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**ORISSA ECONOMICS
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BHUBANESWAR

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ADMINISTRATIVE CULTURE OF DEVELOPMENT

Prof. A. H. Hanson in one of his essays analysing Indian planning said, "The men are able, the organisation is adequate, the procedures are intelligently devised, why they have the plans, since 1956, so persistently run into crisis". Prof. V. K. R. V. Rao in another context more or less gave an answer to this question when he said, "What has been wrong with planning so far has not been its conceptual or logical or technical content so much as its implementation, its lack of cohesion with social factors and the impediments imposed by political, social, administrative and cultural forces rather than strictly economic factors".

This leads us to consider the administrative culture of development. There is a fundamental difference between administrative culture and development culture. The administrative culture which thrived in India during the British period was in the nature of a 'steel frame' with predominant features of (a) different layers of civil service to have extensive control over administration, (b) superiority complex, (c) aloofness with general public, (d) lack of total transparency and (e) elitist nature which were reflected in their performance. The behaviour pattern was determined in accordance with the powers that were entrusted to the administration during the British rule. Some of the major characteristics of administrative culture which suited the British rulers were (i) rigid hierarchical structure with concentration of powers at higher levels, (ii) increased level of regulations, and (iii) impersonal way of operation and rigidity in adhering to formal rules and regulations.

All these were in conformity with the social base of Indian society with its traits of unequal, heterogeneous and feudal social order which were further strengthened with individualistic orientation from the educational system. Further the pattern of development that was initiated during the Second Five Year Plan strengthened the power and privilege of the administrative system. There were several features of the Model of planned development which increased centralisation of economic power with commanding heights of the public sector to

accelerate the process of development, control of private sector with permits and licences to prevent concentration of economic power in the private hands, building of high tariff walls to protect infant industries from foreign competition, controlling prices of essential commodities to provide some benefit to the poor consumers and providing subsidies to give some incentives to consumers and producers. The civil service was chosen as the agency to implement the model.

As for the civil service, the nature of tasks was, as pointed out by Sri S. K. Das, a senior civil servant, congruent with the nature of the command and control bureaucracy that it had been under the colonial rule. Small wonder then that the civil servants in independent India were ardent supporters of the model of planned development and the welfare state since they were among the major beneficiaries. With their active participation in formulation of such plans and support by political leaders, the tasks entrusted to the civil service began to proliferate along with the size and number, though the cycle could only be completed by a downward spiral in the effectiveness with which the civil service could carry out the tasks. Bhambhri in his 'Bureaucracy in India' argues that senior administrators forged an alliance with politicians not only to brighten their own career prospects but also to articulate political views and gain a greater share of social resources. It has been commented by many political commentators that there was close collaboration among politicians, bureaucrats and businessmen in India during the planning era to enable politicians to keep their chair, administrators their power and businessmen their money through licences and permits.

This shows that in case of India public administration was merged with development administration. There are certain inherent characteristics of public administration under the orthodox and conservative leaderships of senior civil servants with their upper class prejudices which can hardly be expected to meet the requirements of social and economic change that development administration entails. Even in some of the developed countries, administrative culture became an inhibiting factor in the speedy implementation of welfare programmes. We can illustrate the cases of two most important countries like U.S.A. and Great Britain whose examples are often cited in comparison with developing countries. Those who have read Peter Principle, they know that in an organisation, an individual will rise to his level of incompetence. This is true of Parkinson's famous dictum that bureaucratic work

expands to fill the time available to do it in. Charles Peter in his book, 'How Washington Really Works' concludes that it does not work; Bureaucrats confer, the President proclaims and the Congress legislates, but the impact on reality is negligible, if evident at all.

In "Yes Minister", a number of interesting examples have been given regarding the role of bureaucracy and the relation between bureaucracy and the Minister. It is worth quoting some of these examples to show how bureaucracy controls the Government even in a developed country like Great Britain. We start with Creative Inertia on the part of the bureaucracy. This Creative Inertia constitutes of five stages of stalling work. In stage one, when a Minister will desire to do some work, the Secretary will say that the administration is in its early months and there is an awful lot of other things to get on with. In stage two, if the Minister persists past stage one, the Secretary will say that he quite appreciates the intention, something certainly ought to be done—but is this right way to achieve it? In stage three, when the Minister still persists, the Secretary will shift his ground from how the Minister do it to when he will do it i.e., 'Minister, this is not the time for all sorts of reasons'. Lots of Ministers settle for stage three. But, if they go beyond stage three, the Secretary will then say that the policy has run into difficulties—technical, political and/or legal. Legal difficulties are best because they can be made totally incomprehensible and can go on forever. Since the four stages have taken almost three years, in the fifth stage, the Secretary will say that we are getting rather near to the run-up to the next general election—so we cannot be sure of getting policy through. (P. 92)

When the bureaucracy is concerned, it will maintain silence. There are three varieties of civil service silence :

- (i) The silence when they do not want to tell you the facts : Direct Silence.
- (ii) The silence when they do not intend to take any action : Stubborn Silence.
- (iii) The silence when you catch them out and they have not a leg to stand on. They imply that they could vindicate themselves completely if only they were free to tell all, but they are too honourable to do so : Courageous Silence. (P. 94).

The bureaucracy increases its authority by maintaining secrecy. A Secretary is a person who is entrusted with the secrets, the information no one else knows. That is why Sir Humphrey, the Permanent Secretary

of DAA tells the Minister, James Hacker, 'Minister, there are those who have argued—and indeed very cogently—that on occasion there are somethings it is better for the Minister not to know' (P. 134). When the Minister points out that the Department is not giving all the information, Sir Humphrey points out that it is the Department's duty to protect the Minister from the great tide of irrelevant information that beats against the walls of the Department day after day (P. 163). The basic principle is, "If no one knows what you are doing, then no one knows what you are doing wrong" (P. 201). Therefore the Department gives so little information that the Minister does not know the facts, or so much information that he cannot find which is relevant and which is not relevant (P. 141). It is axiomatic with civil servants that information should only be revealed to their political Masters when absolutely necessary and to the public when absolutely unavoidable (P. 202). It is assumed that Open Government presents real problems. If people stop having secrets, they stop having power. In fact, paradoxically, Government is more open when it is less open. Open Government is rather like the live theatre, in order to have something to show openly, there must first be much hidden activity (P. 103).

In fact, civil servants do not trust Ministers. Sir Humphrey even tells his own Minister that "You can't trust Ministers. I don't mean, by the way, that we can't trust you, Minister—of course we can. But in general terms Ministers, unlike civil servants, are selected completely at random—by Prime Ministerial whim, in recognition of doubtful favours received, or to avoid appointing some one of real ability who might become a threat—not you, of course, Minister. You can certainly be trusted. You might almost be civil servant yourself" (P. 207).

Sir Humphrey told Bernard, the Private Secretary to the Minister who himself is a Member of the Civil Service that the Minister should not have any free time—his job was to create activity. The Minister must make speeches, go on provincial visits, foreign junkets, meet deputations, work through mountains of red boxes (files) and be forced to deal with crises, emergencies and panics (P. 133). If so, the Minister will not ask silly questions or interfere in the working of the Department. It is not the job of the Minister to run the Department. That is the job of the Secretary. The Minister's job is to make policy, get legislation enacted and—above all—secure the Department's budget in the cabinet (P. 135). Further, according to Sir Humphrey, a decision is a decision only if it is the decision of the bureaucracy. Otherwise, it is merely a temporary set-

back which can be corrected in course of time (P. 300). It is also further suggested that if you want the Minister to reject a proposal, point out that it is courageous. While a controversial decision may merely involve in loss of some votes, a courageous decision may result in the loss of election (P. 251). Whenever you want a Minister to sign something without too many questions, it is always better to wait until he is in a hurry. That is when their concentration is weakest. Ministers are always vulnerable when they are in a hurry (P. 304).

James Hacker, the Minister admits that "We politicians hardly even know if information is being concealed, because the concealment is concealed too. We are only offered a choice of options, all of which are acceptable to the permanent officials, and in any case they force decisions on us the way magicians force cards on their audience in the three-card trick. 'Chose any card, choose my card'. But some how we always choose the card they want us to choose.....

In fact, the more I think about it, the more the Department appears to be an iceberg, with nine-tenths of it below the surface, invisible, unknown, and deeply dangerous. And I am forced to spend my life manicuring the tip of the iceberg.

"My Department has a great purpose—to bring administration, bureaucracy and red tape under control. Yet everything that my officials do ensures that not only does the DAA not achieve its purpose, but it achieves the opposite.

"And their greatest skill is the low profile. These so-called servants of ours are immune from the facts of life. The ordinary rules of living don't apply to civil servants. They do not suffer from inflation, they do not suffer from unemployment, they automatically get honours.

"So what I have learned after nearly six months in office? Merely it seems, that I am almost impotent in the face of the mighty faceless bureaucracy" (PP. 161-162). This confession by the Minister clearly shows how powerful the bureaucracy is in controlling the affairs of the Government.

However, even though bureaucracy is powerful in controlling the working of the Government, they have three basic articles of faith. These three are :

- (i) It takes longer to do things quickly.
- (ii) It's more expensive to do things cheaply, and
- (iii) It's more democratic to do things secretly (P. 357).

implementing programmes. The character of the administrator who exercises authority and the nature of the development officer who participates in development along with others are undoubtedly different—one is rigid and authoritarian and the other flexible and co-operative.

Both R. B. Jain and P. N. Chaudhary in their book 'Bureaucratic Values and Development Administration' mention that it is (i) flexible in the operation, (ii) permeable to change, (iii) it is able to take into account the exigencies of circumstances and a practical point of view, (iv) conducive to open decision making process based on dissent and discussion among colleagues, (v) centred around a check-and-balance philosophy and (vi) laden with the human values of service and dignity for all, especially in the weaker sections of the community. All these attributes may seem difficult. But they are nevertheless fundamental to change the nature of developmental authority in order to enable such qualities of head and heart. We do not require only managerial efficiency but also an imaginative and inventive approach, a public spirit which is not subordinated to any pressure group and is capable to respond to the wishes and requests of the whole society. Certainly we are not aiming at the sky, but building some minimum parameters to strengthen its innovative role.

Further, it is in case of India we have to change the rule book. In our bureaucratic behaviour to improve the public sector, developmental programmes are implemented with sympathy and understanding. Our managers and administrators have enough capability to respect plans and programmes which can serve the interests of the people. But the system does not respond to changes that are required in development. A developmental goal cannot be achieved only through the instrument of action which serves the needs and aspirations of poor people. A change in the system can be brought about only through better recruitment procedures, sustained training for acquiring requisite skills, change in attitudes which is oriented to service and improved organisational capacity to meet the challenges of intricacies of development. As Prof. J. G. G. in one of his lectures in New Horizons of Knowledge observed, "The present challenge is not primarily managerial, it is first of all ethical and political, and is aimed at the core of our democratic faith." This implies that unless there is a change in the relationship between the administrative authority and people or administrative culture of development cannot meet the genuine needs of the people. Since symbols are not excuses for failures.

