcit.

Impact of Revision of Agricultural Minimum Wage on Profitability

Dr. Manoranjan Das
Reader in Economics,
Khallikote College,
Berhampur

There was a hue and cry particularly in the Farm sector after the declaration by the state government of Orissa, about a year back, that the minimum wage for labour would be rupees twentyfive a day and this would be also applicable to the agricultural labourers. Prior to this revision, the agricultural minimum wage was rupees eleven only. Thus, the minimum wage was raised exactly by 227.27 percent. The cultivators objected to this revision of wage on the ground that the productivity and the price which they actually get from the agricultural product have almost remained unchanged, over many years, while the costs of inputs like fertilisers etc. have been increasing reducing their margin of profit. They had the apprehension that wage @ Rs. 25/- a day would completely wipe out whatever little profit they were getting. But agriculture, being an unorganised sector, the owner cultivators could not organise themselves to give a stiff resistance. Probably, the majority of the owner cultivators knew that, in reality, they would be able to hire labour at a lower rate than what is prescribed as minimum wage due to the fact that there is abundant supplies of labourers in villages who have no job other than getting employed in agricultural operations and they too are not organized enough to compel the employers to pay them the minimum wage.

On the basis of the present cost of living a sum of Rs. 25/- a day as the minimum wage, is not really high. A person can meet only the bare necessities, of himself and his family with this amount. Probably no body debates on this. The real problem is that the farmers feel (may be genuinely) that they do not have the capacity to pay this minimum wage as the return is not adequate. On this background, the author intends to find out whether the cultivators have really the capacity to pay the minimum wage prescribed by the government.

The Cost-Benefit analysis of certain selected crops like H.Y.V. Paddy, Gram, Groundnut, Til and Sugarcane has been made by the agricultural department both at Prerevised and Revised wage rate. The figures regarding yield, cost and profit will definitely vary in case of irrigated and non-irrigated land. It may also vary on the basis of size of holdings. But the figures pr sented in Table-1 indicate the overall position as calculated by government authorities. One may observe from the Table that the prices of the products and Yield rates have been taken as constant eventhough there is a change in the minimum wage rate. The findings from the Table are indicated below briefly. For detailed analysis, Table-1 may be referred.

H.Y.V. Paddy :

The yield per acre is 18 quintals. The man-days of labour required is 75. The price per quintal is Rs. 240. The increase in wage cost due to revision of minimum wage would be Rs. 1050 in cultivating an acre of land. The net profit would decrease from Rs. 2770 to Rs. 1570 when the increase in cost of other factors is also taken into account. The return per rupee invested would decrease from Rs. 2.78 to Rs. 1.57.

Gram (Black & Green) :

The yield per acre is 4 quintals. The man-days of labour required is 30. The price per quintal is Rs. 800. The increase in wage cost due to revision of minimum wage would be Rs. 420 in cultivating an acre of land. The net profit would decrease from Rs. 2320 to Rs. 1840 when the increase in cost of other factors is also taken into account. The return per rupee invested would decrease from Rs. 2.78 to Rs. 1.57.

Ground nut :

The yield per acre is 8 quintals. The man-days of labour required is 70. The price per quintal is Rs. 1000. The increase in wage cost would be Rs. 980, in cultivating an acre of land. The net profit would decrease from Rs. 6120 to Rs. 5000 when the increase in cost of other factors is also taken into account. The return per rupee invested would decrease from Rs. 4.25 to Rs. 2.66.

Til :

The yield per acre is 4 quintals. The man-days of labour required is 36. The price per quintal is Rs. 900. The increase in wage cost would be Rs. 504 in cultivating an acre of land. The net profit would decrease from Rs. 2976 to Rs. 2400 when the increase in cost of other factors is also taken into account. The return per rupee invested would decrease from Rs. 5.76 to Rs. 3.00.

Sugarcane :

The yeild per acre is 400 quintals. The man-days of labour required is 240. The price per quintal is Rs. 33 (approx.). The increase in wage cost due to revision of minimum wage would be Rs. 3360 in cultivating an acre of land. The net profit would decrease from Rs. 7340 to Rs. 3500 when the increase in the cost of other factors is also taken into account. The return per rupee invested would decrease from Rs. 2.23 to Rs. 1.36.

On the basis of the official data, one may conclude that the net Farm profit will decrease to a very great extent due to revision of minimum wage, particularly because there has been almost no change in the yield rate and the price which the cultivators get. Further, it may be pointed out here, that in Orissa, the majority of the cultivators have less than one hectare size of holding and, therefore, it will be difficult for them to get an earning to support their family. The percentage of irrigated land being very low (approx. 18%), only a negligible number of farmers can have double cropping in order to increase their gross income.

To know cultivators' reaction, a few cultivators who are aware of the details, were asked to comment on the minimum wage revision and also on the official data. Almost all of them pointed out that the actual yield is much less than official statistics and the price which is quoted is also not received by them. Majority of the cultivators being poor, dispose of the output immediately after harvest at a very low price. On being questioned about the profitability, they said that because there is use of family labour and payment to the hired labour is at a reduced rate, they manage to get some profit, which they say is not adequate. On being questioned further about the minimum wage of Rs. 25 a day, they had only one answer, that is, if this wage is paid, the little profit which they are now getting may be completely wiped out or may become so meagre that no body could take up cultivation in future

Thus, in the light of the above study, it is not difficult to conclude that a minimum wage of Rs. 25/- a day is beyond the paying capacity of a large number of farmers in the state and therefore needs revision.

TABLE—1

Cost-Benefit Analysis of Selected Crops — Area : One Acre

Name of the Crop	H.Y.V. paddy	Green Gram & Black Gram	Ground-nut	Til	Sugarcane
1. Yield in Qtls/ Acre.	18	4	8	4	400
2. Man-days of Labour	75	30	70	36	240
3. Total cost (in Rs.)					
(a) at Pre-revised wage	1550	880	1880	624	5960
(b) at Revised wage	2750	1360	3000	1200	9800
4. Increase in Total cost	1200	480	1120	576	3840
5. Labour cost (in Rs.)					
(a) at Pre-revised wage	825	330	770	396	2640
(b) at Revised wage	1875	750	1750	900	6000
6. Increase in wage cost	1050	420	980	504	3360
7. Increase in other cost	150	60	140	72	480
8. Price (per quintal) (in rupees) (10 ÷ 2)	240	800	1000	900	33.25
9. Value of Produce (in Rs.)	4320	3200	8000	3600	13300
10. Net profit (in Rs.)					
(a) at pre-revised wage	2770	2320	6120	2976	7340
(b) at revised wage	1570	1840	5000	2400	3500
11. Decrease in Net Profit (in Rs)					
(a) Total	1200	480	1120	576	3840
(b) due to wage revision	1050	420	980	504	3360
12. Return per rupee invested (10 ÷ 4)					
(a) at prerevised wage	2.78	3.63	4.25	5.76	2.23
(b) at revised wage	1.57	2.35	2.66	3.00	1.36

Pre-revised wage—Rs. 11/- per day (upto June 90).

Revised wage—Rs. 25/- per day

Source : Office of the Deputy Director of Agriculture, Berhampur.

Agriculture and Minimum Wages : A Study

Dr. K. Nana Buchi,
Reader in Economics
Khallikote Evening College,
Berhampur.
&
Sri Parameswar Seth
Senior Lecturer in Economics
Khallikote College,
Berhampur.

The term, agricultural labourers, or agricultural workers, "denotes those rural workers who are employed on wages in the agricultural operations".[1] The 1951 Census classified the total agricultural population of the country into four groups, such as (i) Cultivators of land wholly or mainly owned, (ii) Cultivators of land wholly or mainly unowned, (iii) Cultivating labourers and (iv) non-cultivating owners of land. The cultivating owners are defined as employees of cultivators. As the small owners, the tenants and the artisans "find themselves working as cultivating labourers, the line between agricultural workers and the other agricultural groups is subject to marginal shifts and agricultural workers may be broadly described as a residuary group in the rural community".[2] The agricultural workers are further classified broadly into two groups, viz. 'casual' workers and attached workers. According to the enquiry undertaken by the Government of India, the 'attached' workers are defined as those who had continuous employment for one month or more at a time.[3]

In India there is the existence of a large number of agricultural workers who lack sustained employment and suffer from social handicaps. With the decline in rural industries many artisans have become part time agricultural labourers. Due to fragmentation and sub-division of land holdings many peasants have become casual labourers. So the agricultural workers mainly depend on agricultural labour alone and they also combine the other casual work with agricultural labour. The agricultural workers have short periods of intensive employment during sowing and harvesting periods. As compared to the farmer, "The agricultural workers' problem is perhaps in a large measure one of the unemployment rather than of under employment, but the degree of unemployment depends almost entirely on the character of local agriculture and on the distance from urban centres".[4] The First Five-year Plan of India had implemented many programmes to improve the social and economic conditions of the agricultural workers. During this period attempts were also made to ensure a minimum standard of living to agricultural labour by fixing minimum wage under the minimum wages Act.

As there is a large concentration of agricultural labour in the State of Orissa, the State Government after consulting the Minimum Wages Advisory Board revised the rates of minimum wages payable to all the categories of employees employed in agriculture to Rs. 7.50 per day with effect from 5th November 1984.[5] The main objective of this act was to prevent the exploitation of the workers employed in agriculture and other occupations. Recently the State Government revised the minimum wages to Rs. 25/- per day for all categories of labourers so as to improve the standard of living of the workers.

This paper intends to study the effectiveness of minimum wages and its impact on agricultural production, agricultural prices and on the standard of living of agricultural labourers in the district of Ganjam of the State. Furthermore, it seeks to study the effect of rise in minimum wages of the agricultural labourers on the traditional occupations in the study area.

For this purpose of studying the effectiveness of the minimum wages, five villages are chosen, namely Ambapua of Kanishi Block, Lochapada, Jagdalpur, Neemakhandi and Bhawanipur of Kukudakhandi Block. For studying the impact of minimum wages on traditional occupations like pottery five other villages are chosen. They are Kombharpalli, Gopinathpur, Lathi, Sukunda and Chikarada where the concentration of Potter caste is sizeable. In addition a few agricultural workers of Berhampur and Chatrapur towns have been interviewed.

Table-1 depicts the numbar of households and the total population of the first group of five villages. There are 2275 households in the five study villages of which the SC households comes to 32.7 percent of the total number households. The total population and the SC population come to 15.5 thousand and 4.5 thousand respectively.

TABLE-1

Number of Total Households and Total Population of the Study Villages

Sl. No.	Name of Village	Total No of house holds	Total No. SC house holds	Total population	Total No. of SC population
1.	Ambapua	110	36	620	210
2.	Jagdalpur	680	253	4928	1826
3.	Lochapada	716	210	4760	1260
4.	Neemakhandi	350	57	2612	318
5.	Bhawanipur	419	187	2533	915
	Total	2275	743	15453	4529

Of the total households of all the five study villages 11.56 percent are big farmer households (having more than 10 acres), 42.42 percent are small farmer households (having less than 10 acres), 10.94 percent are share croppers, 22.86 percent are agricultural labourers and 12.22 percent are engaged in other occupations such as small business, small scale and household industries, Government services, etc. (Table-2).

TABLE-2

Distribution of Households according to ownership of land

Sl. No.	Name of Village	Total No. of House-holds	Types of Households				
			Big Farmers	Small Farmers	Share Croppers	Agril. Labourer	Other House-holds
1.	Ambapua	110	26	47	6	16	15
2.	Jagdalpur	680	78	297	98	165	42
3.	Lochapada	716	93	387	68	113	55
4.	Neemakhandi	350	21	75	63	84	107
5.	Bhawanipur	419	45	159	14	142	59
	Total	2275	263	965	249	520	278

It is revealed from the study that the big farmers are the landlords. They carry on agricultural operations through the labours who are employed throughout the year as 'halias'. These types of labourers are paid mostly in kind once in a year after harvest. In addition to the halias these big farmers engage labourers for sowing and cutting processes. The employers pay them daily wages in terms of cash.

The small farmers during the agricultural operations hire labourers in addition to the labours of the family members. As many of the farmers are having less than one acre of land, after completion of the agricultural operations in their own land, they and their family members offer their labour services on hire basis. Likewise, the share croppers engage themselves in the share cropping cultivation and when they find time act as agricultural labourers in others' farms.

As the agricultural labourers are landless they maintain their livelihood by selling their labour (both men and women) in their villages. They also tend to move to other villages if they have no engagement in their villages. During the lean season they engage themselves as labourers mostly in the construction works as 'Coolies'.