The 31st Annual Conference, 1999

Secretary's Report

Dr. Rabi N. Patra

Secretary,
Orissa Economics Association

Mr. President Professor Rath, Esteemed Chief Guest of this session and Chief Patron Hon'ble Minister of Surface Transport Dr. Debendra Pradhan, Revered Guest of Honour of the occasion Professor D. C. Misra, Respected Former Presidents of the Orissa Economics Association, Chairman Reception Committee and Collector and District Magistrate, Angul Mr. Rout, Vice-Chairman Reception Committee and Principal of the College Mr. Ali, Local Secretary Mr. Samal, Office Bearers of Organising Committee of the Conference, Distinguished Guests, Invitees, Members of the Press and Media, Fellow Delegates, Ladies and Gentlemen.

I feel uniquely privileged, as the Secretary of the Orissa Economics Association, to welcome you all to the 31st Annual Conference of the Association. We are singularly fortunate to have in our midst today Hon'ble Minister of Surface Transport, Govt. of India Dr. Debendra Pradhan to inaugurate this Conference. We are really grateful to you Sir for your kind gesture. We are more fortunate to have with us an eminent economist of our times, our most respected teacher Dr. D. C. Misra as the Honoured Guest for this Conference. We are extremely grateful to have you here Sir in our midst.

I take this opportunity to present a profile of activities of our Association. Founded on 26th January, 1968 with the noble objective of improving the study and teaching in Economics and stimulating research on the contemporary economic issues of the Indian Economy and the State of Orissa. The Association has the unique distinction of being one of the oldest regional academic associations in the country with a membership of 290 of which 3 are Institutional Life Members, 246 are Individual Life Members and 41 are Individual Annual Members. The Association endeavours to accomplish the set objectives by organising Annual Conferences, arranging seminars and symposia and publishing its mouthpiece—The Orissa Economic Journal—regularly right from the year of its inception.

**31st Orissa Economics Conference
Presidential Address (1998-99)**

**Environmental Economics :
Issues, Policies, Strategies & Perspectives**

Dr. Binayak Rath

Professor of Economics
Indian Institute of Technology,
Kanpur (U.P.)

PART—I

I. INTRODUCTION :

Contrary to our expectations, the world is going to enter the new millenium with a gloomy picture. The pessimism is writ large in the recent incidence in the world in general and in our country in particular. To start with, the brutal and inhuman killing of the Australian missionary, Graham Stewart Staines and his two minor sons in Manoharpur village of Keonjhar district, the barbarous gang rape of a woman near the capital city of Bhubaneswar, the heinous massacre of innocent villagers in Jehanabad district of Bihar by the Ranbir Sena, the unprecedented heat wave in coastal Orissa in 1998 summer and the consequent death tolls, untimely flood and cyclone hazards in the coastal belt, the new desertification in the North-Western part of the country, the land slide at Rudraprayag in Uttar Pradesh, the Bhopal Gas Tragedy, the sprawling slums in the urban areas, the pollution of rivers, lakes and the environment, the devastating earthquake in Columbia, the Indonesian and Florida forest fire and consequent spread of smoke in the region, the Los Angeles smog, the Chernobyl chemical disaster, the global warming & green house effect, the icing up of the Thames river, sharp decrease in the size of Gulf stream and above all, the economic downfall of the Asian Tigers, speak of the deteriorating environment of the world. The technological progress via industrialisation, which initially promised a refreshing optimism has brought many untold miseries for mankind. Along with myriad technological advances in the fields of production processes, telecommunications, information technology and infrastructure, the economic system has become more brutal and inhuman due to

the ecological disaster and pollution. Thus, with this much-eroded physical and socio-economic environment of today we are going to enter the new millenium with the possibility of a global crisis of unprecedented magnitude.

Since the environmental dimensions of development have become very vital for the sustenance of mankind, in this lecture I have attempted to focus on the emerging area of environmental/resource economics. Apart from the recent developments which have prompted me to reflect on environmental economics, my close observation of the natural resource depletion since my early childhood has been at the root of my interest in this area of study. As a primary school student in the 1950s when our teachers used to take us to watch the peak floods in the Mahanadi, I was often amazed by the flood fury in which houses, human beings and animals were being washed away, logs of wood being floated away due to uprooting of the plants, heavy land slides in the buffer zone of the river course and the embankment, and the economic misery of the people due to floods. Further, I used to closely watch the depletion of forest resources in the areas surrounding my native place. Those childhood interests induced me to choose for my Ph.D. dissertation a research topic dealing with flood management aspects of a multi-purpose river valley project which is located very close to the venue of this conference, viz. the Rengali Multi-Purpose Project. Since then I have been involved in many areas dealing with economic resources like forest, water, energy and land. To add to it, for the last one decade I am pursuing research in the area of Rehabilitation and Resettlement to evolve Remedial Action Plans for improving the socio-economic environment of a number of project sites of NTPC Ltd. Moreover, this subject of environmental economics has to play a vital role in a natural resource based economy like ours. In all these efforts my approach has been to critically analyse the past, present and future resource utilisation trends, the policies adopted and the various strategies followed and to suggest viable alternative measures which will lead to maximisation of the social welfare of the society.

II. Mainstreaming the Environment for Economic Development :

With the changes in the concept and definition of economic development, whereby the growth of GNP/per capita income no longer holds as the index of development of a country, today greater importance is accorded to the quality of development and also to the attainment of social goals in terms of social welfare. Thus, now-a-days, economic

development is generally understood as a process of societal change which contributes to economic, social, physical and moral well-being of all segments of a society. It is a concept almost synonymous with overall improvement in the quality of human life. Moreover, in recent years a growing awareness about the environmental conservation/protection to ensure a better quality of life has focussed on the special role that environment (where environment is being defined as the sum of all the social, biological and physical or chemical factors which compose the surroundings of man) can play in the economic development of a country. The planners and policy-makers have realised the close dependency between economic development and environment in terms of their mutual compatibility. It is established that environmental degradation leads to loss of natural income of a country. For instance, it is calculated that the world economy loses 5-10% of its income due to environmental degradation. According to a recent study of the Tata Energy Research Institute (1997) entitled "GREEN INDIA" (where GREEN stands for 'Growth with Resource Enhancement of Environment and Nature'), it is estimated that India is loosing at least 10% of its national income due to environmental degradation.

To add to it, the recent economic views of environment that it is a kind of mutual asset or non-reproducible capital goods that produce the stream of economically valuable direct and indirect goods and services for man has reinforced the complementary relationship. In such a system the environmental goods and services flow in the form of tangible assets (such as, food, fuel, air, water and mineral etc.), intangible assets (i.e. scenic views, recreation and amenities etc.) and functional forms (the assimilative capacity of nature such as storage of waste, removal of dispersion and degradation of residuals, pest control and climatic regulations). These functions convincingly show that there can be no rational and equitable economic development without environmental conservation. It is argued that conservation and economic development should ideally be directed towards a common goal—i.e. the rational use of earth's resources to achieve the highest quality of living for mankind. But in practice, economic development tends to place greater emphasis on quantitative increase in production, which is aimed at enhancing the material wellbeing of the people. On the other hand conservation is concerned with sustaining quantitative yield and it further emphasises on qualitative aspect of human environment. Lack of consideration for the ecological realities of an environment can lead to doom in our development efforts and thereby impair the conditions of

life. Thus, the environmental concerns have been integrated in our holistic development planning. The schematic representation of the development process along with environmental effects, which is shown in Figure-1, establishes that environmental effects enter both on the supply and demand sides and thereby play a crucial role in initiating our development process. The mitigation of the negative environmental effects, in its term, necessitates various kinds of new projects along with planned strategies to maximise the Social Welfare Functions (SWF). These changes are the outcome of the environmental concerns of the world since 1970s.

III. Environmental Concerns of the World in the 1970s :

During 1960s and 1970s, there was a growing criticism regarding the progress of capital deepening process of industrialisation based on the neo-classical theories of development. People became skeptical about the trend of development due to rapid environmental degradation, which was closely associated with the process of industrialisation, urbanisation and extensive and intensive agricultural operations. There was rapid depletion of natural resources, the traditional sources of energy and raw materials. The disruption of natural ecological balance, destruction of economic ends of various animal and plant species, the negative genetic consequences of industrialisation and other pollutants posed a serious threat to the environment. To add to it, the technological changes brought a throwaway culture, which also led to significant pollution and the problem of spillover costs. It was argued that man's attempt to conquer nature through technological progress would threaten to destroy all life on earth. In view of these ensuing problems, Frederick Engels had warned :

"Let us not, however, flatter ourselves over much on account of our human victories over nature. For in each such victory nature takes its revenge on us. Each victory, it is true, in the first place brings about the results we expected, but in the second and third places, it has quite different, unforeseen effects which only too often cancel the first."

To add to it, the growing disenchantment with new-classical economic growth models and the anti growth debate initiated in the 1970s led to a considerable discussion on environment at various international forums. Many economists and social scientists started critical assessment of the development processes and expressed their concern about the environmental dimensions of these processes.

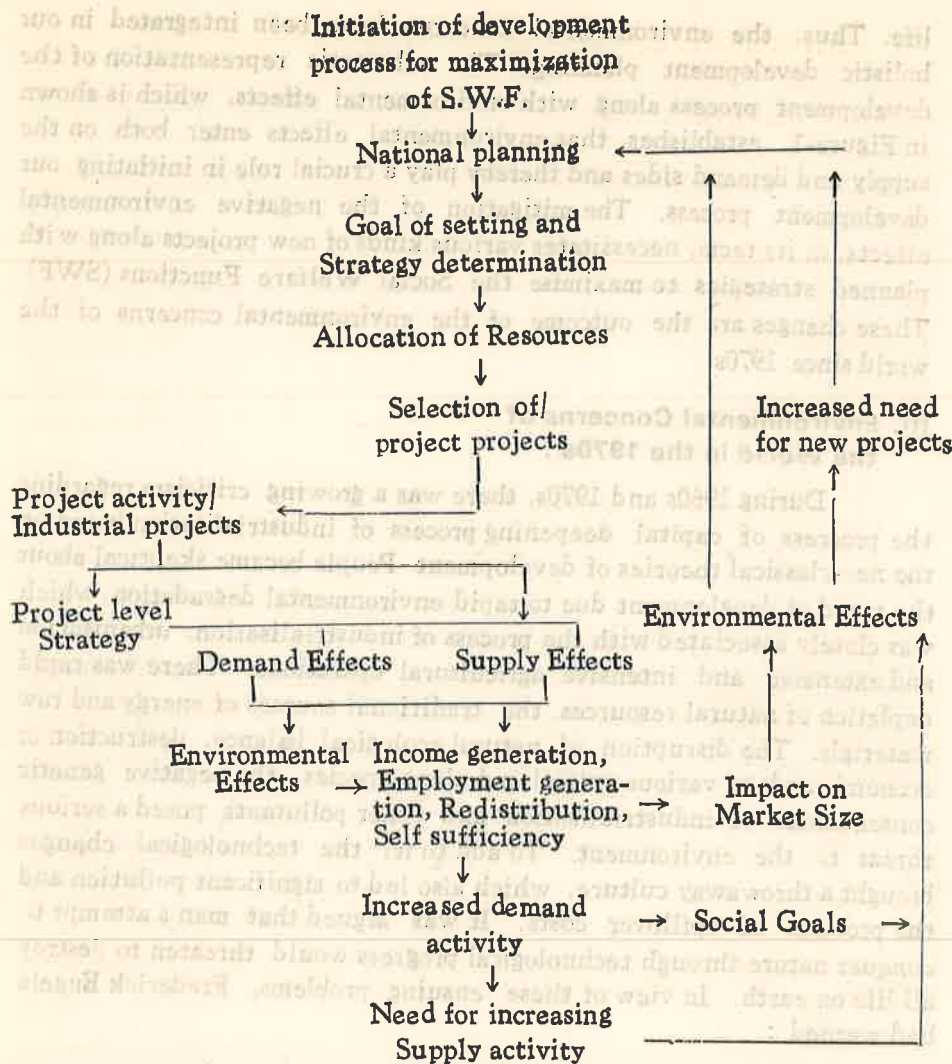


Figure-1 : Schematic Representation of Development Process

To start with, Kenneth. E. Boulding (1970) in his book on "A Primer on Social Dynamics : History as Dialectics and Development", initiated a new dialogue on the dynamics of the development process where he exhibited the role of ecological system. He introduced four kinds of processes in development :

- Random process,
- Determined mechanical process,
- Teleological process, and
- The evolutionary process : ecological system.