Cultivation is a complicated process. Broadly it passes through the phases of shaping and tilling the land, sowing, cutting and thrashing. The shaping and tilling are generally performed by the male labourers whereas the sowing and cutting are carried out mostly by female and female-child-labourers in the villages under study. The last process, namely, thrashing involves the labour of men, women and children.

Generally the male labourers are paid more wages than the female labourers by the farmers, but the female labourers and the female-child-labourers engaged in sowing and cutting receive equal wages. It is revealed that the wages paid to labourers, both male and female, vary from year to year, place to place and from time to time. It is reported by the employers that during the agricultural season 1990-91 they have paid Rs. 30/- to Rs. 40/- to the mail labourers and Rs. 12/- to Rs. 15/- to the female labourers. The wage rate was Rs. 25/- to Rs 30/- for males and Rs. 8/- to Rs. 10/- for females in 1989-90. It shows that the wages received by the male labourers are more than the minimum wages fixed by the Government. But the women labourers are getting less than the minimum wages as they are unorganised and they have less bargaining power. Further the female labourers accept the lower wages as they supplement their family income. These figures were obtained from male and female labourers through personal interview. The farmers viewed that the wages are more and burdensome. So an attempt has been made to estimate the cost of production in which labour cost is one important component.

The cost of production per acre comes to Rs. 2221/- of which the labour cost is Rs. 1561/-. It is 70.3 percent of the total money cost. The total production on an average per acre comes to 16 quintals. At the present rate it is Rs. 4100/-. Therefore the profit to the farmer comes to (Rs. 4100/- — Rs. 2221/-) Rs. 1879/- per acre.

During the year 1989-90 the cost of labour component was Rs. 1220/- (for 21 male and 59 female labourers at the rate of Rs. 30/- and Rs. 10/- respectively) and other cost was Rs. 580/- making a total of Rs. 1800/-. The money value of the total produce was Rs. 3350/- at 1989-90 price. So the profit per acre was Rs. 1550/- (Rs. 3350/- — Rs 1800/-).

TABLE-2

Calculation of Cost of Production Per Acre of Land (1990-91)

Sl. No.	Items	Requirement of labourers	Wages paid in Rs.	Money cost
1	2	3	4	5
1.	Shaping the land	4^m @ Rs. 35/-	140	140
2.	Cost of seeds			60
3.	Tilling the land	5^m @ Rs. 35/-	175	175
4.	Cost of fertiliser			450
5.	Cost of sowing and transplanting	20^F @ Rs. 14/-	280	280
6.	Cost of weeding	15^F @ Rs. 14/-	210	210
7.	Cutting	20^F @ Rs. 14/-	280	280
8.	Bundling and carrying of Paddy	6^M+2^F	238	238
9.	Thrashing	6^M+2^F	238	238
10.	Other costs			150
	Total	21^M+59^F	Rs. 1561/-	Rs. 2221/-

The cost of production and the money value of the total production of both the years show that there is a net gain to the farmers. But while interviewing the farmers they reported that they sustained loss due to increase in wages.

Many farmers are of the view that agriculture is not profitable because the wages of the labourers and other input costs, especially fertiliser are increasing from year to year and the return from agriculture is not sufficient to maintain their livelihood.

Some may like to think that increase in wages leads to an increase in agricultural productivity. But in reality productivity in agriculture depends on the employer (factors like rain fall remaining constant) i. e. how he extracts work from the labourers. It is noticed that the employer all along remains present during all the processes of agricultural operations.

The study further revealed that though the male labourers are getting wages more than the minimum wages fixed, their standard of living has not increased at all. Their real income has gone down due to increase in the prices of essential goods and services which they consume.

In this study an enquiry has been made to know whether the increase in wages and fixation of the minimum wages have influenced the other traditional occupations. For this purpose the pottery industry which is a traditional village industry of the district has been chosen. A survey has been conducted in five villages such as Kumbharpali, Gopinathpur, Lathi, Sukunda and Chikirada of the district where the concentration of the potter caste, popularly known as 'Kumbhara', is more. Table—3 indicates the occupational distribution of the potter households of the study villages.

TABLE—3

Occupational Distribution of Potter Households of the Study Villages

Sl. No.	Name of the Occupation	No. of Households in village Kumbhar-palli	Gopinathpur	Lathi	Sukunda	Chiki-rada	Total
1	2	3	4	5	6	7	8
1.	Pottery	4	4	70	8	74	160
2.	Pottery and Cultivation	1	16	40	9	—	66
3.	Mason	—	6	—	4	—	10
4.	Agricultural Labour/daily wage labour	4	9	17	15	78	123
5.	Service	—	5	5	4	12	26
6.	Petty business	—	—	3	—	3	6
	Total	9	40	135	40	167	391

Of the total 391 pottery households 160 households are engaged in pottery works, 66 households have taken up agriculture as primary occupation and pottery work as secondary, and 123 households are agricultural labourer/daily labourer households. During interview the potters informed that the pottery occupation does not fetch them enough means to maintain their livelihood. It is estimated that their daily income on an average comes to Rs. 20/- only per household. They earn this income by engaging the whole family members. As the income is meagre many households have preferred to work as agricultural labourers during the agricultural season and as daily labourers during the off season, through which they can earn more. This shift has resulted in the decay of village craft and an increaseof agricultural labour class.

The Findings :

The following are the important findings of the study.

(1) The prevailing wage rates are more than the minimum wages fixed by the Govt. It is more only in the case of male labourers.

(2) The female labourers' wage rates are far below the fixed minimum wage.

(3) The Agricultural labour class is fully aware of the minimum wages. Though they are (mostly male labourers) getting more than the minimum wages since 1989-90 they claimed more wages during agricultural season of 1990-91.

(4) There is inter village wage differences in the study villagers in case of female casual agricultural labourers, but the difference in wages is marginal. This happens only in the event of greater demand for female labourers for sowing and cutting operations.

(5) Like the inter-village wage differential there is also intra-village wage differences prevailing in the study villages.

(6) The female casual agricultural labourers accept low wages as compared to male labourers, because they consider it as a supplement to their family income.

(7) Increased wage rates have not raised the productivity of labour. Productivity of labour depends on how the employer utilises the labour of the labourer.

(8) The increase in wages leads to increase in the price of agricultural products.

(9) The traditional occupation of the district, as it appears, may completely vanish from the scene due to the increase in the wage rate.

(10) Wage rate is determined by the free interplay of the forces of demand and supply of labour. The minimum wages fixed by the Government for agricultural labourers under the minimum wages Act are not effective in the study villages.

(11) The Government intended to increase the standard of living of agricultural labourers by fixing minimum wages. The study revealed however, that the said increase has not taken place despite a rise in wages.

(12) The Government machinery has become a passive onlooker after declaring the minimum wages and has not taken any step yet to equalise the wages of the male and female labourers of the study villages.

Conclusions and Suggestions :

The following are the conclusions and suggestions :

(1) The agricultural labourers, mostly women labourers, are unorganised and have weak bargaining power. Therefore, it is suggested that they must be organised to strengthen their bargaining power.

(2) As lower wage rates are prevalent in case of female labourers, steps should be taken to remove the wage disparity.

(3) Though the fixation of minimum wages is meant to uplift the standard of living of this class, it appears that the minimum wages Act alone won't be instrumental in achieving this feat. For this, greater employment avenues have to be provided to them throughout the year.

References :

1. Labour in Indian Planning, compiled and edited by K. I. Thomas, National Labour Institute, New Delhi, March 1988, p. 5.

2. Ibid.

3. Ibid p. 6.

4. Ibid. p. 7.

5. Orissa Local Acts and Rules. Vol-VIII, 1988. Orient Law House, Allahabad, pp. 718-719.

The employment generation and I.R.D. —A case study of Bahugram Village in Salipur Block of Cuttack District

Dr. Sofia Khanam
Reader in Economics,
Rajdhani College

Stimulation to employment has remained an abiding concern of Economic planning ever since its inception in 1951. But significantly enough employment generation did not form an integral part of planning strategy in this country. Removal of unemployment has not been accepted at any time as a time-bound programme. The Fifth Five Year Plan, inspite of its pronounced employment bias, maintained that sufficient care should be taken to ensure that employment provision does not become an end in itself."[1] The recast of Sixth Five Year Plan for the five years 1980-85 reflected a stronger determination to tackle the unemployment problem but attached greater importance to faster growth. The Seventh Plan came to admit that planning srategy should aim at expansion of employment which should be necessarily productive employment.

It is, therefore, correct to conclude that employment expansion was not sought as a direct goal of planned activities. This lukewarm approach to employment in India was noted by A. N. Agrawalla in his following observation "No where............... is there any mention of full employment,there are however such expressions as maximum employment, more employment, fuller employment etc."[2]

The rates of growth registered under the Plans as reckoned in terms of rise in national income are impressive. National income during 40 years of planned development recorded on an average an annual increase of 3.5%. The same during the first 50 years of the present century was only 1.5% per annum.[3] Though the actual growth rates fell short of the targeted rates, these roughly confirmed the expectations of the planners.

According to an estimate the organised sector absorbs only 11%. Of the current annual increase in the labour force, the remaining 89% has to be accomodated in agriculture and small Unit activity. The successive census reports have shown agriculture's share in the labour force has increased.

Integrated Rural Development is meant integrated development of the areas and the people through optimum development and utilisation (and conversions were necessary) of the local resources—Physical, biological and human and bringing necessary institutional, structural and attitudinal changes by delivering a package of services to encompass not only the economic field but also the establishment of required social infrastructures and services, employment, in areas of health, nutrition etc.

This study is an attempt to reveal the anatomy of rural poverty in the village Bahugram of Salipur Block and to articulate the dynamics of changes. This is an attempt to study functional inter-action of activities, undertaken by the development programmes for employment generation.

National Rural Employment Programme is a Non-land based employment generating programme which provides loan or subsidy basis to selected persons of rural industries and their allied sectors.

The study area is encircled with different poverty-alleviation programme under I.R.D.P., which helps in economic transformation through income-generation and employment generation.

Methodology :

It is an empirical and inductive study. The field data used in this study are collected through questionnaires, personal interviews with the respondents. The field survey was made in the village Bahugram of Salipur Block in Cuttack District. The Block consists of multiple hanogenous villages. Bahugram is a wellknown place, situated in the main Cuttack-Kendrapara Road. It has got a high School, College, Gram Sevika Training Institute, Cold Storage and all most all social amenities for a rural village.

The Primary data are collected from 50 sample households during 1980-81 and 21 households during 1982-83. Among these 71 sample house holds, 11 households were under National Rural Employment Programme during 1980-81 and 10 house-holds during 1982-83 under N.R.E.P.

As N.R.E.P. covers different branches of employment generating programmes, the beneficiary house holds cover the different sectors of employment. Mainly N.R.E.P. covers the village crafts and provides employment opportunities to the rural employed which would generate income and employment.

TABLE—1

Number of assisted households under different programmes of N.R.E.P. of sample village during 1980-81 and 1982-83.

	1980-81	1982-83
1. Carpentry	4 (36.3)	×
2. Shop	3 (27.2)	8 (80)
3. Tailoring	4 (36.3)	2 (20)

Figures in parentheses are percentage to the total assisted households.

Impact of N.R.E.P. under Integrated Rural Development Programme on income structure of the Assisted households :

A comparison between the income generated by the assisted and non-assisted households during the year will indicate the effect of I.R.D.P. on the rural economy. The analytical tools are used to examine the following :

(1) Change in income of assisted households :

Statistical tools are employed to examine the effect of different schemes on the income of the assisted households.

(2) Relative effect of the scheme on the income :

Statistical analysis are undertaken to examine the significance of the schemes implemented in the Block. The various schemes under rural development programme do not have the same impact on the income of the beneficiaries. So an attempt is made to examine the relative effect of the scheme on the income of the beneficiaries to select a particular scheme to a particular region.

(3) Relative importance of schemes under the programme :

National Rural Employment Programme (NREP) provides loan and subsidy to small shop-keepers, tailors, blacksmith, or village goldsmith to expand their existing productive assets in order to increase their income potential. The existing productive assets when associated with assistance from the Govt. will give rise to a new income structure to the beneficiaries.

The beneficiaries of Bahugram are assisted through N.R.E.P. The "t" values of difference in income of marginal farmers of Bahugram between pre and post inception of the scheme are presented in Table-2 during 1980-81 and 1982-83.

TABLE—2

"t" values of difference in income of Marginal Farmers between pre and post inception of different schemes during 1980-81.

Scheme	"t" value 1980-81	"t" value 1982-83
N.R.E.P.	3.05*	

* Significant at 3 percent level of probability.

This indicates that NREP has made a significant impact in generating income with Marginal farmers.

TABLE—3

"t" value of difference of income from specified source of rural artisans and petty traders between Pre and Post inception of N.R.E.P. during 1982-83.

Category	"t" value
Rural artisans	3.4 *
Petty Traders	3.82 *

* Significant at 5 percent level of probability.

The Marginal Farmers were not included as beneficiaries in the schemes like NREP during 1982-83. The rural artisans and petty traders are selected to get the benefits through these schemes. Table 2 and 3 indicate that the "t" values of differences in total income of beneficiaries during pre and post inception of the scheme are positive and though statistically not significant during the year 1982-83. This shows that the increase in total income of the beneficiaries is marginal. But the difference in income (from specified sources) received by the rural artisans and petty traders through the particular scheme is statistically highly significant during 1982-83 (Table 3). Thus the assistance provided through the National Rural Employment Programme has made a significant impact in generating the income of rural artisans and petty traders during 1982-83.

Relative influences of various inputs supplied through National Rural Employment Programme on income of the Assisted Households of sample village :

Self-employment and wage-employment opportunities are avenues for income generation in rural areas. The absence of suitable employment opportunities for rural youth breeds and perpetuates the poverty-scenario in our country. There are thousands of cases where rural artisans and persons employed in the rural informal sectors who have remained poor despite of their continued employment. Thus employment strategy must be such as to provide enough wage or earning to the employed so as to raise them over the poverty line. Creation of productive activities should not only be self-sufficient but should also generate a surplus, for which NREP is implemented through Integrated Rural Development Programme.

In this section, an attempt is made to quantify the effect of the assistance supplied through the National Rural Employment Programme following the Cobb-Douglas Model.

$$Y = a \times^{b1}$$

$$Logy = Log\ a + b1 = \log \times 1$$

Where

Y = Income derived by the assisted households through NREP in rupees.

X1 = It includes the assets supplied through the scheme and the assets owned by the assisted households in rupees.

The regression co-efficients of the assets supplied through the scheme including the own-assets and their related statistics for the year 1980-81 and 1982-83 are presented in Table 4 and Table 5. In both the years the regression co-efficients are statistically significant implying that the assets supplied through NREP have made a significant impact in increasing the income of the assisted house holds. The benefit of this Rural Development Programme can be better utilised when income generating programme will be associated with sound market support. In the absence of a dependable market support, the assisted households failed to get a remunerative price for their output. It will tend to make the new programme economically unfeasible under pricing of output constraints, the adoption of new technology[6], supplied through the Rural Development Programme. Thus a market support is also crucial in providing a suitable price for the output generated through integrated Rural Development Programme.

TABLE—4

Regression co-efficient and other related statistics of income derived through Rural Employment Programme with the assets used in selected sample village during 1980-81 (Cobb-Douglas Model)

Item	Variable
Regression co-efficient	1.52157 **
Standard error	0.50372
Estimated "t" value	3.07
Co-efficient of multiple determination (R^2)	0.4582

** Significant at 1 percent level of probability.

TABLE—5

Regression co-efficient and other related statistics of income derived through Rural Employment Programme and the assets used in the selected sample village during 1982-83 (Cobb Douglas Model)

Item	Variable
Regression co-efficients	1.6704 *
Standard Error	0.5557
Estimated "t" value	
Co-efficient of multiple determination (R^2)	0.5565

* Significant at 5 percent level of probability

References :

1. Government of India, Document on Approach to Fifth Five Year Plan—1973-78.
2. Dhires Bhattacharyya, Understanding India's Economy, Fourth Edition, 1969, Progressive Publishers, Calcutta–page-300.
3. A. N. Agarwalla, Indian Economy, Sixth Edition, 1980, Vikas Publishing House, New Delhi, page–300.
4. M. Mukherjee, National Income in India, 1969–P. 64.
5. Theodare, W. Schultz–On the Economics and Politics of Agricultural Incentives, Development Digest, July–1983, P - 12.

Minimum Wage Legislation And Agricultural Labour in Orissa
—Crisis of Implementation

Rabi N. Patra
P. G. Dept. of Economics,
Bhadrak College, Bhadrak.

Introduction :

Orissa is out and out an agricultural State. Despite rapid industrialisation during the last four decades of planned development, agriculture still occupies a place of pride in the State's economy both in terms of percentage of main workers employed and contribution to net state domestic product. 28.85% of main workers in the State are agricultural labourers. It is generally agreed that this bulk of the population in the State leads a miserable life. The causes of their misery are many. Landlessness, low and seasonal demand for labour, subsistence wage rate are some of the important factors which keep them in a state of perpetual poverty.

Since 1950s the government of Orissa has taken a series of measures to end exploitation of agricultural lobourers and improve their socio-economic well being. These include Land Reforms, Regulation of moneylenders, Poverty eradication programmes and so forth.

But after long years of Land Reforms legislation, Regulation of money lenders and Launching of various poverty eradication programmes, it is felt that the existing provisions would not be able to bring about any remarkable improvement in the economic condition of the agricultural labourers in the state. Therefore, a new measure known as minimum wages legislation was undertaken by the Government of Orissa in 1990. This law provides for a fair wage rate for agricultural and other labourers in the State. The rate fixed for agricultural labourers is Rs. 25 per man day of employment.

The enactment of this law in the state legislature and its subsequent implementation are expected to contribute towards economic upliftment of this vulnerable section of the society.

It is in this context that a need has been felt to evaluate the impact of the law on improving the economic condition of the agricultural labourers and for this purpose the present study "Minimum Wage Legislation and Agricultural Labour in Orissa—Crisis of Implementation" has been undertaken by the author.

Objectives of the Study :

The main ob ectives of the study are the followings :

(1) to assess the extent to which agricultural labourers have secured minimum wages fixed by the government from their employers;

(2) to identify the factors responsible for non-payment of minimum wages by the employers to agricultural labourers; and

(3) to examine the suitability of the minimum wage law in the context of its implementation.

Hypotheses :

The following hypotheses are proposed to be tested through the study.

(1) Agricultural wage-rate in the irrigated region is higher than that in the unirrigated region.

(2) No agriculturist-employer is paying the minimum wage fixed by the minimum wage legislation of the Government of Orissa.

(3) The wage-rate paid to the agricultural workers though lower than that fixed by minimum wage legislation is accepted by the workers, without resentment.

Methodology :

The present study intends to examine the implementation of the minimum wage legislation, 1990 on the basis of a field survey of the area which has been confined to Dolsahi Gram Panchayat of Tihidi Block in the district of Balasore. The approach adopted in the study is micro, being an investigation at the village level. The major considerations in the selection of the universe are the following.

(a) Constraints of time, resources and proximity of the universe to the place of work of the author.

(b) The panchayat has two regions—R_1 (Irrigated) and R_2 (Unirrigated) which help compare the implementation of the minimum wage law under diverse conditions.

Thirty households, 15 from each region have been randomly selected from the list of agricultural households employing hired labour obtained from the local village Agricultural Workers. This size is considered reasonably adequate for the study.

We have made the study for a period of 2 years i.e. from Dec. 1988 to Nov. 1989 and from Dec. 1990 to Nov. 1991. This has been done for two reasons:

(1) The period covers two years—one pre-minimum wage legislation year and the other post-legislation year to facilitate comparison.

(2) The timing in each year from Dec. to Nov., covers all agricultural seasons—Kharif, Rabi and Summer Paddy.

The study is based on primary data on payment of wages by sample households to hired agricultural labourers. The relevant data have been collected with the help of a pre-tested schedule canvassed in person among the selected sample households. Data from the sample households have been collected for two points of time—Pre-legislation and Post-legislation years through personal interviews.

Simple statistical tools like averages and percentages have been used in the study to compare the Post-legislation position with the Pre-legislation position in matters of payment of wages to agricultural labourers by the sample households.

Limitations of the Study :

All the data used in the study have been supplied by the sample households. Their capacity to remember facts forms a limitation of the study. Further, being a micro-level field study based on the experience of only 30 samples, the study can not claim to be of universal applicability.

Analysis of the Data and Major Findings :

The objective of minimum wage legislation is to free the agricultural labourers from exploitation by the employers and enable the former to have a reasonable standard of living. In the case of the sample households this objective seemed to have remained a day-dream. The relevant data on the score are presented in Table—1 and Table—2.

Table—1 shows crop-wise and region-wise difference in wage rate in various stages of agricultural operation and in all agricultural seasons for the sample households. It is observed from the table that while the irrigated region (R_1) raises three crops—Kharif paddy, Rabi and Summer paddy,—the unirrigated region (R_2) raises only two crops—Karif paddy and Rabi. Again wage rate in the irrigated region is a little higher than that in the unirrigated region for both Pre-legislation and

Post-legislation years. The average wage for the irrigated region in the post-legislation year (Rs. 19.5) is 18.2% higher than the average wage rate for the unirrigated region in the same year (Rs. 16·05). In the Pre-legislation year the average wage for the irrigated region (Rs. 16.4) was 23.3% higher than that for the unirrigated region (Rs. 13.3). Higher average wages for the irrigated region over the unirrigated region is due mainly to the higher demand for labour in the former. Thus our hypothesis that wages in the area having assured water supply stand higher than that in the area depending solely on rain water is proved to be true.

The table also reveals that wages for the post-legislation year are higher than the wage rate for the pre-legislation year for all agricultural seasons and operations in both the irrigated and unirrigated regions. It is observed from the study that this increase is not due to the minimum wage legislation but to other reasons. These are the following :

(a) Higher demand for labour in busy stages of agricultural operation like transplantation due to adoption of improved farm technology.

(b) Rise in prices of consumption goods and labourers' demand for higher wages.

Table—2 shows region-wise difference of the average wage rate from the wage rate (Rs. 25) provided by the minimum wage law for the year from Dec. 1990 to Nov. 1991. It is observed from the table that wage-rate in both the irrigated and unirrigated regions are lower than the wage rate provided by the minimum wage law. It is lower by 22% (Rs. 5.5.) for the irrigated region and by 35.8% (Rs. 8.95) for the unirrigated region. Thus, our second hypothesis that no employers are paying the minimum wage fixed by the minimum wage law for agricultural labourers by the Government of Orissa is proved true. Minimum wage legislation thus, is observed only in its breach and not in compliance, it has remained a Canute's order.

The causes of non-payment of minimum wages fixed by law to agricultural labourers by the agriculturist-employers are shown in Table—3. Two important factors have been identified by the study as responsible for non-payment of minimum wages to agricultural labourers. They are the following:—

(1) Agricultural labourers in the study area work only for 5-6 productive hours, which are less than the 8 hours-work-day

stipulated by the law. In some cases, even if the workers remain in the field for eight hours, the volume and quality of work done by them come to 5-6 hours. 66.7% (10 out of 15) of sample agriculturist employers in irrigated region and 20% (3 out of 15) of the same in unirrigated region have reported that they are paying less than the minimum wages because the labourers work for 5-6 hours. They have also pointed out that they will pay Rs 25/- as wage a day per labourer provided the labourers work for 8 hours.

(2) It is also observed from the study that required number of labourers are available at the prevailing actual wage rate and they accept the prevailing wage as a rule. 33.3% (5 out of 15) of the sample agriculturist employers in the irrigated region and 80% (12 out of 15) in the unirrigated region report that they are paying less than the minimum wage fixed by law because the required labour is available at a low wage rate.

Thus our 3rd hypothesis that wages paid are acceptable to the agricultural labourers is proved. It is also observed from the study that the seasonal nature of agricultural operations is responsible to keep wages low. In the lean season when labourers remain idle, they take wages in advance from the agriculturist-employers to work for them in the busy season at a low rate.

Concluding Remarks :

The major findings of the present study as revealed by the foregoing analyses are summarised below.

(1) Agricultural labourers, unorganised as they are, have no knowledge about the minimum wage legislatioh.

(2) Wages paid by the agricultural-employers are acceptable to the agricultural labourers.

(3) Wages are higher in busy agricultural seasons than in lean seasons.

(4) The seasonal nature of agricultural operations helps to keep the wage rate at a low level.

(5) The minimum wage legislation, 1990 which stipulates for payment of wages at the rate of Rs.25/- a day to agricultural labourers is being observed only in its breach in the State.