He stressed that the mechanism of ecological equilibrium, succession and evolutionary change is always through the dynamics of population change of particular species. As the population of any species increases it is likely to run into the famous Malthusian principle of an increasing unfavourable environment/eco systems such as, lakes, swamps, forests, rivers and oceans. In the same vein, Alvin Toffler (1970) in his book "Future Shock" talked of a "Taming Technology Concept". In his words "In our Haste to Milk Technology for immediate economic advantages we have turned our Environment into a Physical and Social Tinder Box".

Similarly, the authors of "The Limit to Growth" published by the "CLUB of ROME" in 1972 had focused on the need of a balance between natural resources, its ecology and environment. With the help of "Project Predicament of Mankind" the authors showed the complexity of inter connected problems of poverty, environmental degradation, haphazard industrialisation, uncontrolled urbanisation, inflation etc. As a drastic alternative to the growth models of development they had proposed Zero growth concept. In its subsequent publication entitled "Reshaping the International Order" (1978), the Club had further developed the following propositions with respect to environmental degradation :

- (a) that the unprecedented scale of human interference with nature and ecological balance might prove disastrous to all;
- (b) our life-support systems are under unprecedented attacks from the combined effects of urbanisation, industrialisation, agriculture and our daily life styles.

Being influenced by the above prophecies and recognising the vital role of environment to ensure better quality of life, the UN Declaration (1972) had rightly stated;

"Man is both Creator and Moulder of his Environment, which gives him the opportunities for Intellectual, Moral, Social and Spiritual Growth... Both Aspects of Man's Environment, the Natural and Man-made are Essential to his Well-being."

Similarly with a view to overcome the environmental problems, Maurice Strong (1974) in his books "An Inventory of Hope—the Case for Optimism", advocated a comprehensive approach. He suggested ten basic steps for the survival of mankind. The steps are : a new approach to social decision making, stabilising world population,

reducing demand on natural resources and environment : a new commitment to conservation, increased world food supply without destroying the ecological basis for sustained production, redirecting the urban revolution, organisation and re-orientation of science and technology, new approach to growth, management and care of the oceans, creation of a new international economic order and revolution in values and behaviour.

Based on the recommendations of the UN Conference on Human Environment (1974), the Governing Council of U. N. Environment programme (1975), had approved :

"When the Process (of development) is such that it takes into Account also the Effects on the environment and provides Well-being and Viability in a Sustained Manner, it Constitutes the Management of Environment".

By mid seventies, "The limits to Growth" thesis was being challenged by economists on the ground that it will hold only if prevailing structures of development were allowed to persist, but not if alternative patterns were followed. This view was shared by the study groups sponsored by the Dag Hammarskhold Foundation of Sweden and the Fundacion Bariloche of Argentina, which presented an alternative world model known as "Another Development". In the words of the editor of Dag Hammarskhold report (1975), "Another Development" refers to :

"...a Process aiming at satisfying the Needs, both material and non-material of all men and the whole of man, starting with the Needs of the poor and the powerless who constitute the vast majority of mankind, a process unfolding in harmony with the Environment, based on Self-reliance at the local, national and regional levels and entailing, more often than not, Radical Transformations in the socio-economic and political structures.

Participating in this growth debate, E. J. Mishan (1977) coined the "Third Dismal Theorem", which implies :

"The more Science, Technology and GNP growth, the more Nastly, Brutish, Vile and Precarious becomes Human existence".

Herman Kahn (1979), a pioneer and leader in the fields of public policy analysis and future studies, in his book "World Economic

Development : 1979 and Beyond" had predicted that natural, social, political and cultural forces are likely to slow the growth of population & production (anti-growth argument) long before the world encounters any fundamentally unmanageable problems of supply or environmental pollution. Kahn was sharply critical about economic growth and then advanced the concept of Social Limit to Growth, in which he emphasized protection of environment and ecology. He further professed that :

- We are in the midst of Great Transition;
- Human society changing at an Accelerating Pace;
- The future will not be Problem Free;
- We do not rule out the possibility of an Overwhelming Catastrophe.

IV. Emergence of Environmental Economics : Material Balance Approach

Owing to the above mentioned concerns and owing to the recognition of environmental and ecological problems, many professional economists and policy planners diverted their attention to the emerging area of "environmental economics". Since 1970s it has been recognised as one of the thriving fields of research in economics.

Like Benefit Cost Analysis (BCA), the development of environmental economics as a separate branch in economics owes its origin to Water Resource Development Projects and that too in U.S.A.. In this regard the contributions of Resource For Future (R.F.F.) of U.S.A. is noteworthy. In 1960 R.F.F. initiated a number of research programmes on water resources and to work on water quality economics and management. The water resource programme, as well as the quality of environment division at R.F.F. under the leadership of Prof. Allen V. Kneese had made pioneering contributions since 1963.

Prof. Allen V. Kneese and Oriss Herfendahl (1965) in their book entitled "Quality of Environment : An Economic Approach to some problems in using Land, Water and Air" has focused on problems associated with waterborne, airborne and solid waste. At the outset these residuals and the different environmental media were treated as separate categories of problem—even though they are integrated themselves. But soon it was recognised that there were many trade offs among waterborne, air borne and solid waste streams. For example, when dissolved organic material and suspended solids are removed from liquid

residual stream in a sewage treatment plant to clean the waste in the river downstream, a semisolid sludge results; thereby causing a solid residual disposal problem. If the sludge is incinerated, certain gaseous residuals are generated, thereby transferring the original liquid waste problem into a possible air quality problem. Conversely, scrubbing particulate from gas stream by aqueous solutions transfers the pollutant from air to water. Or, the modification of the production process to reduce the generation of waterborne wastes may involve use of additional energy, thereby resulting in generation of additional gaseous wastes and waste heat.

Prof. Keense and Robert K. Ayres (1969) developed a conceptual framework for more sophisticated work in the area. Their article "Production, Consumption and Externalities" published in the American Economic Review, had set forth a formal model of the role of material balance (first Law of Thermodynamics) in externality problems by incorporating the mass balance into a general equilibrium model of the economy.

The relationship between pollution and economic activities can be described by a simple material balance model, which is portrayed below...

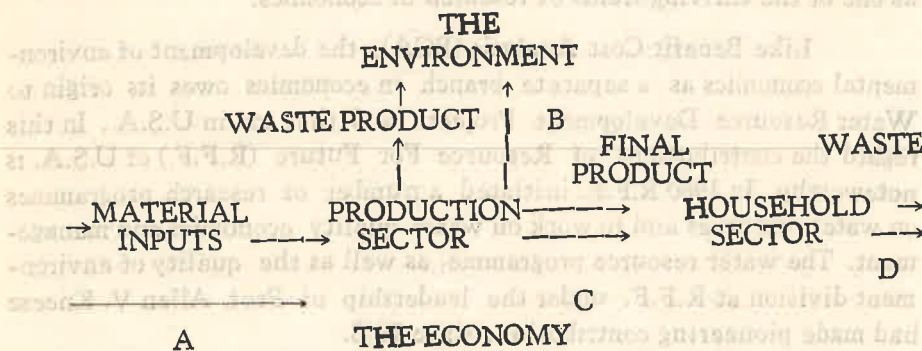


Figure-2 : Material Balance and the Economy

The figure shows the conventional circular flow between the household sector and the production sector. The conventional analyses of the economic system show a circular flow of money accompanied by an opposite flow of goods and services and productive factors between the household sector and production sector. Though in the economic sense the circular flow is complete, however the perspective of the Material Balance Model, such a view of the economic system is misleading because it ignores important flow of materials and the basic law of physics governing them.

In the material balance model, the environment can be viewed as a large shell surrounding the economic system. It has the same relationship to the economy, as does a mother to an unborn child—it provides sustenance and carries away wastes. Those inputs and waste flows are also portrayed in the figure. Raw material flow from the environment, are processed in the production sector, (i.e. converted into consumption goods), and then at least in part pass on to the household sector, which in turn passes on the residual. They are the unwanted by-product (for instance the plastic bags) of the consumption activities of the households.

There is a flow of residuals from the production and consumption sector back to the environment. These material flows must obey the basic law of Physics governing the conservation of matter. In an economy with no imports, exports and where there is no net accumulation of stocks (plant, equipment, inventories, consumer durable or residual findings) the mass of residuals returned to the natural environment must be equal to the mass of basic fuels, food, minerals, and other raw materials entering the processing and the production system plus gases taken from the atmosphere. This is the principle of material balance. Thus, the flow of consumer goods from the production sector to the household sector must be maintained by an equal mass flow back to the environment.

From this simple model, it is clear that the environment is of considerable value to man as a source of material inputs for production and consumption. Environment is a valuable receptor for the corresponding residual flows. Indeed, the environment has a capacity to accept, absorb and assimilate most of the types of the returning materials. But when this absorptive and assimilative capacity is overused or misused, pollution and environmental degradation is the result.

After the household sector is through with a good, there is still something left and it must be disposed of somehow and somewhere. Thus, the process of production and consumption can be better described as processes of materials and energy throughout and balanced material flows.

Given the population, industrial production and transport services in an economy, it is possible to visualise combinations of social policy which could lead to quite different relative burdens placed upon the environment as a whole.

V. Origin of Environmental Economics :

Though Environmental Economics, alternatively known as Economics of Natural Resources, as an applied economic analysis was popularised with its application to water resource development projects in U.S.A., the origin is deep rooted in classical and neo-classical economic literature. It was T. R. Malthus (1798), the pessimist classical economist, who highlighted the problem of resource scarcity in relation to the population growth. He presented a gloomy world where human lot was forever condemned to a losing struggle between ravenous and multiplying mouths and eternally insufficient stock of Nature's cupboard. Even though he is widely known for his contributions to Population Theory, in his book "An Essay on Principles of Population" he pioneered the seminal ideas of diminishing returns to increased efforts in the presence of a scarce resource. He propounded that the power of the population is infinitely greater than the power of the earth to produce subsistence for man. In view of these contributions it will be apt to say that Malthus is the father of environmental economics. The basic Malthusian proposition of economic scarcity effect is succinctly stated in the writings of Barnett and Morse (1963).

The last of the classical economists John Stuart Mill (1848) presented an optimistic vision by advocating a utopian society in which "utility or the greatest happiness principle holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse happiness." In order to attend the utopian state he advocated social reforms. He further envisaged that extraction costs will be increased as mineral deposits are depleted. But such increase will be mitigated by discovery and technical change. As regards the stock of land he said that land was valuable not only for what could be extracted from it but also for the opportunities it provided for experiencing natural beauty and solitude.