In fact there is a crisis in matters of implem ntation of the minimum wage law for agricultural workers in the state The fact remains that agricultural wages in Orissa, unlike wages in other occupations, are determined by the forces of demand and supply. To the extent there is inadequate expansion of non-farm activities in the rural areas, supply of labour to agriculture is bound to be high, hence resulting in low agricultural wages. Further, agriculture in Orissa continues to remain a normal-profit-making occupation on account of low farm prices on the one hand and high costs of agricultural operations on the other. In view of this, any imposition on the agriculturist-employers to pay at the minimum wage rate fixed by law would have dangerous repercussion for the economy in terms of adverse effects on farm productivity and production.

It follows that minimum wage legislation can hardly do anything in improving the agricultural wage rate in the state unless there is a thorough change in the rural sector. The following measures have to be taken in the coming years not only to improve the economic condition of agricultural labourers but also to enhance productivity and production in the rural areas.

(1) Agricultural labourers are generally unorganised because of their weak bargaining strength. They have no knowledge about the minimum wage law so generously passed by the state legislature to improve their economic conditions. This lack of awareness specifically on the part of the agricultural labourers for whose benefit the law has been made, is a clear pointer to the fact that they will not gain much unless they are made conscious of the provisions of the law.

(2) Irrigation facilities should be extended to all villages to overcome seasonal unemployment of labour and the consequent low agricultural wage rate.

(3) Since there is a good deal of under employment in agriculture, agro-based industries and other rural industries should be started in the villages to provide gainful employment to the rural people. This would help improve the agricultural wage-rate.

TABLE—1

Crop-wise and Region-wise Difference in Wage rate in different stages of Agricultural Operation for the Sample Households.

(In Rupees)

Regions	KHARIF X		Y		Z		Average			RABI X		Z		Average		
	m	n	m	n	m	n	m	n	k	m	n	m	n	m	n	k
R-1	18	16	20	18	20	17	19.3	17	2.3	18	15	20	16	19	15.5	3.5
R-2	15	12	18	17	17	15	16.6	14.6	2	15	12	16	12	15.5	12	3.5
Difference	3	4	2	1	3	2	2.7	2.4	0.3	3	3	4	4	4.5	3.5	0

Regions	SUMMER PADDY X_1		Y_1		Z		Average			Combind Average		
	m	n	m	n	m	n	m	n	k	m	n	k
R-1	21	18	18	15	22	17	20.3	16.6	3.7	19.5	16.4	3.1
R-2										16.05	13.3	2.75
Difference												0.45

Source—Primary Data

R-1—Irrigated Region

R-2—Unirrigated Region

X—Sowing

Y—Transplantation & Interculture

Z—Harvesting

X_1—Sowing and Transplantation

Y_1—Interculture

m—Wage rate in December, 1990—November, 1991

n—Wage rate in December, 1988—November, 1989

k—Difference in wage rate between the Pre-minimum wage legislation period and the Post-minimum wage legislation period.

TABLE—2

Region-wise Difference in wage rate.

(In Rupees)

Region	a	b	c
R-1	19.5	25	5.5
R-2	16.05	25	8.95
Combined Position	17.8	25	7.2

Source—Primary Data

a—Average wage rate actually paid during December 1990 & Nov. 1991.

b—Wage rate as per Minimum wage Legislation.

c—Difference. b—a.

TABLE—3

Identification of Factors Responsible for
Non-payment of Minimum Wages.

Factors	No. of Samples.	Regions
x	10	R-1
y	5	R-1
x	3	R-2
y	12	R-2

Source—Primary Data.

x—Low actual working hours.

y—Required Labour is available at the wage rate paid and the wage rate paid is accepted by the Labourers.

Impact of New Wage Policy on cost of Production in Rice Farming of Orissa

Dr. Dibakar Naik
Economist-Statistician, Directorate of Research,
Orissa University of Agriculture & Technology,
Bhubaneswar-3

Human labour is an important input used in agricultural production. Rice is the principal crop in Orissa occupying 60.8 percent of the total cropped area of the state. Any fluctuation in its output and input prices shakes the economic foundation of the vast majority of cultivating households in the state. Most of the cultivating households are small and marginal farmers and the technological break-through in agriculture is marginal even though there is lot of investment on water, power and modern input such as HYV seeds, fertilizer, insecticides and labour etc. It may be due to inefficient use of resources in agriculture through human labour. Mechanisation in agriculture is very marginal in the state. It is evident from the fact that on an average the cost of machine labour used in paddy cultivation in the state was only 45 paise per hectare during 1982-83 to 1983-84. It was increased to Rs. 15.66 in the year 1984-85. Thus the paddy growers in the state mainly depend upon the human labour force for sowing, transplanting, weeding, harvesting, threshing and also for transporting from threshing floor to storage and from storage to market place. In Orissa it is estimated that one hectare of paddy crop needs 119.47 mandays (one manday=8 hours labour) in 1982-83 to 129.59 mandays during 1984-85.

In this paper an attempt is made to examine the following areas : (1) To study the structure of human labour use in different rice growing states of India. (2) Impact of human labour on cost of production of paddy and its seeds. (3) To examine the use of machine labour in rice farming. (4) To study the impact of new wage policy on farm price.

The Data :

The data relating to family labour, attached labour and casual labour used per hectare of paddy cultivation of different states in India are collected from the interim report on Methodology of cost of production of crops, Ministry of Agriculture, Govt of India, 1990. The human labour cost, machine labour cost and cost of production of paddy of Orissa are collected from the comprehensive scheme, Orissa University of agriculture and Technology, Bhubaneswar.

Structure of Human Labour use in different rice growing states of India :

Among the rice growing states, the family labour contributes 26.74 percent (Tamilnadu) to 69.56 percent (Assam) of the total labour use per hectare of paddy cultivation during 1986-87 (Table-1). The share of casual labour varies from 15.08 percent in Assam to 65.43 percent in Tamilnadu during the year. The states like Assam, Madhya Pradesh and Uttar Pradesh mainly depend upon their family labour for rice farming, where family labour contributes more than 50 percent of the total labour requirement in paddy cultivation. While the agriculturally developed states like Punjab, Tamilnadu, Karnataka and Andhra Pradesh mainly depend upon casual labour in rice farming sharing more than 50% of the labour use. In Orissa the shares of family labour, attached labour and casual labour are respectively 39.22%, 14.39% and 46.39% in rice cultivation.

The total human labour required per hectare of rice farm varies from 76.97 mandays (Assam) to 161.74 mandays (Tamilnadu) in 1986-87 (Table-2). Further, the mandays required to produce one quintal of rice vary from 2.01 in Punjab to 7.77 in Orissa. It clearly indicates that the Orissa farmers mainly depend upon human labour for production of rice in the state.

Share of Human Labour cost in the cost of production of paddy in Orissa:

In Orissa, the total cost of production per quintal of paddy (Table-3) has increased from Rs. 40.13 to Rs. 114.29 during 1971-72 to 1984-85, while the operational cost per quintal varies from Rs. 15.53 (1973-74) to Rs. 77.02 (1982-83) during the period. The total human labour cost including the family labour per quintal of paddy has increased significantly from Rs. 15.02 to Rs. 47.31 during 1971-72 to 1984-85. The total human labour cost accounts for 28.69 percent to 47.39% of the total cost of production per quintal of paddy excluding the human labour cost incurred for managerial expenses and marketing of final produce.

Further, it is estimated that the total human labour required for production of one quintal of paddy in Orissa increased from 6.41 mandays to 8.46 mandays during 1973-74 to 1982-83 (Table-4) and then declined to 6.23 mandays during 1984-85.

Share of Machine Labour in the cost of production of paddy in Orissa:

The machine labour cost and its share in the cost of production per quintal of paddy is presented in Table 5. The machine labour cost was only Rs. 0.19 in 1971-72 and increased marginally to Rs. 0.43 in 1983-84 and then increased to a significant extent recording Rs. 15.66 per hectare in 1984-85. Thus, the cost of machine labour used to produce per quintal of paddy was only one paise in 1971-72 and increased to Rs. 0.78 in 1984-85 indicating that the use of machine labour is marginal for rice farming in the state.

Impact of Human labour cost of seeds :

The cost of human labour used per quintal of various seeds is placed in Table-6. This indicates that in the present wage policy the cost of human labour used for production of seeds alone amounts to Rs. 2.85 both for breeder and foundation seeds per kilogram while its market price is Rs. 5.02 and Rs. 4.70 respectively. This indicated that more than 50% of the cost of production of seed is attributed by the human labour cost. Similarly the market price for groundnut seed is Rs. 9.00, while the cost of total human labour alone amounts to Rs. 6.33 for production of one kg of groundnut.

Impact of new wage policy on farm price :

In the new agricultural wage policy i. e. Rs. 25.00 per manday the human labour cost will alone come to Rs. 200.00 per quintal of paddy excluding the cost of other inputs. Other inputs also contribute about 60% of the total cost of production. The old wage rate, although was fixed at Rs. 11.00 per manday by the Govt. but on an average a sum of Rs. 15.00 per manday was in practice for various agricultural operations. Thus, changing wage rate from Rs. 15.00 to Rs. 25.00 has recorded 66% rise in wage rate. This will tend to increase the total cost and the operational cost to the extent of 20 per cent and 33% respectively per quintal of paddy. When a uniform price policy for paddy is operating at the national level, a significant rise in cost of production will cause a great loss to the paddy growers of the state. Even in the old wage rate and at the prevailing marketing framework, an earlier study indicates that the paddy growers have borne a loss of Rs. 1.86 in Puri district and Rs. 20.36 in Phulbani district per quintal of paddy during 1986-87. The increased wage policy will create a demand among farmers to fix the output price at a higher level which will tend to inflate the economy as a whole.

Conclusion :

(1) In the new wage policy the human labour cost absorbs a major share in the cost of production of farm output as well as its input as farm mechanisation in Orissa is marginal.

(2) Labour saving technology should be given top priority in the new agricultural research strategy.

(3) The farm labourers should be given proper training on various agricultural operations.

(4) The trained skilled labourers should be given higher wage rate as compared to unskilled labourers used in agriculture.

(5) Although minimum wage rate in agriculture is fixed at Rs. 25.00 per manday but in practice the land owners are paying Rs. 16.00 to Rs. 20.00 for various agricultural operations.

(6) Thus, the minimum wage rate may be fixed within Rs.15/- to Rs. 20/- for unskilled labourers while the skilled labourers may be paid Rs. 25.00 per manday.

(7) The manday should cover 8 hours and preferably the minimum wage rate may be fixed per hour in Govt. farms which may tend to increase labour efficiency.

TABLE—1

Structure of type of Human Labour use per hectare of paddy cultivation in different states of India during 1986-87 (In percent of total labour)

Sl. No	States	Family	Attached	Casual
1.	Andhra Pradesh	30.11	7.77	62.11
2.	Assam	69.56	15.36	15.08
3.	Haryana	43.46	12.86	43.68
4.	Karnataka	38.00	2.54	59.46
5.	Madhya Pradesh	49.72	9.19	41.09
6.	Orissa	39.22	14.39	46.39
7.	Punjab	38.03	4.45	57.53
8.	Tamilnadu	26.74	7.83	65.43
9.	Uttar Pradesh	58.28	2.18	39.54
10.	West Bengal	46.55	6.26	47.18

TABLE—2

Human Labour per hectare of paddy cultivation in different states of India during 1986-87

Sl. No.	States	Total days of human labour	Total mandays per quintal of rice
1.	Andhra Pradesh	160.85	5.58
2.	Assam	76.97	4.97
3.	Haryana	87.45	2.35
4.	Karnataka	110.85	3.69
5.	Madhya Pradesh	72.03	5.73
6.	Orissa	129.59	7.77
7.	Punjab	101.33	2.01
8.	Tamilnadu	161.74	3.91
9.	Uttar Pradesh	107.28	5.23
10.	West Bengal	140.55	5.89

TABLE—3

Operational cost, Total cost and Human labour cost, cost per quintal of paddy in Orissa during 1971-72 to 1984-85*

Year	Total Cost	Operational Cost	Human Labour Cost
1971-72	40.13	16.32	15.02 (37.42)
1972-73	44.19	19.75	15.55 (35.18)
1973-74	42.01	15.53	14.96 (35.61)
1974-75	70.23	30.68	20.15 (28.69)
1975-76	67.86	32.60	23.73 (34.97)
1976-77	67.58	30.22	25.46 (37.67)
1977-78	65.70	31.99	23.88 (36.35)
1982-83	135.31	77.02	45.49 (33.62)
1983-84	104.85	60.06	36.11 (34.44)
1984-85	114.29	65.72	47.31 (41.39)

(Figures in parentheses indicate percentage of total cost of production)

* Calculated from cost of cultivation of paddy during 1971-72 to 1984-85, Cost of Cultivation Scheme, Ministry of Agriculture, Government of India.