The environmental concerns are also traced in the writings of Alfred Marshall (1890), the first of the neo-classical economist, who contributed to the Malthusian concept of diminishing returns and extended it to other areas of production. To his credit, Marshall introduced the notion of economic welfare, external costs and external benefits, which at present play a significant role in quantification of environmental costs and benefits. He cited the classic example of the smoke coming out of a chimney polluting the area as external cost and on the other hand, the lamppost set up by an individual in front of his

home which benefit all the passersby as external benefits. Such arguments were further carried forward by A. C. Pigou (1920 and 1952), William Kapp (1950), T. Scitovsky (1954), R. Turvey (1962), E. J. Missan (1965) and W. J. Baumol (1967), J. E. Stiglitz (1976) and they reiterated their importance in the actual economic systems along with modifications in measuring externalities.

The other aspects of environmental concerns of the Neo-Classical economists were reflected through their contributions to price mechanism, concept of equilibrium through demand and supply, focus on efficient allocation of resources, technological progress. But one of the most prominent neo-classical economists, Joseph A. Schumpeter (1942) talked of "creative destruction" owing to institutional environmental changes.

But by the middle of 20th Century, owing to promotion and application of technology and capital depleting process, a great deal of growth occurred in the developed world without apparent diminishing returns to efforts. Thereby, the dim of pessimism of classical economists proved to be wrong. The technological optimism overshadowed the pessimistic predictions of the classical economists without looking into the environmental hazards associated with the 'great growth'.

But on the other hand, in their classic empirical work entitled, "Scarcity and Growth: The Economics of Natural Resource Availability", Barnett and Morse (1963) had explored the importance of technological change and resource substitution to combat resource scarcity. The authors had concluded :

"Our empirical test has not supported the hypothesis—let us call it strong hypothesis—that economic scarcity of natural resources, as measured by the trend of real cost of extractive output, will increase over time in a growing economy. Observing the extractive sector in the United States from 1870 to 1957, we have found that the trend in unit cost of extractive goods as a whole has been down not up."

The findings of Barnett and Morse had a significant impact on the attitudes of economists and policy makers toward natural resource availability. Therefore towards the end of 1960s, a number of economists began to come to grips with environmental problems. A fair amount of theoretical development ensued, as well as a substantial amount of applied work was undertaken. These lines of activity continued to accelerate in the 1970s and 1980s because of recognition of the environ-

mental problems in the world in different forums. The problems were identified as

- degradation of environment due to continuation of poverty,
- population explosion,
- pollution of physical, economic and social environment,
- rapid urbanisation,
- immense increase in industrial production and energy conversion,
- introduction of more exotic materials into the environment, and
- demonstration and induced effects of general affluence by a few.

Thus, it was argued that both poverty and affluence are the main causes of degradation of the environment. In addition to these problems, there are a number of tactical issues associated with environmental economics.

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Mangaraj Memorial Lecture

Displacement, Resettlement and Rehabilitation

Prof. G. C. Kar

Director

NKC Centre for
Development Studies

Mr. Chairman, distinguished ladies and gentlemen, Fellow delegates and young friends. Let me at the outset thank my colleagues and my esteemed Professor Dr. Baidyanath Misra for inviting me to deliver the Mangaraj Memorial Lecture. I was given a very short notice for this work and I am afraid that I may not be able to do full justice to the subject and fulfil your expectations. I hope you will be magnanimous enough to tolerate me for the next thirty minutes.

Towards the last quarter of the twentieth century a new awakening had emerged among the administrators, politicians, academicians, voluntary agencies and project administrators. There was a rethinking on 'displacement, resettlement and rehabilitation'.

Why Displacement ? :

Displacement occurs on two grounds, viz., voluntary and involuntary. In voluntary displacement the occupants move out deliberately for betterment of their lot. The nomads used to move from one settlement to another in pursuit of better living. In early period of human settlements many tribes, groups or clans used to leave from one area to another in search of better pasture. Economic compulsion called for such displacement which became their way of life.

Involuntary displacement occurs when the occupants or residents of certain locality or area are displaced by force which may be physical or legal.

Displacement through physical forces could either occur through the divine force or through divine right. Sometimes the king or the emperor takes over vast tracts of land on grounds of divine right for his own personal use displacing the owners or occupants. No compensation is paid for such displacement.

Physical force by way of natural disaster like flood, cyclone, land-slide etc. may cause displacement. Man has hardly any control over the displacement caused due to divine force. Such displacements are considered as calamitous events and in such cases, the people and the state, not only sympathise with the victims, but also, provide relief in the short run. Often they are provided with long-run rehabilitation packages by the state.

Involuntary displacement of the first type seldom occurs these days. International bodies not only condemn such action, but also, prevent such attempts by military means. Natural disasters are considerably taken care of through remote sensing, satellite imagery and other hi-tech methods to have their after-effects minimal.

Most displacements in modern times are man-made. The state in the name of long-term developmental projects, like, construction of a reservoir, power plant, industry and mining etc. may take over an area displacing the inhabitants. Legal force to support such action is invariably provided in the constitution of the country. This kind of involuntary displacement is 'development-induced displacement'. Involuntary displacements of this type are more widespread in the 20th century. In our anxiety for accelerating development and achieving faster growth rate innumerable investment projects both small, medium and big are implemented requiring vast stretches of land. Acquisition of land for the purpose of locating the project causes large-scale displacement.

In a democratic set-up land acquisition for 'public purpose' is permissible. It has a further over tone—"Sacrifice for nation building". Those whose land and houses are acquired are paid compensation. Such compensations are invariably paid in cash and there is a set formula for calculating the compensation. It may be the capitalised value of its productivity over a reasonably longer period. Sometimes different principles are applied for valuing the land, plants, trees and habitats. These principles, however, are debatable and often challenged in various courts of law, particularly when the displaced persons are influential and/or educated. In the land acquisition provision the most important point is that the owners are paid compensation individually. Hence, there is the necessity to establish ownership rights.

When ownership rights become the only point in determining compensation then three disadvantageous situations may arise :

- (1) What about those who do not own land individually ? In many tribal communities land is held by the community. Families are given the right to cultivate. The arrangement is oral—between the tribal chief and the family, and, hence, no record is maintained.
- (2) What about those who do not own land either individually or as a community but depend on land for a living ? The landless agricultural labourers belong to this category.
- (3) What about those who are not land owners and yet cultivate land ? Tenants and sub tenants belong to this category.

These issues are never taken care of while compensating displacement. Further, cash compensation packages take into account only the financial or economic loss. In many project documents compensation for land acquisition is shown as an element of total project cost.

Displacement does not cause a financial loss alone. It causes several other types of impoverishments of great significance. Michael M. Cernia in his 'Impoverishment Risk Model' categorises eight types of risks. These risks arise out of (a) Landlessness, (b) Joblessness, (c) Homelessness, (d) Marginalisation, (e) Increased Morbidity, (f) Food insecurity, (g) Loss of access to common property, and (h) Social disarticulation.

Socio-Economic Characteristics of Displaced Persons :

Who gets displaced ? Unfortunately the most backward from the socio-economic point of view. The 29th report of the Commission on Scheduled Castes and Tribes (1990) makes very interesting revelation. The report points out that till 1990, of the total displaced persons, 40% were scheduled tribes. Their share in the total population of India, however, is 7.5%. Scheduled caste households also bear a bigger brunt of displacement. Singh in a research paper has shown that scheduled caste people which constitute about 16% of the country's population, constitute 20% of the total displaced persons. Dalua in his work has shown that out of the total families displaced in construction of 38 reservoirs in Orissa as many as 32% families were tribal families. Thus, it is seen that the burden of development is thrust most on the vulnerable and the backward classes—impoverishing them to a considerable extent.

Rehabilitation after Displacement :

Till early 1970s rehabilitation of the displaced persons was not taken seriously by any one. It was assumed that the displaced persons

know how best to rehabilitate themselves once the financial support as compensation is extended. The financial support for the purpose is looked after by the land-acquiring authority through payment of 'Fair Compensation'. 'How fair is the fair compensation', is, however, debatable particularly when large number of court cases are still pending throughout the country. Unfortunately, no follow up studies were ever undertaken by the project authorities. Nor the land acquiring authorities ever bothered to know the post-displacement socio-economic conditions of the persons and their families. It is only in the 1970s that a number of scholars, viz., Sociologists, Social Anthropologists and Welfare Economists through their field-works opened the 'Pandora Box' of impoverishments to which these displaced persons were subjected to. Their findings were heart breaking revelation of miseries of the people after displacement. Hence began the search for rehabilitation.

Let us have a cursory glance over the outcomes of some of the earlier projects of Orissa that involved large displacement as a consequence of land acquisition. In the construction of Hirakud dam, which was a large multi-purpose river valley project, as many as 22,144 families were displaced to whom monetary compensations were paid. The project was started during the first Five Year Plan. The plight of the displaced persons has been aptly brought out by Mohapatra when he writes, "The degree of apathy towards those displaced can be gauged from the fact that a sizeable chunk of compensation money amounting to rupees 27 million has been paid only five years ago, i.e. nearly four decades after the acquisition of the land" (page-8). Even the displaced persons were denied allotment of waste-land in the command area. Nor was any effort made to allocate culturable waste-land in the command area. In Hirakud dam project misgivings were created by political propaganda. Since water of the reservoir was used to run the generators for generating electricity, some politicians even went to the extent of propagating that irrigation water of the project was useless as its cream (vitamins) has been taken out in the form of electricity. Uneducated and ignorant farmers believed it. Further, apathy, discontentment and ignorance made it possible for transfer of a large chunk of land to the cultivators of neighbouring states, particularly that of Andhra Pradesh whose cultivators could own valuable irrigated land at very low prices.

Such was also the outcome of IDA-funded Salandi Irrigation Project that displaced 589 families. The then Chief-Minister of Orissa insisted on rehabilitating the displaced families in built-up

housing accommodations, for which a colony was constructed. The disadvantageous location of the colony and inadequate supply of amenities and means of livelihood, made the occupants disenchanted. The story of Rourkela is equally pathetic. For the location of Rourkela Steel Plant (RSP) land acquisition left 4259 families, mostly tribals, displaced. From these families the lands were acquired by paying a pittance as compensation. At Rs. 200 per acre, RSP acquired much more land than it required. Subsequently large chunks of land were sold to individuals and business houses at prices which were 200 to 400 times higher than the price at which these were acquired. They never thought of passing on a part of this wind-fall profit to its original owners. Those whose lands were acquired by RSP, became destitutes. No follow-up measures were taken to rehabilitate the displaced persons. The money that was received by the displaced persons by way of compensation was mostly spent on alcohol and, rest on food and clothing. That displacement causes psychological trauma which nobody understood. That the displaced person is subjected to economic insecurity and socio-cultural morbidity, no one realised. The displaced persons were pushed into an atmosphere of uncertainty.

The number of population displaced by different developmental projects in India since the commencement of First Five Year Plan till 1990 stood at around 1.85 crores, the details of which, project group-wise, are given in annexure-1. The number would go up substantially if projects started after 1990 are taken into consideration. Displacement figures for projects in Orissa have been presented in annexure-2. It may be seen that as many as 54,197 families have been displaced by Orissan development projects. If it is assumed that the average size of the family is five, the total number of persons displaced till 1994-95 stands at around 2.71 lakhs. Most of these families in the country as well as in the state of Orissa have been subjected to enormous hardship that turned them as destitutes.