TABLE-4

Human labour use per quintal of Paddy Production in Orissa during 1971-72 to 1984-85

Year	Mandays per hectare	Mandays per quintal
1973-74	100.62	6.41
1974-75	98.05	7.92
1975-76	106.22	7.20
1976-77	124.56	7.53
1977-78	124.97	6.81
1982-83	119.47	8.46
1983-84	129.59	5.96
1984-85	124.41	6.24

TABLE—5

Use of machine labour cost in paddy cultivation of Orissa

Year	Machine labour cost	
	per hectare (In Rs.)	per quintal (InR s.)
1971-72	0.19	0.01
1976-77	1.48	0.09
1977-78	1.62	0.09
1982-83	0.45	0.03
1983-84	0.43	0.02
1984-85	15.66	0.78

TABLE—6

Impact of present human labour cost (Rs. 25.00 per manday) on seeds

Sl. NO.	Type of seeds	Total Human labour cost		Market price per kg.
		per quintal	per kg	
1.	Paddy			
	(a) Breeder	285.42	2.85	5.02
	(b) Foundation		2.85	4.70
2.	G. Nut (Foundation)	633.00	6.33	9.00
3.	Wheat	147.50	1.48	5.07
4.	Maize	93.75	0.94	3.41
5.	Mustard	150.00	1.50	12.93
6.	Blackgram	128.00	1.28	12.00

Source -- Naik, D, Working paper on estimation of cost of production of various seeds in Orissa.

Minimum Wages and Agricultural Labour in Koraput District--A case study

B. Eswar Rao Patnaik
Dr. P. C. Mohapatro

Introduction :

The basic criterion of minimum wages is that it should fetch the labourer minimum basic needs, food, clothes and shelter.[1] It is of pivotal importance that minimum wages paid to an agricultural worker should lift him above poverty line. Inflation which depresses the real income of the workers should be prevented by upward revision in minimum wages, from time to time. Considerations of efficiency in production however does not suggest any hasty revision of wages upwards, without there being any improvement in labour productivity. There is a widely shared view that there has to be a link between wages and productivity of farm labourers.

Other things remaining constant, the wages that an agricultural worker receives in lieu of work done depends on demand for labour and supply of labour. Barring peak seasons in agriculture, when labour commands relatively higher wages, in slack seasons there is a glut in the supply of labour in labour market with possibilities of exploitation of workers, in form of under payment of wages by the employer. Thus, the welfare support measure, the minimum wages act was promulgated by the Govt. of India in 1948 with a view to preventing exploitation of workers by the employers. Labour Departments and Revenue Departments are vested with the task of enforcement of the Minimum Wages Act in different provinces of the country.

Method of the study :

The present study is based on field work, apart from desk work. Simple-multi-stage random sampling technique has furnished the design of the study. The authors alongwith two Investigators, S. N. Mohanty and Chandrasekhar have conducted surveys in 17 villages of 3 Blocks (5% of the Blocks) in Koraput District in 1987-88. Out of 2331

(1) Vasant Desai, 'A Study of Rural Economics' (Page 62)

persons covered by the study,360 persons comprised agricultural labourers. Thus, there is a greater concentration of farm labourers in Orissa State (27.708%) than in the study areas (23.63%).

Following the approach of the 2nd Agricultural Labour Enquiry (1956), the concept of agricultural labour was employed in the analysis to refer not only to work done by the farm labourers in crop production, but also to efforts put in activities allied to agriculture i. e. dairying and collection of minor forest products[2]. Out of 360 persons, 201 workers comprised male workers and the balance female farm workers. The evidence, therefore, is that the pace of women's participation in work is quite sizeable in sample villages.

Bulk of them (80%) hails from SC and ST. As workers they do not own tangible assets and their skills in agricultural work are almost inherited[3]. The absence of labour unions in the area defers the implementation of the Minimum Wages Act. They are illiterate and illhoused as well.

TABLE—1

Rough estimate of the average income of agricultural labourers in study areas. (1987-88)

Category of work	Total income of a male worker Rs	Total income of a female agrl. worker Rs	Average wages per day	
			Male labour	Female labour
a. Agricultural labour	186632/181 =1031.12	124046/143 =867.45	Rs. 8	Rs. 7
b. Live stock rearing	18060/13 =1389.29	15628/12 1302.33		
c. Collection of forest products	52500/7 =7500	=16471/4 =4117.75		

Source : Sample Survey 1987-88

The table reveals that the average wage rate received by a male agricultural labourer in study areas was Rs. 8 per day, below the officially declared wage rate of Rs. 9.33, while the corresponding figures were Rs. 7 for a female agricultural worker, below the official rate of

(2) V. K. R. V Rao 'Agricultural Labour in India' P. 15

(3) 6th Five Year Plan Document, Govt. of India. P. 103

Rs. 7. 06.[4] This means that, the Minimum Wages Act is seldom implemented in the region under study. And further, there is a yawning gap between a male agricultural labour and a female agricultural labour in respect of wage payments for the performance of works of similar nature.

The Sixth Plan exercise has succeeded in picking up the nominal wages of men, women and children from Rs. 4.91, Rs. 3.60 and Rs. 3.08 in 1981 to Rs. 7.19, Rs. 5.57 and Rs. 4.41 in 1985 respectively. The corresponding figures stood at 9.33, 7.06 and Rs. 6.54 in 1987. What is regrettable is that the fixation of minimum wages upwards at Rs. 25 by the Government of Orissa in recent years cannot have any meaning unless the rate is implemented.

The agricultural labourers in study areas are underemployed. The number of working days available for a male agricultural worker (123.92 days) and female agricultural labour (103.12 days) in a year fall below the 273 days, fixed by the Government as the norm of a worker. A person is deemed a worker if he secures work for 273 days in a calendar year. In such a situation, implementation of minimum wage as fixed by the Government is doubtful.

Lines of Improvement :

(1) Strict enforcement of Minimum wages Act is imperative. The absence of knowledge of the worker regarding the existence of Minimum Wages Act, coupled with the lack of organisation among workers, impedes the implementation of the measure. Hence, voluntary organisations may educate the workers of their rights and responsibilities.

(2) Endeavour may be made to create peasant unions for agricultural labour so as to ensure the workers of basic minimum wages and counter possible exploitation by the employer.

(3) Improvement in Agriculture :

Minimum Wages Act alone may not be the answer to abysmal poverty of farm workers. A plethora of supportive measures may be necessary. Traditional agricultural economy in Koraput has a cropping intensity of 137%.[5] The type of employment that agriculture can provide to the bulk of rural masses is casual or seasonal. There are valid reasons to believe that the raising of a rabi crop may supplement

(4) District Statistical Hand Book-1989-90, Koraput P. 82.

(5) Economic Survey, 1989, Govt. of Orissa (P. 16-17)

the meagre earnings of the worker apart from widening the employment base of the economy. Towards the end, the net work of irrigation facilities may be broadened. The skills of workers in post harvesting technologies and in the management of the recent know-how may be upgraded by suitable training programmes J. S. Uppal contends that there is vast scope for promoting the mobility of rural labour so as to make a dent on poverty.

Datt & Sundaram believe that it may be necessary to fashion a cooperative society in which all the rural folk will be more or less equal.[6]

(4) Supply of lands to the landless to prevent concentration of land in the hands of a microscopic minority of the community :

As per the survey, 25 acres of land were distributed to 14 landless families in 1987-88. The desired results could not be produced as lands were high lands and land records were not provided, to the beneficiary party. So to enable the beneficiaries to earn income above subsistence level or atleast subsistence level, what is needed is the provision of title to lands to the party under question.

The beneficiary oriented I. R. D. P. was designed to make a dent on poverty of the rural folk by provision of income earning assets like live-stock to the landless, dug-well facilities to cultivators and schemes like minor-investment schemes to the enterprising needy people. The utilisation of these assets is expected to increase the number of poverty crossers in the poor economy. The performance of sixth plan could lift 32.10% of the total assisted families in study areas above poverty line. However, consistently adverse remarks can be levelled against the working of the target oriented poverty eradication programme Assistance to people who have higher income than the poor ones, absence of purchase societies to buy milk proceeds of cows, absence of veterinary cover, vanishing of bullock carts in 20% cases and supply of inferior variety of cows are some of the specific shortcomings of I.R.D.P. It appears that self-employment or wage employment generation programmes are superior to and better than asset provision schemes. Prof. Hiranmay contends that those who have either land base or specific skills should be self-employed on their own account. Those workers who have neither skill nor land base should be provided with wage employment. The culturable fallows and waste lands may be utilised in tree plantation drive so as to provide subsistence, security, independence and

(6) Ruddar Datt & KPM Sundaram 'Indian Economy' (P. 521-22)

selfrespect for the tribals. Trees are like banks that can be banked upon by the rural poor, as they not only provide fruits and roots to people, but also provide maintenance in the slack season.

Rural landless employment guarantee programme :

Ushering in an era of humanism when each man finds freedom from hunger and want is our goal. The data furnished by Collectorate, Koraput have unveiled that a total of Rs. 531.38 lakhs was invested in R. L. E. G. P. from 1986 to 1987 December. However, only 10.55 lakh man days could be created, against the target of generation of 20.55 lakh man days. In sharp contrast to creation of 375.75 KMs of rural link roads as envisaged by the planners only 95.54 KMs were created in the said period. Merely 153 primary schools were opened, far below the target of 253 schools. Rehabilitation and re-stocking of degraded forests could cover 5640 hectares as against the target of 10973. Perhaps people's expectations are increasing while plan performance is lagging behind.

Conclusion :

The foregoing analysis gives us a clue to the fact that political will and awakening of the consciousness of the workers are necessary to implement the minimum wages act. The worker may earn a wage equivalent to minimum wages, if some how we make agriculture a regular annual enterprise by widening the base of irrigation facilities in the economy. There are reasons to believe that animal husbandry and growth of agro-based industries may be the silver linings in the clouds of poverty and starvation. The worker may succeed in life's struggle for survival through supplementing his income in enterprises, like bee keeping, basket preparation, pottery, smithy, tailoring and household industries.

Fair Wage Policy and Bonded Labour Issue

Purusottam Nayak
Lecturer in Economics,
G. M. College, Sambalpur

Agricultural labourers are by far the weakest economic group and the most exploited of classes working for wages. Despite the shrinking share of agriculture from 58% in 1951 to 36% in 1990, it continues to support 68% of total labour force of the economy. Industrial expansion being highly inadequate to absorb the new additions to the stream of labour, agriculture burdens itself with managing ever expanding labour force found in the rural sector. Since migration to industries is becoming increasingly difficult, the surplus labour epithet still remains a monopoly of agriculture. Organised labour market (both in scheduled industries and services sector) manages to protect itself from onslaughts of inflationary pressures and precarious working conditions. Since they constitute a small fraction, the position of labour almost every where is far from satisfactory. Unemployment both in rural and urban sectors depresses the wage rate further. Agricultural labourers are the hard hit class which bears the brunt of developmental changes. Since lack of employment is tantamount to lack of income, poverty problems cannot be addressed without a fair wage policy which is expected to highlight the distributional aspects.

The vast labour resources which remain unutilised and underutilised engender a low growth rate of the economy coupled with debt problems. When the state concentrates on external balances, the structural bottlenecks and slow expansion in industries and agriculture aggravate the living conditions of the poor agricultural labourers dependent on agricultural activities alone. Industrial expansion (in organised sector) being meagre, migrant labourers from agriculture to industry (rural urban migration) rot in urban informal sector, where their remunerations are far below their counterparts in organised industries. Lower wages thus can be found both in agriculture and informal economic activities.

Considering from demand supply theory, the price of labour can be reduced substantially, which may deteriorate the living standard of the workers. With growing scepticism over the role of public sector accompanied with spells of privatisation, the plight of agricultural labourers is expected to detoriorate further. Since unorganised labour market is the worst victim of depressing wage rates, market mechanism is considered ineffective in ameliorating the economic condition of labourers. Abundance of labour coupled with lack of employment opportunities reduces the wage rates to the utter detriment of workers. Hence state intervention is imperative. Minimum Wages Act (MWA) of 1948, truly brought forth the logic of state intervention to prescribe a floor for the price of labour. Intervention in labour market was expected to stabilize the wage rate around the officially quoted wage rate and the wage rate linked to Consumer Price Index Number. Activities covered under MWA created further intergroup rivalries for state patronage.

Agricultural labourers though constitute the largest group involving the rural sector are discriminated with. Although urban slum dwellers and labourers of the informal sector present no better picture, the hardship of agricultural labour is worst due to its rural background. Since they are the vulnerable group, poverty alleviation programmes (IRDP etc) are directed to improve their lot. In the 6th plan Rs. 4,500 crores were earmarked to assist 15 million poor families.[1] But these programmes have not improved their position.

Due to long history of slow growth rate, agriculture needs special attention. Percapita NDP in agriculture has practically not increased in past 34 years ie, from 1950-51 to 1984-85. The log linear curve fitted to entire annual series gives the annual growth rate of 0.0074 percent with RZ=0.0002. But performance of industry is a little better than agriculture. The ratio of percapita NDP in non agriculture to that of agriculture rose from 1.46 in 1950-51 to 2.93 in 1980-81.[2] The growth rate of agriculture remained extremely low (2.12 p. a. compared to 4.97 in industry) and the population growth added more problems to agriculture as migration to urban sector (for gainful employment) is insignificant.

In addition to the stagnant labour market in agriculture further complications can also be found due to caste/sex and regional bias. As evident from Rural Labour Enquiry Reports of 1964-65 and 1974-75 wage differential by sex was found to be a common mode of exploitation. Differentials can also be found with respect to operation (ploughing/harvesting) and according to zones.[3] These hardpressed agricultural workers at times revolt in attempting to change their plight. In sixties wide spread peasant uprising was manifested along with green revolution. Patna peasant movement of 1960-84 was virtually against land-lordism and violation of Minimum Wage Act.[4] It appears that the wage structure remains highly exploitative despite various peasant revolts.

Minimum Wages Act thus appeared to protect the labourers from underpayment and exploitations. But the real market often bypassed the rules under various guises and avoided paying the prescribed minimum wages. This official wage rate is to be revised from time to time according to cost of living index number. Since the groups of agricultural labourers do not have formal organisations and at times they depend upon the mercy of the employer, minimum wages are hardly paid to them. Performance of Bihar in implementing the minimum wages is found to be deplorable compared to W. Bengal.[5] Much depends upon the political will of the state.

Between 1956-57 and 1982-83 although consumer price index increased by 466 percent, the real wage increased by 25.36 percent in Bihar. In 1986 it was revised from Rs. 7 to Rs. 10 whereas price index had gone up by 220 percent.[6] Hence the implementation of minimum wages Act has largely failed in most of the cases. Statewise data can be found to prove the myth of minimum wages.

The Orissa Chief Minister's attempt to raise the minimum wages to Rs. 25/-, though well appreciated was criticised by small farmers' lobby. Critics pointed out that it will manifest in cost push inflation alongwith liquidation of small farmers and small entreprenures. Despite the official declaration the minimum wage of Rs. 25/- is seldom paid except in public sector undertakings or alike bodies. In construction works, where most contract labour is recruited the contractors maintain duplicate pay rolls to avoid payment of minimum wages.

Indian Council of Medical Research (ICMR) counting the caloric intake to be 2400 found per capita expenditure to be Rs. 531 per mensem assuming 26 labour-days in a month. It gives Rs. 20.42 per day as subsistence.[7] I unemployment rate is high, wage needed may be more. In this respect a sum of Rs. 25/- of minimum wages in Orissa, keeping minimum economic condition of labour in view, seems plausible. But the official rate is never applicable in the open market, where labour as a commodity receives a price below its cost of production.

The percentage of agricultural labour to total workers in Orissa is found to be 28.28 in 1971 and 27.8 in 1981.[8] It seems by 1991 percentage of agricultural workers will be above 30%. A case study related to

Sambalpur shows interesting results. In Sambalpur the percentage of agricultural labourers was found to be 30.46% in 1981. In two case studies of Jharbandh Block (Sambalpur) the percentage of agricultural labourers was found to be above 50%. In addition to it a large number of labourers were found to be bonded.

Bonded labour situation is found in the country side due to insecurity of labour, which is again due to retarded capitalism [9] When Industrial development becomes inadequate and agriculture continues to be dominated by landlordism and increase in population overburdens the over populated agriculture, the labour market develops bonded labour species. In a bonded labour case, as found in case studies, a labour gets entrapped in a debt bondage, usually received from landlord.[10] He mortgages his hands (conventionally known as Bahu Bandha) in order to get the loan. Under landlord agriculture a bonded labour usually fails to pay back the loan, hence makes his successors entrapped too. In Gourmal and Sikaripali (Jharbandh Block) it was found that more than 5% of people are in bonded situation (in 1990) despite Bonded labour Abolition Act of 1976.

The dismal picture of agriculture remains depressing despite various political legislations. Gainful use of surplus labour is the foundation of economic planning. Unless steps are taken to increase employment opportunities and income of labour already employed, the poverty problems will remain unsolved. It is not strange to find, inspite of plethora of good wage policies, in remote villages the opposite (bondedness of labour) seems to prevail. Under neo-colonial, imperialistic, international links and landlordism in rural scene, no change is expected.

References :

1. N. J. Kurien, IRDP : How Relevant is it ? EPW, 26 Dec, 1987, p-161.
2. V. M. Dandekar, Indian Economy Since Independence, EPW – 2-9, Jan (1988) P-49.
3. S. Krishnamurty : Wage Differentials in Agriculture, EPW, Dec. 10, 1988 P-2652.
4. P. K. Choudhury, Agrarian Unrest in Bihar, EPW, 2-9 Jan, 1988, P-51.
5. K. Chaitany, Myth of Minimum Wages. EPW, Dec 14, 1991 P-2858.
6. Ibid – P-2858.
7. Indian Express, Delhi Feb 17, 1991.
8. Statistical Abstract of Orissa (1985) P-29.
9. A. K. Bagchi, The Political Economy of Underdevelopment (1982)
10. J. Pradhan, Bonded Labour in Western Orissa (1983) P-7.
11. Oxfam Survey Reports (1982).

Contractual Arrangement in Agricultural Labour Market : A Note

Shri N. K. Sahu, IES
Deputy Director (EI)
Small Industries Service Institute
Cuttack-753003

In a recent research paper in Economic and Political Weekly, different types of contractual arrangements in agricultural labour market are explored and the logic for their operation is explained (Sarap, 1992). There are two schools of thought, Neo-Classical institutional and Neo-Marxian, to interpret the mechanism of contractual arrangement between the employers and agricultural labourers. According to the Neo-classical institutional economists, economic agents incur positive transaction costs due to uncertainty in production, asymmetry in information and incentive problem arising out of moral hazard on the part of the agents. "Economic agents, have to incur positive transaction costs for negotiation, co-ordination, execution, monitoring and enforcing of different contracts. Positive transaction costs also arise due to opportunistic behaviour of the agents. Such behaviour gives rise to a variety of incentive problems which are usually of moral hazard or of adverse selection kind. These problems can only be controlled at positive transaction costs which may result from screening, monitoring or enforcement procedures of constructual arrangements" (Sarap, 92,A–167). On the other hand, the Neo-Marxian school try to explain the institution of contractual arrangement on the basis of ownership structure of means of production and property relations. For them, the transaction cost are not independent of class or power relations. Even the local level power structure determines the contractual arrangements, viz., duration, type of work and wage, to a great extent (Rudra, 1984).

A detailed analysis of the types of contractual arrangement that prevail in the Western Orissa and their dynamic nature is explained by the author in the above mentioned paper. But, neither the proportion of different types of labour contract is measured nor the relative weight of these labour contract in different types of agricultural operation is quantified. Our objective is to quantify the relative importance of the common types of labour contracts. Secondly, it is mentioned that, the group labourers who work on piece rate are mostly used by large farmers than by small farmers. Our objective is to verify this hypothesis and put forward logical explanation for it. Lastly, we would like to put forward some explanations on the Neo-Marxian line for the interlinkage as well as contractual arrangement in labour market. This aspect has received little support in the hands of Dr. Sarap.

Data Base :

Comprehensive statistics in regard to costs of cultivation is collected from 105 farming households drawn in a stratified random sampling, from three irrigated villages of Hirakud dam canal irrigated area. Labour hiring practices of farmers and their quantification are possible on our part; unlike Dr. Sarap, as he depends on the information collected from the labourers. The field study is done in the year 1988-89. Paddy is the principal crop in this region both in Kharif and Rabi seasons due to availability of canal irrigation. Application of modern inputs like chemical fertiliser, pesticide and tractor is very high and commercial cultivation is undertaken in a large scale.

Types of Hired Labour Contracts :

A brief account of different forms of labour contracts that exist in the irrigated paddy cultivated area is given in this section : (1) There are regular farm servants : they are either mature male workers called Guti or young hardmen called Kuthia. The contract is informal, oral and personalised. The duration is mostly for one year, but contracts for more than one year is also observed. The mode of payment (wage) is either both monthly or yearly in kind, or monthly payment either in kind or cash. Supervision costs are low, so also incentive problem. Most of these types of labourer take loan/advance from their employer without explicit interest, which cements the relationship between the parties. Violation of contract is rare. (2) Casual labourers may either be male of female, who work on time-rate basis. They receive wage everyday or in short durations. The costs of labour are high, so also incentive problem arising out of moral hazard. These classes of labourers can do all sorts of agricultural works in all the seasons. Employer provides consumption loan in lean period to get casual labour in peak demand season. Credit and labour linkage is more in case of landless labourer and this facilitates to get committed and dependable casual labour at lower search and recruitment cost. And there is little evidence of violation of credit contract (Sarap, 1986). (3) Group labourers are found only in the agriculturally developed irrigated regions.

They work on piece rate under the leadership of a male leader called sardar. The recruitment cost is low, so also incentive problem. They mostly work in the operations like transplantation, harvesting and threshing. In these operations the work is quantifiable to a large extent and the quality can be maintained with high supervision. The group takes consumption credit from prospective employers and default of such loan is rare (See Sarap, 1936). The group labourers are mostly temporary migrants from dry regions. With low supervision costs the speed of completion can be maintained with the help of group labour.

Irregular Casual Labour and Types of Agricultural Operation :

Irregular casual labourers might either time-rated or piece-rated and their application differs for different types of agricultural operations. For our purpose, there are four main types of agricultural operations in wet-paddy cultivation. They are : (i) land and sapling preparation, (ii) broadcast and transplantation, (iii) weeding and watering etc., and (iv) harvesting and threshing. The productivity of labour is measurable and the quality of work judged for the above operations with different degree of accuracy. Table-1 provides information regarding the distribution of labour according to types of agricultural operation.

TABLE—1

Distribution of Labour According to types of operation
(Percentage to total seasonwise)

Types of operation		Kharif	Rabi	Total
1		2	3	4
1. Land & Sapling preparation	CL	2.2	0.3	1.3
	GL	—	—	—
2. Transplantation	CL	8.0	3.9	6.1
	GL	37.3	43.6	40.2
3. Weeding and watering etc.	CL	14.8	8.5	11.9
	GL	—	—	—
4. Harvesting and Threshing	CL	8.0	4.7	6.5
	GL	29.7	39.0	34.0
5. All Types	CL	33.0	17.4	25.8
	GL	67.0	82.6	74.2
	Total :	100.0	100.0	100.0

Source : Field Survey.

Note :—CL : Casual labour; GL : Group labour. The share of CL & GL is calculated from expenditure statistics as labour days cannot be quantified in case of GL.

There are agricultural operations, viz., land and sapling preparation and weeding and watering, where the piece rate does not exist. This is mainly due to (i) the outcome/output is not measurable both in qualitative and quantitative term and (ii) there is low demand for labour as most of the work is done by farm servants. As most of the group labourers are migrants which involve transportation costs and considerable pressure to leave their own home; they come to irrigated region only in peak seasons for the operations like transplantation, harvesting and threshing. Time rated casual labourers work in all types of operations as they are mostly local people and their work can be supervised more effectively by the employer by (himself or by his farm servants) as the number of such labourers is relatively low. Time is short in Rabi cultivation and maintenance of timeliness is most important, and that is why use of group labour is relatively more in Rabi season.

Labour Recruitment According to size Class :

It is a well documented fact that the attached labour or farm servant is mostly hired by larger farms. But it is also commonly believed that group labour is used more extensively by large farms in comparison to small farms. The purpose here is to examine the validity of the hypothesis. Table-2 gives information regarding different types of agricultural labour recruitmen t by size-group of holding.