How to rehabilitate the displaced persons ?

Who to Plan and initiate the process ?

It is natural that the onus of rehabilitation should fall on the displacer. The cost of displacement should be calculated taking into account not only the physical assets lost, but also, other implicit and explicit costs. That is to say that the social cost of displacement must be worked out and that should form a part of the project cost. This approach should under no circumstances be circumvented. Viability of a project

should be worked out only after rigorous verification of the displacement cost. An action plan for the rehabilitation of the displaced families must be prepared well in advance. It must be implemented with all sincerity and proper monitoring.

Thanks to the tireless efforts of some of the voluntary organisations and sympathetic bureaucrats, attempts for proper rehabilitation have been made in some of the projects. It, however, must be remembered that determined political will is the single most crucial factor that guarantees a fair treat to the displaced persons. Orissa state was fortunate to have Late Biju Pattanaik as the Chief Minister for some years. While in office, he insisted on giving the displaced persons not only houses to live but also avocations or jobs to guarantee economic and financial security. Efforts of individuals and group effort have resulted in setting up commissions and study groups to look into the problems associated with displacement and recommend suitable policy measures.

T. N. Singh has given a formula for providing employment by the project authorities. Depending upon the percentage of area of land acquired from a family, employment is provided to one or more members of the family displaced by the project authorities. In Talcher, the Fertilizer Corporation of India provided jobs to all families who lost onethird or more of their agricultural holdings. Some public sectors in India work in a typical formula where certain number of jobs are provided for each 100 acres of land acquired in a village. Pyari Mohan Mohapatra in his preface, 'the meek shall inherit the earth—but when ?' reports that Coal India works on such a formula. This policy appears to be unjust as it is regressive in nature for more populous villages and more poor people.

Another rehabilitation policy is more dynamic where the displaced persons are provided with equal, or somewhat less land of same quality under the policy of 'land for land'. Under this provision the botheration of settling the displaced persons in colonies etc. is avoided. 'Land for Land' is a good policy as long as the land acquired are agricultural land used for growing field crops, and exchanged for similar quality lands within a reasonable distance from the habitats.

Unfortunately, neither in our country nor in our state we have as yet a clear-cut policy with regard to rehabilitation. The Central Government is not very much favourable to the idea of providing jobs to

the displaced persons. Compensation packages have differed from place to place and from project to project. There has been occasional success stories in the vast ocean of unsuccessful and half hearted efforts at resettlement. The public sector undertakings, in general have given a dismal picture of rehabilitation and resettlement. There is one success story in rehabilitation programme. In Dandakaranya project where refugees from Tibet have been rehabilitated, the Central Government had very generously created the necessary infrastructure, both economic and social, where almost every aspect of life like education, health, community life, source of living and even socio-religious-cultural ethos of the displaced persons have been provided intact. The entire credit goes to the pragmatic and sympathetic attitude of the project administration and some NGOs that created the necessary pressure to awaken administration. In turn the pressure from the project administration had its necessary impact on the Central Government which resulted in generous fund-flow for an all-round development of the refugee settlement project.

Role of NGO :

In the resettlement and rehabilitation programme the NGOs have a catalytic role to play. Most projects are now located or, shall be located in future, in areas inhabited by the ultra-poor who can never speak for themselves. Hence some one must speak for them. Some one must create the preassure. Who could be that some one ? Government ? Yes and No. But if it is a dedicated NGO, certainly yes. The kind of NGOs that can really create resistance and help in both the formulation and implementation of the resettlement programme, should be non-political in character, along with adequate knowledge and understanding of the problem. They have to work for the people, with the people and involve substantially the people for whom they work. Members of such NGOs should be honest and appear to be honest, and must declare their assets at regular intervals. The NGOs must account for every rupee they collect and spend.

The NGOs can put up resistance for a better deal for the displaced persons. The resistance can be passive or active. It may be for increased facilities or it can be for the complete stoppage of a project. In Orissa active resistance has culminated in the abandonment of Tikarapara Dam Project. Only very recently the National Test Range Project involving displacement of 6484 families (40,793 people) in 54 villages at Baliapal area has been abandoned.

Pressure and resistance created by NGOs can certainly result in improved facilities and less burden on the displaced persons. In Upper Indravati Project the resistance created by NGOs led to an enactment, — The Resettlement and Rehabilitation of Project Affected Persons Policy, 1994. The resistance led to resettlement of displaced persons in 458 numbers of clusters in 20 different blocks in 5 different districts. Project authorities installed 52 open wells, 194 tubewells, 28 school buildings and 74 link roads. The NGOs helped the displaced persons numbering 5293 in the purchase of 5035 acres of irrigated and 8229 acres of unirrigated land for agricultural purposes. A Post-project evaluation study conducted by the Xavier Institute of Management of Bhubaneswar has shown that the socio-economic condition of the displaced persons has really improved after rehabilitation and resettlement.

Indravati and Dandakaranya rehabilitation programmes need to be replicated in every rehabilitation and resettlement project. The key force, however, behind every successful resettlement project, is the dedicated involvement of one or more NGOs. Under the present circumstances if the tears of the displaced persons to be really wiped out, it can be done by dedicated selfless workers. The latter should continue to lead the distressed people till such time when a comprehensive, full-proof system of package of rehabilitation programme with accountability of the implementing agencies, is worked out.

To summarise we may state the following :

Development induced displacements are painful. They affect the disadvantageous sections of the community most adversely. Rehabilitation and resettlement packages should be properly devised. Dedicated NGOs have a key role to play in the creation of the necessary pressure on the project administrators. Above all, resettlement programmes should take a holistic approach and not narrow financial considerations, while preparing rehabilitation and resettlement project.

Thank you very much ladies and gentlemen for your patient hearing.

Annexure—1

Displacement of Population by Development Projects
in India (1951-90)

| Sl. No. | Projects | Number of Project | Year | Population Displaced |
|---------|---------------------|-------------------|------|----------------------|
| 1. | Large Dams | 2422 | 1990 | 1,40,000.00 |
| 2. | Mines | 1210 | 1983 | 21,000.00 |
| 3. | Industries | — | 1990 | 13,000.00 |
| 4. | Parks and Sanctuary | 468 | 1990 | 6,000.00 |
| 5. | Others | | | 5,000.00 |
| Total | | | | 1,85,000.00 |

Source : Development, Displacement and Rehabilitation in Tribal Area of Orissa—1992, Indian Social Institute, New Delhi—Quoted by A. K. Dalua—Resistance to R & R and Empowerment, Development Induced Displacement and Rehabilitation, Prachi Prakashan, Bhubaneswar.

Annexure—2

Displacement of Families by Different Development Projects of
Orissa in Post Independence Period (ending 1994-95)

| Sl. No. | Project | No. of Families |
|---------|--|-----------------|
| 1. | Large, medium dams and reservoirs (completed) 38 Nos. | 52,890 |
| 2. | TTPS | 50 |
| 3. | NTPC—Kaniha | 90 |
| 4. | FCI—Talcher | 25 |
| 5. | NALCO | 897 |
| 6. | Ib Thermal Power Station | 170 |
| 7. | South Eastern Coal Field (Now MCL) | 75 |
| Total | | 54,197 |

Note : It refers to families and not to the number of persons.

Source : Development, Displacement and Rehabilitation in the Tribal Areas of Orissa—1992, Indian Social Institute, New Delhi, Quoted by A.K. Dalua in Resistance to R & R and Development, 'Development Induced Displacement and Rehabilitation', Prachi Prakashan, Bhubaneswar.

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Note : It refers to families and not to the number of persons.
Source : Development Displacement and Rehabilitation in the Tribal Areas of Orissa—1992. Indian Social Institute New Delhi.
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**TENANCY REFORMS
IN
ORISSA**

TEENANCY REFORMS
IN
ORISSA

Tenancy Reforms in Orissa— An Empirical Investigation

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Right from the classical days (Smith, Marshall, Marx), tenancy continues to be a controversial issue and is a subject of debate in all developing economies. The history of peasant movements all over India depicts the fact that the tenants being the impoverished section of the agrarian society are usually exploited by the landlord class. It is also believed that tenancy leads to inefficient allocation of scarce resources, thereby causing sub-optimal production conditions and backward agriculture. In the face of this, tenancy reforms have been resorted to in the post independence era particularly in the early fifties.

Since 1948, Orissa has also followed the same by undertaking tenancy reforms with the objective of settling the land with the tillers. The important act for tenancy reforms in the state are as follows :

- (1) Orissa Tenants' Protection Act, 1948.
- (2) Orissa Tenants' Relief Act, 1955 and
- (3) Orissa Land Reforms Act, 1960 and its subsequent amendments.

In spite of all these efforts, 16.7% of the total households in the state are leasing in households and the leased out households account for 6.67%. The contribution of marginal farmers to the leased out area comes to 19.7%, of small farmer to 35.83%, of semi medium farmers to 26.47%, of medium farmers to 3.65% and large farmers contribute 14.33%. 80.7% of the total leased in households comprise landless, marginal and small farmers.

This visible or invisible tenancy prevails due to the voluntary participations of tenants who demand leased in lands and landlords who supply land for cultivation. The reasons for the demand of the leasing in land may be attributed to the fact that the unutilised family labour having no alternative source of employment choose land for subsistence employment. Moreover, the underutilised organisational setup provides scope for leasing in of land in order to exploit the organisation to the full.

capacity. The landlords possessing uneconomic land holding and lacking in supervisory power prefer to lease out land and opt for alternative employment in view of cost escalation in agricultural operation due to rise in wage rate, input prices and changes in cropping pattern.

But the main body of the modern literature on land tenure system is concerned mainly with the differences in productivity among various systems of land tenure. These differences in productivity arise not from the different forms of ownership as such but from the implications they have for the incentive to work, to introduce new technology in production and to change the size of the farm. The major tenure arrangements in Orissa are the following three.

1. The owner cultivator who has tenurial right
2. Share cropper who operates on 50:50 basis and
3. Fixed rent share cropping in which the share-cropper pays a specific quantity of produce or money for a specific period, usually, a year.

In this paper an attempt is made to measure the productive efficiency of the different types of tenurial systems and suggest measures for structural changes to increase farm productivity.

Objectives :

The study has the following objectives.

1. To study the relative efficiency of the three types of tenurial system as regards farm productivity.
2. To identify the factors affecting the productivity of land in different tenant-holding of different size classes.

Hypotheses :

The following hypotheses are to be tested.

1. That, production at the farm level increases with tenurial security.
2. Smaller is the farm size, less is the productivity.

Methodology :

For this micro study, data have been collected from a village called Tandikana in Urada Grampanchayat under Kantapara (Govindpur II) Block in the Cuttack district by following the census method. The sample is stratified purposefully into four broad groups like marginal, small, medium and large categories. Each category has been classified into three groups like owner cultivator, share cropper and fixed rent tenant. For the purpose of estimating the relative efficiency, mean,

standard deviation and coefficient of variation have been adopted. To assess the relative contribution of each factor input to output in each category and class, Multiple Regression Analysis with Ordinary Least Square Method has been adopted.