TABLE—2

Propotion of Different Types of Labour by size-class of Holding :
(Percentage to respective group total) :

Size group of holding (acre)	Farm Servant	Casual Labour	Group Labour	Total
1	2	3	4	5
Kharif				
0.01-01.25	00.0	33.9	66.1	100.0
1.26-02.50	15.8	24.8	59.4	100.0
2.51-05.00	25.4	24.3	50.3	100.0
5.01-10.00	29.4	21.1	49.5	100.0
10.01 & Above	35.5	24.3	40.2	100.0
All	29.3	23.5	47.2	100.0
Rabi				
00.01-01.25	00.0	25.9	74 1	100.0
01.26-02.50	17.1	08.4	74.5	100.0
02.51-05.00	33.6	09.7	56.7	100.0
05.01-10.00	33.1	10.4	56.5	100.0
10.01 & Above	32.9	12.8	54.3	100.0
All	32.3	11.1	56.6	100.0

Source : Field Survey.

From the above table it is found that the use of group labour is more extensive for small size group of holdings contrary to the hypothesis. Secondly, larger farms recruit more and more farm servants with the increase of farm size. Thirdly, in case of casual labour, the proportion remains almost unchanged for all the size-class excepting the sub-marginal (0.01 to 1.25 acre).

The kharif-rabi differences in recruitment pattern of farm servants, casual labour and group labour show that due to short duration of rabi season and higher demand for labour, the employment of group labour is greater in case of each size class. The farm servants are utilised more intensively, but as timeliness and synchronisation of management of rabi crop cannot be maintained with the help of casual labour; the percentage use of casual labour goes down for all classes in comparison to kharif season. Interestingly, casual labour proportion to total labour recruitment in size group of holding goes on increasing with the increase in farm size. This happens inspite of high search costs and incentive problem as for larger size class of farmer the enforcement of contract is not a problem. Consumption loan in the lean period is given to the casual labourers in order to get labour service in peak demand seasons by the large farmers, and there is no evidence of violation of credit contract. Secondly, even though enforcement of group labour contract is mostly size-neutral, their recruitment is relatively lower in case of larger farmers as they can get more farm servants and casual labourers to provide labour service, in whose case enforc ment problem is relatively less. Thus, the type of contractual arrangement and the relative importance of different types of labour contracts, viz., farm servants, casual labour and group labour, depend to some extent on the ownership structure and property relations.

Conclusion :

The multiplicity of labour contract and their relative importance by size group of holding are discussed in case of a wet-paddy cultivated region. There is no doubt that the contractual arrangement depends on the types of cultivation (wet-dry), the nature of operation,the seasons (kharif-rabi) and factor like transaction costs, search cost and recruitment cost and enforcement mechanism; but it is also found that the ownership pattern of means of production and property relation influence them as well.

[The views expressed in this Note are that of the author's and should not be attributed to the organisation for which he works.]

References :

Bardhan, P. K. (1984) *Land, Labour and Rural Poverty : Essays in Development Economics, Delhi*, Oxford University Press.

Rudra, A. (1984) "Local Power and Farm-level Decision Making" in Desai, Rudolph and Rudra edited *Agrarian Power and Agricultural Productivity in South Asia*, Delhi, Oxford University Press.

Sarap, K. (1986) *Small Farmers' Demand for credit with special Reference to Sambalpur District, Orissa*, unpublished Ph.D. Thesis, University of Delhi.

Sarap, K. (1992) 'Changing Contractual Arrangement in Agriculture Labour Market : Evidence from Orissa.' *Economic and Political Weekly*, 26(52), A 167—A-176.

Employment, Wage Rate and Income of Agricultural Labours : A case study

(Synopsis)

Dr. Susanta Kumar Das
Ravenshaw College,
Cuttack

Objective :

The objective of this paper is to make a comparative study of employment, wage rate and income of agricultural labourers in the irrigated and unirrigated area. Further the study aims at evaluating the impact of Minimum Wage Act on the agricultural wage rate in the study area.

Scope & Method :

The scope of the study is limited to Sukinda Block of Cuttack district. The choice of this block is due to its depressed economic condition, heavy concentration of agricultural labourers and poor implementation of land reform and poverty alleviation programmes. All the villages of the block are divided into two groups on the basis of availability of irrigation facilities. Ten per cent of villages from each group and fifty per cent of agricultural labour household from each selected villages are randomly selected for the study. Both cross-sectional and inter-temporal methods are adopted for comparative purpose. In the cross-sectional approach the agricultural labourers of the irrigated villages are compared with the agricultural labourers of the unirrigated villages. For evaluating the impact of Minimum Wage Act, the wage rate of the last agricultural year (1990-91) was compared with the wage rate of 1988-89.

Findings :

1. The study reveals that there is a significant difference in the employment position of agricultural labourers in the irrigated and unirrigated villages. While the average employment of agricultural labourer stands at 158 days per year in the irrigated area, it only stands at 78 days in the unirrigated area. This significant difference is caused due to cultivation of summer paddy in the irrigated area.

2. The income of labourers in the irrigated area is also significantly more than the income of labourers in the unirrigated area. While the

average annual income stands at Rs. 3290.62 in the irrigated areas, in stands at Rs. 1417.26 in the unirrigated area.

3. Further the income of the agricultural labourers has increased by Rs. 762.62 in the irrigated area after the implementation of Minimum Wage Act, while the corresponding figure stands at Rs. 325.26 in the non-irrigated area. However, this excess increase in income in the irrigated area, can not be attributed to the Minimum Wage Act.

4. The study further reveals that there is a marginal difference in the wage-rate in the irrigated and non-irrigated area. On an average, the wage rate is Rs. 2.72 more in the irrigated area than the unirrigated area. Further the study shows that while the wage rate in the unirrigated area is stable both during kharif and rabi seasons, the wage-rate in the unirrigated area has varied significantly during kharif and summer paddy cultivation. While the wage rate stands at Rs. 22 during harvesting, it stands at Rs. 19 during the period of inter culture.

5. There is a marginal increase in the wage rate both in the irrigated and unirrigated area after the implementation of Minimum Wage Act. While the wage rate in the irrigated villages has increased by Rs.4.89, corresponding figure stands at Rs. 4.17 in the unirrigated area, during the period of study. Further in both the areas, the agricultural wage-rate has not increased to the Minimum Wage as prescribed by the government.

LIFE MEMBERS

1992-93

1. Smt. Anjali Das,
   B. J. B. Morning College,
   Bhubaneswar
2. Sri A. B. Sahoo,
   Anandpur College, Anandpur
3. Dr. Ajeya Kumar Mohapatra,
   Ravenshaw College, Cuttack
4. Dr. Ajit Kumar Mitra,
   Utkal University, Bhubaneswar
5. Miss Annapurna Satpathy,
   Ravenshaw College, Cuttack
6. Major A. K. Roy,
   S.C.E.R.T., Orissa, Bhubaneswar
7. Dr. Adwait Kumar Mohanty,
   Utkal University, Bhubaneswar
8. Smt. A. Chaudhuri,
   Berhampur University,
   Berhampur
9. Sri A. K. Panda,
   Qrs. No. VR/32, Unit-6,
   Bhubaneswar
10. Smt. Anuradha Mohapatra,
    P. N. College, Khurda
11. Sri B. Eswar Rao Patnaik,
    Govt. College, Bhawanipatna
12. Sri Bhabani Prasad Dash,
    Khallikote College, Khallikote
13. Smt. Banabasini Mohapatra,
    S.K.D.A.V. College, Rourkela
14. Dr. Binayak Rath,
    Indian Institute of Technology,
    Kanpur
15. Dr. Bidyadhar Nayak,
    Ravenshaw College, Cuttack
16. Sri Basanta Kumar Das,
    Ravenshaw College, Cuttack
17. Sri Benudhar Mishra,
    Govt. College, Bhawanipatna
18. Prof. B. C. Parida,
    College of Cost Accountancy &
    Management Studies, Cuttack
19. Sri Bimal Kumar Dash,
    B.J.B. College, Bhubaneswar
20. Sri Bibhudendu Mishra,
    Commissioner, Income Tax
21. Sri Bijay Kumar Bose,
    I.D.B.I., Bhubaneswar
22. Dr. Bimal K. Mohanty,
    Ravenshaw College, Cuttack
23. Dr. Basudeb Sahoo,
    Retired Professor of Economics,
    A/M 39, Kapilaprasad,
    Bhubaneswar-2
24. Sri Bibekananda Das,
    Berhampur University,
    Berhampur
25. Sri Bhagabat Patro,
    Berhampur University,
    Berhampur

26. Sri B. K. Sahoo,
K.S.U.B. College, Bhanjanagar
27. Sri B. K. Panda,
Berhampur University,
Berhampur
28. Sri Binayak Das,
Science College, Hinjilicut
29. Sri B. Samantaray,
R.C.M. College, Khallikote
30. Ms. Bijaylaxmi Raut,
R.D. Women's College,
Bhubaneswar
31. Major B. N. Sahoo,
B.B. College, Chandikhole
32. Dr. Benudhar Nayak,
Asian Workers' Development
Institute, Rourkela
33. Dr. Baidyanath Misra,
17, Saheed Nagar, Bhubaneswar
34. Dr. Bedabati Mohanty,
Ravenshaw College, Cuttack
35. Sri Balaram Mishra,
Bhadrak College, Bhadrak
36. Sri Bhikari Behera,
Godavarish Mahavidyalay,
Banpur
37. Sri B. K. Mohanty,
U.G. College, Khamar,
Dhenkanal
38. Sri Chandramani Dash,
Plot-454, Mahanadi Vihar,
Cuttack-4
39. Sri Chittaranjan Das,
U.N. College, Soro
40. Sri Dayanidhi Pal,
Chandole College, Chandole
41. Sri Dayanidhi Samantaray,
Christ College, Cuttack
42. Dr. D. Chaudhury,
K.S.U.B. College, Bhanjanagar
43. Smt. Dipti Panda,
Ravenshaw College, Cuttack
44. Sri Durga Shankar Sarangi,
F.M. College, Balasore
45. Sri Dillip Roy,
Director of Economics and
Statistics, Bhubaneswar
46. Gopabandhu Institute of
Administration and Training,
Bhubaneswar
47. Dr. Ghanashyam Das,
Utkal University, Bhubaneswar
48. Smt. Gopa Das,
Municipal College, Rourkela
49. Dr. G. C. Kar,
Utkal University, Bhubaneswar
50. Sri Gobind Chandra Das,
F. M. College, Balasore
51. Dr. Gajendra Nath Das,
Sambalpur University, Burla
52. Sri G. B Nath,
Deogarh College, Deogarh
53. Sri Gobind Chandra Padhi,
Hinjilicut College, Hinjilicut
54. Sri Gangadhar Behera,
Betnoti College, Betnoti
55. Sri I. Gopal Rao,
Gunpur College, Gunpur
56. Smt. Indulekha Dash Bhattamishra
Govt. College, Rourkela
57. Smt. Jharana Ray,
R. D. Women's College,
Bhubaneswar
58. Sri Kartik Chandra Rath,
Salipur College, Salipur
59. Dr. Kanaka Manjari Mishra,
Ravenshaw College, Cuttack

60. Dr. Kumarbar Das,
Utkal University, Bhubaneswar
61. Smt. Kanaka Manjari Mohanty,
Govt. Women's College,
Dhenkanal
62. Sri K. N. Mohapatra,
B.J.B. College, Bhubaneswar
63. Sri K. C. Naik,
A.B. College, Basudebpur
64. Sri K. Srinivasan,
Former Secretary to the Govt.
of Orissa, Bhubaneswar
65. Sri Kali Charan Nayak,
D.D. College, Keonjhar
66. Dr. K. Nana Buchi,
V. Deb College, Jeypore
67. Sri Kishore Chandra Nayak,
Brajarajnagar College,
Brajarajnagar
68. Smt. Lopamudra Mohanty,
Rourkela
69. Sri Lalit Mohan Sahoo,
Salipur College, Salipur
70. Sri L. N. Panigrahi,
Godavarish Mahavidyalay,
Banpur
71. Sri Livinus Kindo,
Revenue Divisional Commissioner, Sambalpur
72. Dr. Manoranjan Das,
G.M. College, Sambalpur
73. Smt. Manorama Mohapatra,
The Samaj, Cuttack
74. Dr. Mohit Kumar Sarangi,
Bhadrak Morning College,
Bhadrak
75. Sri Manmohan Das,
Former Reader in Economics,
Baripada
76. Sri M. Biswal,
Banki College, Banki
77. Dr. Manmath Kumar Mohanty,
Ravenshaw College, Cuttack
78. Sri Mahiranjan Dash,
Udala College, Udala
79. Smt. Mitali Chinara,
Ravenshaw College, Cuttack
80. Smt. M. K. Devi,
P. N. College, Khurda
81. Sri Narsingh Charan Acharya,
Godavarish Mahavidyalay,
Banpur
82. Dr. Nagen Chandra Mohanty
Ravenshaw Morning College,
Cuttack
83. Dr. Nilakantha Ratha,
Indian School of Political
Economy, Pune
84. Sri Natabar Raut,
S.V.M. College, Jagatsinghpur
85. Sri N. C. Ray,
Ekamra College, Bhubaneswar
86. Smt. N. Prabhat Kusum,
R.C.M. College, Khallikote
87. Sri Narottam Nanda,
M.P.C. College, Baripada
88. Dr. N. C. Sahoo,
Berhampur University,
Berhampur
89. Dr. N. B. Pradhan,
Berhampur University,
Berhampur
90. Smt. P. K. Singh,
V.Deb College, Jeypore
91. Dr. P. K. Mohapatra,
CARE, Bhubaneswar
92. Dr. Pravat Kumar Patnaik,
Jawaharlal Nehru University,
New Delhi

93. Dr. P. C. Mohapatra,
B.J.B. College, Bhubaneswar
94. Dr. P. R. Bramhananda,
University of Bombay, Bombay
95. Sri Pratap Keshari Nayak,
J.K.B.K. College, Cuttack
96. Sri P. K. Mohapatra,
Khemundi College, Digpahandi
97. Dr. Prahallad Panda,
Berhampur University,
Berhampur
98. Sri Prabhat Kumar Mohapatra,
B.J.B. College, Bhubaneswar
99. Smt. Pratima Sarangi,
Ravenshaw College, Cuttack
100. Sri Purna Chandra Minj,
Rajdhani College, Bhubaneswar
101. Dr. P. C. Dhal,
Nimapara College, Nimapara
102. Sri Rabindra Kumar Mishra,
B.J.B. College, Bhubaneswar
103. Sri Raghabananda Mohapatra
Municipal College, Rourkela
104. Sri Rajkishore Mishra,
Rajdhani College, Bhubaneswar
105. Sri Ravi Narayan Kar,
S.I.S.I., Cuttack
106. Sri Rabi Narayan Patnaik,
Dhenkanal College,
Dhenkanal
107. Sri Ramesh Chandra Sarangi,
Govt. Women's College,
Sambalpur
108. Dr. R. P. Chaudhury,
Bhadrak College, Bhadrak
109. Sri R. K. Sahoo,
V. N. College, Jajpur Road
110. Sri Rasbihari Samal,
M. S. College, Baramba
111. Sri Rabindra Kumar Nayak,
Ravenshaw Morning College,
Cuttack
112. Dr. R. N. Tripathy,
NIRD, Hyderabad
113. Dr. R. K. Panda,
Utkal University, Bhubaneswar
114. Dr. R. N. Padhisharma,
Berhampur University,
Berhampur
115. Sri R. P. Behera,
Govt. College, Bhawanipatna
116. Dr. R. K. Sahoo,
Nimapara College, Nimapara
117. Dr. R. C. Mishra,
Bhadrak Morning College,
Bhadrak
118. Sri Rabi Narayan Patra,
Bhadrak College, Bhadrak
119. Sri Ramesh Chandra Mishra,
F. M. College, Balasore
120. Smt. Sashikala Patnaik,
Reader in Economics
121. Sri Surendra Swain,
Rourkela Evening College,
Rourkela
122. Sri Saroj Kumar Panda,
B.J.B. Morning College,
Bhubaneswar
123. Dr. Santi Das,
Govt. Women's College,
Dhekanal
124. Sri S. N. Panigrahi,
Khallikote College, Berhampur
125. Sri Sarat Kumar Nayak,
Rajdhani College, Bhubaneswar
126. Smt. Sita Sahoo,
Badambadi, Cuttack
127. Dr. Surendra Nath Behera,
D.D College, Keonjhar
128. Dr. Salik Ram,
C.R.R.I., Cuttack
129. Dr. Saila Devi,
Utkal University, Bhubaneswar

130. Sri S. C. Mohapatra,
Govt. College, Paralakhemundi

131. Sri S. Mishra,
K.B.D.A.V College, Nirakarpur

132. Sri Srinath Sahoo,
Bhadrak College, Bhadrak

133. Sri Siben Kumar Bose,
Christ College, Cuttack

134. Sri Satrughna Nath Das,
Dhenkanal College, Dhenkanal

135. Smt. Surangini Mishra,
Bhadrak Morning College,
Bhadrak

136. Sri Saroj Kumar Kanungo,
Dhenkanal College, Dhenkanal

137. Smt. Sipra Sarkar,
Asian Workers' Development
Institute, Rourkela

138. Sri Satyakama Mishra,
Ravenshaw College, Cuttack

139. Dr. S. N. Tripathy,
Khemundi College, Digpahandi

140. Dr. S. C. Koomar,
Nimapara College, Nimapara

141. Sri Suresh Chandra Raut,
Anandpur College, Anandpur

142. Smt. Sujata Mohanty,
Ravenshaw College, Cuttack

143. Smt. Sailaja Nandini Jena,
Bhadrak College, Bhadrak

144 Sri Sridhar Behera,
Govt. College, Angul

145. Sri Sudhakar Patra,
Govt. College, Phulbani

146. Sri Sangram Kumar Mohapatra,
Gopalpur College, Gopalpur

147. Sri Simanchal Mishra,
Keshinga Mahavidyalaya,
Kalahandi

148. Smt. Sanjukta Patnaik,
S.M. College, Rengali

149. Dr. Sushanta Kumar Das,
Ravenshaw College, Cuttack

150. Sri S. K. Mallik,
Institute of Social and
Economic Change, Bangalore

151. Dr. Trilochan Mohanty,
J.K.B.K. College, Cuttack

152. Dr. Uttam Charan Nayak,
S.V.M. College, Jagatsinghpur

153. Smt. Usharani Pujari
Udala College, Udala

ANNUAL MEMBERS

1992-93

1. Smt. Anupama Das,
   Belpahar College, Belpahar
2. Sri A. N. Pradhan,
   Govt. College, Rourkela
3. Sri Anand Chandra Tripathy,
   Loisinga College, Bolangir
4. Sri Ajit Kumar Mohapatra,
   Nimapara College, Nimapara
5. Sri Amiya Kumar Panda,
   Govt. College, Angul
6. Sri Balmiki Das,
   Govt. College, Sundargarh
7. Sri B. K. Patnaik,
   Tara Tarini College,
8. Sri B. N. Mandal,
   Khallikote College, Berhampur
9. Sri Bidyadhar Mahanta,
   C. S. College, Champua
10. Sri Birendra Kumar Behera,
    C. J. College, Borda, Kalahandi
11. Smt. Bharati Das,
    P. N. College, Khurda
12. Dr. Dibakar Nayak,
    O.U.A.T., Bhubaneswar
13. Sri G. C. Satpathy,
    N A.C. College, Burla
14. Sri G. N. Majhi,
    Dalmia College, Rajgangpur
15. Dr. H. C. Naik,
    Controller of Examinations,
    Sambalpur University
16. Smt. Indira Udgata,
    G. M. College, Sambalpur
17. Sri Jitaram Dey,
    U. N. College, Nalgaja.
18. Sri Jayanta Kumar Das,
    U. N. College, Nalgaja
19. Sri K. C. Maharana,
    Khallikote College, Berhampur
20. Dr. K. K. Sen,
    M.P.C. College, Baripada,
21. Smt. Krushnapriya Hota,
    Women's College, Bargarh
22. Dr. K. C. Samal,
    N. K. Chaudhury Centre for
    Development Studies,
    Bhubaneswar
23. Sri Kishorehari Badatya,
    S.C.S. College, Puri
24. Sri K. C. Dash,
    Bhadrak College, Bhadrak
25. Smt. Manasi Tripathy,
    Women's College, Bargarh
26. Sri Muralidhar Hota,
    Dunguripali College, Bolangir
27. Sri N. K. Sahoo,
    S.I.S.I., Cuttack
28. Dr. N. P. Patro,
    Khallikote College, Berhampur

29. Sri P. N. Nayak,
N. K. Chaudhury Centre for
Development Studies,
Bhubaneswar
30. Sri P. K. Senapati,
Govt. College, Sundargarh
31. Sri Parmeswar Seth,
Khallikote College, Berhampur
32. Smt. Pratima Mohapatra,
Satyasai Women's College,
Bhubaneswar
33. Sri Pranayananda Ku. Tripathy
J. K. Mahavidyalaya, Kalahandi
34. Sri Prasanta Kumar Bisoi,
Janata College, Hindol
35. Dr. Pragati ~~Mohapatra~~, Mohanty
S.D. Women's College,
Rajgangpur
36. Sri Purusottam Nayak,
G. M. College, Sambalpur
37. Sri Pankaj Kumar Panda,
B.R.M. College, Bhuban
38. Sri R. K. Das,
Govt. College, Chhatrapur
39. Sri R. C. Puhan,
V. N. College, Jajpur Road
40. Smt. Ratnapriya Mishra,
Women's College, Jharsuguda
41. Miss Rajashree Mohanty,
Additional Settlement Officer
Jagatpur
42. Sri Ranjan Kumar Sahoo,
S.S.B. Mahavidyalaya,
Gurudijhatia
43. Sri R. R. Padhi,
G.M. College, Sambalpur
44. Sri R. K. Meher,
N. K. Chaudhury Centre for
Development Studies,
Bhubaneswar
45. Sri Srikant Chandra Patra,
D.K. College, Jaleswar
46. Smt. Saudamini Raut,
Bhadrak College, Bhadrak
47. Dr. Sanatan Mohanty,
Agarpara College, Agarpara
48. Dr. S. N. Mishra,
Berhampur University,
Berhampur
49. Sri Satyabrata Mishra,
M.P.C. College, Baripada
50. Sk. Kalimullha,
Sudarsan Mahavidyalay,
42-Mauza, Cuttack
51. Sri Sachidananda Mohanty,
Bhadrak College, Bhadrak
52. Dr. Surendra Nath Mishra,
Ravenshaw College, Cuttack
53. Smt. Sumitra Panda,
Hirakud College, Hirakud
54. Dr. Trilochan Satpathy,
Service Selection Board,
Bhubaneswar
55. Sri U. K. Pradhan,
Belpahar College, Belpahar
56. Sri Umashankar Das,
Panchayat College, Bargarh

LIST OF PRESIDENTS

ar	Host and Venue	President
8	Ravenshaw College, Cuttack	Dr. Sadasiv Misra
9	Dhenkanal College, Dhenkanal	Dr. Devendra Chandra Misr
0	Khallikote College, Berhampur	Dr. Bidyadhar Mishra
1	Utkal University, Bhubaneswar	Dr. Baidyanath Misra
2	Bhadrak College, Bhadrak	Dr. Chakradhar Mishra
3	Panchayat College, Bargarh	Prof. R. C. Patnaik
4	OUAT, Bhubaneswar	Dr. S. P. Gupta
5	Kendrapara College, Kendrapara	Prof. H. K. Mishra
6	S. C. S. College, Puri	Dr. Devendra Chandra Misra
7	Nimapara College, Konark	Dr. S. Tripathy
8	Berhampur University, Berhampur	Dr. Nilakantha Rath
9	Utkal University, Bhubaneswar	Dr. K. Kanungo
0	G. M. College, Sambalpur	Dr. Pravat Kumar Patnaik
1	OUAT, Bhubaneswar	Prof. D. Mohapatra
2	Municipal College, Rourkela	Dr. Bibekananda Das
3	Ravenshaw College, Cuttack	Dr. Ghanashyam Das
4	Berhampur University, Berhampur	Dr. Basudeb Sahoo
5	Vikram Deb College, Jeypore	Dr. Sanatan Mohanty
6	Banki College, Banki	Prof. B. C. Parida
7	Kendrapara College, Kendrapara	Dr. Benudhar Bhuyan
8	S. C. S. College, Puri	Dr. Gyana Chandra Kar
9	M. P. C College, Baripada	Dr. N. P. Patro
0	Not held	...
1	Utkal University, Bhubaneswar	Dr. Khetra Mohan Patnaik
2	Sambalpur University, Burla	Dr. Trilochan Satpathy
3	Ravenshaw College, Cuttack	Dr. Surendra Nath Mishra

nted at :
Nabajivan Press