The Study :

Village, Tandikana is chosen for study for peculiar characteristics. It is situated beside the river Kandal, a branch of river Devi within an island. It has permanent canal irrigation facility and it is connected to Cuttack by all weather road. The village is dominated by agricultural households producing three crops a year. The soil is fertile and conducive for production of summer paddy, winter paddy or vegetables and short variety groundnut.

The survey covered all the agricultural households of the village. The agricultural household is qualified by possession of a pair of bullocks. On tabulation of the data, it is found that there are only six households having land-holding of more than 5 acres in the owner-cultivator class but no share cropper is found in this group. Hence, the study has the limitation of restricting the study only to small and marginal farmers.

The data relating to factor inputs used, number of crops raised and the output have been collected by personal interview method from all agricultural households. For the convenience of the study the output of different crops has been converted to money terms and per acre productivity has been calculated. The inputs caught in the questionnaire are units labour per acre, fertiliser per acre in Kg., irrigation in hour, seed in Kg., bullock labour in days. The farmers have been grouped into small and marginal. Each group is classified into owner cultivator, share cropper and fixed rent tenant. Then the mean value, standard deviation and coefficient of variations of all inputs and output for each class and group have been calculated. The result is presented in Table-1.

Analysis of the results presented in the table makes the following observations.

1. In each group, small farmers have a greater productive efficiency over the marginal farmers.
2. In each group, marginal farmers have a greater labour use than the small farmers.
3. Among the groups, the tenants under fixed rent have the highest input use and output.
4. Share croppers on 50:50 basis have the lowest input use and output. This can be explained by the fact that the sharecroppers

do not use more input as the cost will be borne by them but the output will be shared by the landlord without any contribution to the production.

Hence, it could be concluded that it is not the tenure as such, but the terms and condition of tenure that determine productivity.

However, it has been tried further to confirm to this finding by undertaking a Dummy variable Regression Model with Least Square Method to identify the factors contributing greater influence on production. O_1 , a dummy has been taken for the owner cultivators while others are zero. S_1 is the dummy for share croppers and F_1 is the dummy for Fixed Rent tenants while others are zero. The corresponding results of the regression equations are presented in Table-2.

TABLE-1
Owner-Cultivator

| Items | Small | | | | | Marginal | | | | |
|-------|--------|-------|-----------------|-----------------|--------|----------|-------|-----------------|-----------------|--------|
| | Labour | Seeds | Irriga- tion | Ferti- liser | Output | Labour | Seeds | Irriga- tion | Ferti- liser | Output |
| | X_1 | X_2 | X_3 | X_4 | Y | X_1 | X_2 | X_3 | X_4 | Y |
| Mean | 32.91 | 25.18 | 27.73 | 12.91 | 45.36 | 39.27 | 24.36 | 24.64 | 20.18 | 41.86 |
| S.D. | 4.63 | 1.66 | 7.57 | 6.17 | 1446 | 3.87 | 3.95 | 8.35 | 7.16 | 1091 |
| C.V. | 14.06 | 6.59 | 27.29 | 47.79 | 31.8 | 9.85 | 16.21 | 33.88 | 35.48 | 26.05 |

Share-Cropper

| Items | Small | | | | | Marginal | | | | |
|-------|--------|-------|-----------------|-----------------|--------|----------|-------|-----------------|-----------------|--------|
| | Labour | Seeds | Irriga- tion | Ferti- liser | Output | Labour | Seeds | Irriga- tion | Ferti- liser | Output |
| | X_1 | X_2 | X_3 | X_4 | Y | X_1 | X_2 | X_3 | X_4 | Y |
| Mean | 31.10 | 17.80 | 21.80 | 16.10 | 3451 | 42.10 | 14.30 | 20.80 | 17.50 | 3008 |
| S.D. | 7.97 | 4.13 | 6.40 | 6.99 | 540.83 | 3.83 | 2.79 | 3.64 | 4.35 | 787.65 |
| C.V. | 25.62 | 23.20 | 29.35 | 43.41 | 15.67 | 8.02 | 19.51 | 17.50 | 24.85 | 26.18 |

Fixed Rent Tenant

| Items | Small | | | | | Marginal | | | | |
|-------|--------|-------|-----------------|-----------------|--------|----------|-------|-----------------|-----------------|--------|
| | Labour | Seeds | Irriga- tion | Ferti- liser | Output | Labour | Seeds | Irriga- tion | Ferti- liser | Output |
| | X_1 | X_2 | X_3 | X_4 | Y | X_1 | X_2 | X_3 | X_4 | Y |
| Mean | 47.7 | 25.9 | 31.5 | 30.3 | 6323 | 49.27 | 29.73 | 32.27 | 32.45 | 5918 |
| S.D. | 3.43 | 1.59 | 2.41 | 2.66 | 336.6 | 6.75 | 1.27 | 1.73 | 2.16 | 414.12 |
| C.V. | 7.19 | 6.13 | 7.65 | 8.77 | 5.32 | 13.7 | 4.27 | 5.36 | 6.65 | 6.99 |

TABLE—2.1

The Parameter Estimates of Regression Equation for
Farmers with Dummy Variables

| Items | Constant | X ₁ | X ₂ | X ₃ | X ₄ | O ₁ | F ₁ | R ² | F-Value |
|--------------|----------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------|
| Coefficients | 1134.7 | 40.07 | 22.84 | 37.05 | 94.52 | 480.41 | 228.83 | 0.7934 | 35.84 |
| St. Error | 684.59 | 16.40 | 34.02 | 20.89 | 20.89 | 334.51 | 429.12 | — | — |
| 't'-values | 1.66 | 0.02 | 0.67 | 1.77 | 4.53 | 1.44 | 0.53 | — | — |

TABLE—2.2

| Items | Constant | X ₁ | X ₂ | X ₃ | X ₄ | O ₁ | S ₁ | R ² | F-Value |
|--------------|----------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------|
| Coefficients | 1363.5 | 40.07 | 22.84 | 37.05 | 94.516 | 251.64 | -228.83 | 0.7934 | 35.84 |
| St. Error | 1014.3 | 16.40 | 34.02 | 20.89 | 20.89 | 309.47 | 429.12 | — | — |
| 't'-values | 1.34 | 0.02 | 0.67 | 1.77 | 4.53 | 0.84 | -0.53 | — | — |

The results of the Regression Equation presented in Table-2 indicate that all the variables like labour (X₁), seed (X₂), irrigation (X₃), fertilizer (X₄) and the dummy variables like owner cultivator (O₁) and fixed rent tenants are positively correlated with production. But irrigation and fertiliser have a significant contribution. On the other hand while the same land is put to share cropping on 50:50 basis, the production declines.

This result corroborates to the earlier findings.

Suggestions :

1. The government of Orissa may allow the marginal farmers to lease out or lease in.
2. The share tenancy in case of small farmers may be regulated under law in order to have only fixed rent tenants, otherwise the owner should operate himself.
3. The period of tenancy may be allowed to be longer to enable the farmers to have improvement in land.

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Tenancy Protection from 1948 to 1950

Orissa Tenants Protection Act, 1948 made inter alia the following provisions: (1) A tenant who on the first day of September 1947 was cultivating any land as tenant would continue to have the rights

Protection of Tenants : A Case Study of Orissa

Dr. Basudev Sahoo

The struggle of the cultivators to acquire occupancy rights along with rights of heritability transferability and fixity of rent etc. has been long and chequered. Consequent upon the abolition of intermediary interests, it became necessary to confer occupancy rights on certain categories of persons possessing land viz., land under khas possession of intermediaries u/s 7, of the Orissa Estate Abolition Act, land held under personal service u/s 8(3) of the OEA Act. The tenants existing on the private lands of rulers were enabled to get occupancy rights u/s 7(h) of Orissa Merged States Laws Act 1950.

The other categories of tenants i.e. under raiyats in the coastal Orissa, sub-tenants in Sambalpur, temporary lessees in personal cultivation of vested estates and share croppers in various parts of Orissa have been continuing with limited rights. Under-raiyats were regulated by Orissa Tenancy Act while sub-tenants were covered under Central Province Tenancy Act. There were records in favour of under-raiyats, sub-tenants and temporary lessees. Under-raiyats were enabled to become raiyats u/s(5) of OLR Act while temporary lessees were allowed to acquire occupancy right u/s 4(2) of the OLR Act. But the protection extended to unrecorded share croppers was ineffective so much so that they have continued to be exposed to an arbitrary eviction and rack renting etc. It was only the unrecorded share croppers who have suffered neglect and indifference.

The Land Revenue and Land Tenure Committee estimated in 1947-48 that the percentage of land cultivated by sharecroppers in Orissa was 15.6 as against 58.8% of land cultivated by family members, 23.6% of land cultivated with the help of agricultural labourers and 3.5% of families living mainly as sharecroppers. The area under the occupation of under-raiyats, sub-tenants and share croppers as per the final reports of Survey and Settlement Operation is estimated to be 17% of the total land i.e. 10,59,530 acres. Of course vast areas was then unsurveyed. Net area shown in 1950 was 11,92,066 acres.

Tenancy Protection from 1948 to 1964 :

Orissa Tenants Protection Act, 1948 made interalia the following provisions. (1) A person who on the first day of September 1947 was cultivating any land as tenant would continue to have the right to cultivate such land and would be protected from arbitrary eviction of the landlord. But there is no bar on eviction of tenants under a raiyat who owned less than 33 acres of land on 30th Nov. 1947; (2) The tenants with occupancy rights but holding land on production of rent were not bound to pay more than one third of gross produce as rent; (3) A raiyat holding land on produce-rent in Ganjam and Koraput was not bound to pay more than one sixth of gross produce; (4) Tenants without any security of tenure were not bound to pay more than 2/5th of gross produce and (5) The collector or any officer authorised on his behalf was empowered to decide disputes under the Act.

The Act produced only a marginal impact on preventing the eviction of cultivating tenants. This machinery available to implement this law was inadequate and ineffective. This Act remained in force till 1955 when Orissa Tenant Relief Act, 1955 replaced it. The main features of the Act were (i) No tenant holding any land on the 1st day of July 1954 or at any time thereafter was liable to be evicted, (ii) The maximum rent payable by tenant is fixed at one fourth of gross produce, (iii) No tenant with permanent and heritable rights but holding land on produce-rent was bound to pay more than 2/3rd of the rent described above and (iv) The resumption of land for personal cultivation by small cultivators was permitted to the extent of seven standard acres of land provided the selection was made before 15th day of June 1953.

The provision of resumption of land upto seven standard acres operated against the tenants. The major problem was the proof of share-cropping. The unrecorder tenants had neither the economic strength nor the reliable document of proof to press their claims and the revenue courts were not user friendly. The political workers evinced no interest in its implementation. As a result the unintended consequences outweighed the achievements. However it did create some awareness among tenants regarding security against eviction and excessive rent.

Tenancy Laws from 1965 to 1972 :

During this period Orissa Land Reform Act 1960 was brought into force comprehensively to address the question of protection of tenants. The salient features are : consolidation of the position of Raiyats by bringing them under a single statute, providing better tenurial

rights to under-raiyats and temporary lessees and betterment of land with tenants in one half of the area, prohibition of letting of land on lease except in case of privileged raiyats and disabled persons, rationalisation of rent-fair and equitable, guaranteeing heritability and non-evictability to tenants etc.

All the raiyats/tenants who were under intermediaries have been brought under Government through a declaratory provision. Persons who were recorded as under raiyats or subtenants were allowed to become occupancy raiyats in respect of land under their occupation.

By 1991 March, 53.4% of temporary lessees and 64.6% of under-raiyats/subtenants who applied for declaring themselves as occupancy raiyats were conferred occupancy rights, despite the entry in the record of right in their favour. The land settled amounted to 33654+18072 acres. 629 persons got occupancy rights over the homestead land out of 22348 applications. 39.9% of cases were against tenants/agricultural labourers/artisans. Persons benefitted were 54172+47596. However, the achievement in terms of conferring occupancy rights on shareholders was insignificant. Legal procedure did not help them.

Tenancy Laws since 1973 :

The laws exhibited a qualitative shift since 1973. The policy envisaged was land to the tiller. Land Reform Act was comprehensively amended (Act 17 of 1972) to enable the tenants to become raiyats in whole of the land under their occupation under Section 36-A provided the applications were made within 2 years from Oct. 2, 1973. Yet a very few tenants came forward to claim occupancy rights. Hence a section 36-B was introduced to provide that where no application was made by a tenant the Revenue Officer could take action on that behalf on his own motion.

The total achievements were : cases disposed were 100792, No. of persons benefitted 46307, area settled was 40,411 acres. Orissa Land Reform Act prohibits letting of land on lease except in cases of disabled owners, trustland, a woman divorced and a raiyat whose total land does not exceed 3 standard acres. The objective is to have owner cultivator, not absentee landlord.

But most of the tenants who are said to have acquired occupancy right under section 36(A) are not real tenants but fake ones who were foisted by unscrupulous land owners to escape from land ceiling. The

Revenue Officers have merely gone by the admission of landlord as to the existence of tenants without conducting field enquiry.

The line of differentiation between hired labourers and share cropper is too indistinct to identify. So one can assume that in 1950-51 area under share cropping was 15 to 17%. The tendency to evict tenants and resume land for personal cultivation became more pronounced since 1948 after passing of the Orissa Tenancy Protection Act, 48. Agricultural census 1970-71, estimated area under tenancy at 7.34 lakh acres. The data is doubtful. Even if it is correct since 40% of land are under big farms, occupancy rights should have accrued in 2.95 lakh acres and protective rights in remaining 4.39 lakh acres. But only 49582 tenants covering an area of 42,654 acres have been benefited.

The figures of subsequent censuses are very low. The sweeping changes in tenancy laws since 1973 have created a great deal of resistance and panic among land owners. It has only enhanced the natural tendency of landlords to suppress the facts of tenancy. Assuming that these facts are correct there are concealed tenants in more than two lakh acres. But in all probability the area under share croppers is of the order of 15 lakh acres. The area under tenants has not undergone significant reduction basically due to the difficulty in personally cultivating land under tenants by land owners and the ineffectiveness of tenancy laws. The tenanted lands are by and large owned by persons who are serving in government or engaged in business. The resumption by them for personal cultivation is not feasible. The tenancy laws are largely ineffective either in regularising rent or in conferring occupancy right on tenants.

Tenancy Protection : An Appraisal Policy Analysis :

Initially the dilemma between protection of land owners and protection of tenants was resolved in favour of the land owners (First Plan). The Second Five Year Plan made a shaft in favour of the tenants. An owner with basic holding (3.5 acres) was allowed to resume the entire area and owner with less than family holding was allowed half of tenanted land in the Second Plan.

But Orissa Tenancy Acts 1948 and 1955 allowed limit upto 7 standard acres or 33 acres in violation of plan document. The situation continued till 1964. Nearly 18 lakh share croppers could not evoke enough sympathy from policy makers in Orissa in the 1st 15 years of agrarian reforms.

The policy shift towards protection of tenants took place significantly since 1965, remains moderate between 1965 and 1972 and became sweeping since 1973. But it is another matter that the protection of tenants has remained only in statutes.

Agricultural census 1970-71 indicates magnitude and the nature of tenants. 50% of tenants are small and marginal and 25% are big farmers. Since 1973 marginal farmers are leasing out their land to big and medium farmers.

There was no policy initiative in the area of tenancy protection in Orissa. The land Reforms Committee 1980 suggested that tenancy has been banned except in a few leases. Yet with population growth it would continue. It is most appropriate to amend the OLR Act by which the tenancy will be recognised and their rights recorded. The tenant should be subjected to a ceiling of five standard acres. Another attempt was made to bring in amendments for recognition and recording of share-cropper in 1991 but in vain. It is said "All these, who need land cannot become owners and this should occasion measures that secure and not abrogate their residual interest". It is an open confession and meek submission to political, economic, legal and administrative deficiencies that have beset tenancy laws. It means we are tending to go backwards to tenancy reform from land to tiller policy. Tenancy reforms which are basically regulatory have failed universally. What is probably required is a bold radical discriminatory and strategic 'land to tiller policy'. The first step towards such a policy is enumeration of share croppers. The next stage is to confer occupancy right on tenants who are small and marginal farmers and have leased in land from absentee land owners.

Tenancy laws are rooted in land to tiller policy. The institutional arrangement should be so made as to provide source of employment and livelihood to actual cultivators. Personal cultivation has three elements, risk of cultivation, supervision and labour. The seminar on tenancy at NIRD recommended for incorporating necessary conditions of residence of land owner or his family member in the village or within certain distance as in absence of such stipulation the engagement of hired labour is a subterfuge for tenancy.

Distance from residence and major portion of annual income derived from agriculture should be two crucial factors to be included in the definition of personal cultivation. The prohibition of lease has to provide for some exception. A proper definition of persons under disa-

bility has to be made to release land for tenants to acquire occupancy rights. The operation of trusts has to be examined and trusts operating or the interest of trustees be dissolved and their land be given to tenants.

implementation :

The effectiveness of implementation depends on close fitness between goals and means. In most cases the goals are vaguely stated and the means are inadequate, insufficient and inappropriate.

The tenancy reform goal has not been stated definitely. There has not been systematic study to ascertain number of tenants who have failed to avail of concessions. Since Independence there has been no entry of tenants on record. Land protection of tenants is sought to be achieved through revenue court approach in Orissa. It places major burden of tenure reform not on organs of state but on individual tenants.

Emphasis should be laid on organisation of share croppers, their enumeration, creation of record of rights in their favour, arranging legal assistance making existing machinery responsive for effective redressal of grievances, providing support of law and order machinery against the intimidation of share croppers.

The fact of the matter is that the policy on tenants has changed from being a regulatory one to 'land to tiller policy' without supporting strategy, structure and process in an environment which is anti-tenant. The tenancy laws are incomplete and weigh in favour of land owners though on face of it, it looks deceptively revolutionary.

The consolidation position of raiyats under one statute, the conferment of occupancy right to 1,01,771 persons covering an area of 51725 acres, the accrual of occupancy rights to 13629 consisting of raiyats, tenants, agricultural labourers and artisans who had no permanent and heritable right on land on which their dwelling houses stood and the commutation of produce rent to fair and equitable rent in case of 47,956 raiyats, are no mean achievements, but this does not extenuate the failure to protect the share cropper in 18.5 lakh acres who have been promised so much and have got so little.

Nature of Tenancy Contracts in Orissa : Implications for Agricultural Growth and Tenancy Reforms

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According to the mode of rent payment, land tenancy can manifest itself in three forms viz. share tenancy, fixed kind and fixed cash tenancy. In the case of share tenancy the cultivator pays the landlord a fixed proportion of gross produce as rent whereas in fixed tenancy the tenant pays a fixed quantity of crop or cash as the case may be. Share tenancy is often viewed as a feature of backward agriculture and is seen to be inefficient method of production organisation. Most of the early writers on share tenancy in the eighteenth and nineteenth centuries strongly condemned it. Thus to the Marquis of Mirabeau, share tenancy was a "deplorable method of cultivation, the daughter of necessity and mother of misery" (Basu, 1984). Whereas Adam Smith considered share tenancy acting as an effectual bar to capital investment in agriculture. Marshall argued that the share tenant will also under supply work-effort as marginal conditions for optimum input use are not satisfied. The share tenant would be reluctant to apply optimal labour effort and other yield enhancing inputs as a part of the incremental yield since the benefits would accrue to the land owner who does not share in additional cost. But in the case of fixed tenancy after making a fixed payment to the land owner, the entire incremental output due to enhanced use of inputs accrues to the tenant. Therefore, fixed tenancy does not adversely affect allocative efficiency in the short run. But in the long run in the absence of security of tenure the tenant will hesitate to make any fixed capital investment on land or undertake any land improvement measures.

Usually it is believed that the share tenancy, fixed kind, fixed cash and owner cultivation are four consecutive phases in evolution of system of production organisation signifying improvement/progressiveness successively. Thus, whereas share tenancy is considered as a distinguishing feature of backward, pre-capitalist or semi-feudalistic agriculture, fixed tenancy and owner cultivation are equated with advanced agriculture. However, share tenancy is an age old institution historically and quite widespread geographically because of its versatility and adaptability to different socio-economic conditions in differing agro-ecological regions.

In the last few decades there has been an efflorescence of theoretical literature and empirical studies on agricultural tenancy mainly exploring the causes for its occurrence and examining its impact on farm economy. The divergent views put forward by different economists can broadly be divided into two strands of thought i.e. the neoclassical and the Marxist (Swain, 1998). The exponents of the neoclassical approach view tenancy as a method of resource (land, labour, bullock and entrepreneurial ability) adjustment under imperfect market conditions (Bliss and Stern, 1982; Jodha, 1981; Sharma and Dreze, 1990). The imperfections in the markets may arise due to the existence of transaction costs caused by the inherent characteristics of rural markets such as risk, uncertainty, indivisibility, information asymmetry and moral hazard problems (Cheung, 1969; Bardhan, 1984; Basu, 1984, Braverman and Stiglitz, 1982 etc.). I. Singh in a concise way summarises the neo-classical position on tenancy by noting the conditions under which share tenancy contracts are observed :

Tenancy arrangements in general, and sharecropping contracts in particular, can serve a variety of useful purposes in an environment in which markets for land, labour, credit, information, and entrepreneurial and managerial skills are underdeveloped and imperfect, and in which risk is endemic, transaction costs are high, and indivisibilities and fragmentations of holdings present major problems. Under these circumstances, sharecropping, which appears economically inefficient in a 'perfect' world, become a realistic second best solution. (Singh, 1988 : 37)

Regarding the choice of contractual arrangement the neoclassicals say that the tenurial choice is made so as to maximise the gains from risk dispersion subject to the constraint of transaction cost (Cheung,

1969). In case of self-cultivation with hired labour, transaction costs, that is supervision, negotiation and enforcement costs, are heaviest and borne by landowners and minimised under fixed rental contracts, with share cropping being intermediate. Production risk, on the other hand, is entirely borne by land owners in the case of wage contracts and by tenants under fixed rents, with share cropping distributing risk to the same extent as product. Therefore if both the landlord and the tenant are risk averse, the choice will go in favour of share tenancy.

The proponents of the Marxist approach consider share tenancy as an exploitative mechanism of the landlord class to extract surplus from the small peasants. Sharecropping is viewed as a transitory form of rent (Marx, 1974), a labour process (Bhaduri, 1983), a mechanism of labour mobilisation and an intermediate method of surplus appropriation (Pearce, 1983) or a kind of formal subsumption of labour under capital characterised by absorption of absolute surplus value (Gupta, 1980) in the context of a dominant and dependent class structured society. Marxists consider the efficiency implication of share tenancy in a dynamic context. They argue that share tenancy is a remnant of feudalism and its persistence inhibits productive investment by diverting reinvestible surplus into unproductive channels like rack renting, usury, trading etc. (Bhaduri, 1973; Bharadwaj, 1985). Thus share tenancy being a feature of agricultural backwardness also perpetuates underdevelopment and causes stagnation in agriculture. Patnaik (1983) argues that in a situation where capitalist production is confronted by existence of high level of pre-capitalist ground rent as a historically given conditions (as in India), this acts as a barrier to investment as investing a given sum of money in direct capitalist cultivation in agriculture becomes conditional upon that sum of money yielding a surplus profit at least equal to the existing level of pre-capitalist rent over and above the average profit.

Against this backdrop in this article an attempt is made :

- (i) to examine the incidence and nature of tenancy contracts of Orissa by using data from several rounds of N.S.S. and juxtaposing them with the findings of some village studies;
- (ii) to analyse the implications of such tenancy contracts for agricultural growth in the state;
- (iii) to examine the appropriateness and effectiveness of tenancy reform measures undertaken by the state government and to suggest required changes for equity and productivity gains.

Incidence of Tenancy :

In India state-wise statistics on extent of tenancy are available from two sources : NSS (National Sample Survey) estimates and State Agricultural census data. Between the two estimates, the NSS estimates are more dependable as they are based on independent household surveys, while the census figures are based on land records. However, there is general agreement that available official data on incidence of tenancy are underestimates due to several reasons. Barring some unusual circumstances tenancy is legally forbidden in most of the states. Therefore, tenants usually hesitate to reveal their tenurial identity in fear of eviction. As lease contracts are mainly oral, there is virtual absence of any record of lease details. Thus official data on tenancy are prone to be underestimates. However, as N.S.S. estimates on tenancy are best available official data based on large scale household surveys, these are usually used by researchers. In the following sections we furnish time series data on extent of tenancy in Orissa compiled from 17th, 26th, 37th and 48th rounds of N.S.S.

Now coming to the extent of tenancy in Orissa, in the year 1991-92 there were 6.9 lakh tenant holdings constituting 16.4% of total operational holdings. They leased in 4.5 lakh hectares of land which was 9.5% of operational area. Average area leased in per tenant holding was only 0.65 ha. If we consider the incidence of tenancy in a dynamic context we find that the proportion of operated area leased-in has declined from 13.5% in 1970-71 to 9.5% in 1991-92.

An inter-state comparison of tenancy reveals that Orissa belongs to the category of high tenancy states in India. In 1991-92 the percentage of area leased-in to area operated in case of Orissa was 9.5% whereas it was 8.3% at All-India level. The high tenancy states are observed to be a curious conglomeration of two groups : high irrigation intensive and agriculturally advanced north-western states like Punjab, Haryana, Uttar Pradesh and densely populated, high rainfall, rice growing and technologically less developed north-eastern states like West Bengal, Bihar, Assam and Orissa (Parthasarathy, 1991).

Nature of Tenancy Contracts :

The major manifestation of tenancy in Orissa is sharecropping. The breakup of total leased-in area into different types of tenancy for major Indian states reveals that in Orissa share tenancy is more pervasive than fixed produce and fixed money tenancy. In 1991-92 about 50.9% of leased-in area was under sharecropping. The coverage under fixed

money and fixed produce was only 19.7% and 4.7% respectively. The proportion of area & under share tenancy is increasing in comparison to fixed tenancy. In 1971-72, 41.8% of leased-in area was under share-cropping which has increased to more than fifty per cent in 1991. An inter-state comparison of types of tenancy contracts shows that in agriculturally advanced states like Punjab, Haryana and Tamilnadu fixed tenancy is more prominent.

The next pertinent question that needs to be addressed is who are leasing in land? Whether large resourceful farmers are leasing in land to increase their operational holdings and cultivate commercially (commercial tenancy) or the landless and small farmers rent land as a means of subsistence to meet their maintenance needs (subsistence tenancy)? The distribution of leased-in area according to size classes of operational holdings reveals that about 71% of leased-in area is in the size classes of less than 2 hectares and only 5% of leased-in area is in size classes above 4 hectares. Moreover, it is observed that the percentage of leased-in area to operated area is increasing with the increase in size of operational holding up to the size class of 1 to 2 ha. and thereafter it is decreasing. Thus leasing-in is more practised by marginal and small holdings in comparison to large farmers. In Orissa subsistence tenancy is more prevalent than capitalist tenancy.

The next logical question is who are the lessors? An analysis of distribution of leased-out area according to size classes of ownership holdings shows that in 1991-92 a significant proportion of lessor households (90%) belonged to category of 'less than 2 ha' and they also accounted for a major proportion (81%) of leased out area. Thus the lessor households were mainly marginal and small farmers. On the other hand, a very small percentage (3%) of lessors belonged to big farmer category owning more than 4 ha of land which accounted for only 8% of leasedout area. Thus, in Orissa mainly marginal and small farmers lease out land. It is to be noted that the percentage of lessors to total households is declining with increase in size of holding.

Impact on Farm Economy :

The predominant form of tenancy in Orissa is share tenancy. Most of the tenants are marginal and small farmers. They lease in land to earn subsistence. Subsistence tenancy is more pervasive than commercial or capitalist tenancy. Some intensive village studies have been undertaken by researchers (Bharadwaj and Das, 1975; Swain, 1993) which reveal that

tenancy being legally prohibited in Orissa, the observed tenancy contracts are illegal, unrecorded and in concealed form without any recognition. Rents are high about 50% of gross produce whereas legally permissible rent is 25%. There is no security of tenure. Most of the lessors are absentee landowners and they do not share in input cost and take no interest in actual cultivation. All these features of tenancy are regressive in nature and also inimical to agricultural growth.

Tenancy Reforms in Orissa :

At the time of independence in Orissa, most of the leases and sub-leases were oral and terminable at will (Mitra, 1981 : 33). And the rent was on an average 50% of the gross produce. Therefore, in the post-independence period, radical tenancy reform measures were introduced to improve the conditions of the raiyats and under raiyats. The term tenancy reforms broadly cover those measures which are intended to protect the interests of tenant and sharecroppers in respect of getting their due share or benefits of produce from the cultivation of leased-in land and to gradually establish peasant-proprietorship by conferring ownership right in land on those who actually cultivate it. The Orissa Estates Abolition Act, 1952 aimed at abolishing all intermediary interests and vested those rights in the state free from all encumbrances. However, the agricultural and horticultural lands in khas possession of ex-intermediaries remained with them without any payment.

The important acts aiming at tenancy reforms (Mitra, 1981) were :

- (1) Orissa Tenants' Protection Act, 1948;
- (2) Orissa Tenants' Relief Act, 1955; and
- (3) Orissa Land Reforms Acts, 1960 and its subsequent amendments.

The plight of the tenants in Orissa just after independence and the objectives of the Orissa Tenants' Protection Act of 1948 were stated thus :

It is well known that the status of the Bhag-chasis is very insecure. They have not been recognised by the land laws in force in some parts of the Province. They can be evicted at the sweet will of the landholders, who often realise more than half the gross produce as rent besides exacting forced labour. Government, therefore, considers it necessary to give protection to these Bhag-chasis against eviction and in respect of the produce rent payable by them. (Quoted from Rath, 1977 : 71)

The protection and relief which the above mentioned Acts provided to the tenants and sub-tenants may broadly be classified into the following categories :

- (1) Regulation of Rent;
- (2) Security of Tenure; and
- (3) Conferment of Ownership Right of Land on Tenants.

These points are elaborated below.

Regulation of Rent :

The Orissa Tenants' Protection Act, 1948 prescribed that (a) tenants enjoying occupancy rights were not bound to pay more than one-third of the gross produce as rent to the superior raiyat, for holding land under produce-rent system; (b) tenants without security of tenure were not bound to pay more than two-fifths of the gross produce as rent to the landowners. The collector or any authorised officer in a district was empowered by this Act to decide disputes between a 'bhag-chasi' (sharecropper) and the landlord. This legislation caused a lot of friction between landlords and tenants in the state. In districts like Cuttack and Puri a great deal of agrarian commotion was caused by the agitating kisans organised by Socialist and Communist parties.

The Tenants' Protection Act of 1948, due to expire in 1950, was extended from time to time until it was replaced in 1955 by a more comprehensive legislation i.e. The Orissa Tenants' Relief Act, 1955. Under this Act a temporary tenant was not bound to pay more than one-fourth in kind or cash of the gross produce of the land. In the Land Reforms Act, 1960, and its subsequent amendments, the amount of rent was retained at one-fourth of the gross produce of the land, or the value thereof or the value of one-fourth of the estimated produce of land.

But the regulation was not at all effective (Mittra, 1981 : 35) and the traditional system of paying 50% of the gross produce just after the harvest as rent still prevailed. The Orissa Administration Enquiry Committee reported in 1958 :

It is said that the beneficial effect of the Orissa Tenants' Protection Act was to bring about some consciousness amongst the cultivators in regard to their rights. It is only where there was strained relationship between the landlord and the tenants that they came up to the court for redress, otherwise there was quite a large number of cases which were compromised, and a

vast majority of the cultivating tenants remained as they were before, in their relationship with the superior ryots.

(Quoted from Rath, 1977 : 74)

Security of Tenure :

During pre-independence period under British rule certain tenancy reforms has been undertaken. But the measures : The Rent Act of Bengal, 1859; Bengal Tenancy Act, 1885; and Orissa Tenancy Act, 1913 protected only raiyats with occupancy rights from eviction. The problems of under-raiyats and sub-tenants were very acute. Under the Orissa Tenants' protection Act, 1948, land-holders owning 33 acres or more of land were debarred from evicting the cultivator-tenants. The Orissa Tenants' Relief Act, 1955, intended to strengthen the position of the tenant further. It provided that no tenant holding land for cultivation on 1st July, 1954, or at any time thereafter, could be lawfully evicted from his holding by the landlord. However, the law recognised (with defined limitation) the right of the landlord to evict tenant from any land selected by him for personal cultivation. But a landlord could not resume for personal cultivation more land than seven acres in aggregate inclusive of such land that was under his personal cultivation before or on July 1, 1954.

The Orissa Land Reforms Act 1960 was probably the first piece of legislation which assumed that a raiyat had obligations to the state other than regular payment of rent for holding land for agricultural purposes. The Act made the raiyat liable to eviction for using land in a manner which rendered it unfit for agriculture. It provided that the tenants could not ordinarily be evicted from the land except on grounds of improper or inefficient farming and non-payment of rent. It was also declared that a raiyat enjoyed permanent, heritable and transferable right in land held by him. But he had no right to lease out land held by him as a raiyat, unless he was a person under 'disability', or was a 'privileged raiyat'.

The Orissa Land Reforms (Amendment) Act, 1965 and its subsequent amendments in 1973 and 1974 conferred cent percent right to the raiyats on the land under their possession. The Revenue Officer was empowered to declare the whole land to be non-resumable on receipt of an application made by the tenant within two years from the commencement of the Orissa Land Reforms (Amendment) Act, 1973, that is, from 2nd Octo, 1973. In spite of these legal provisions, in most parts, of the state, tenants were exposed to eviction as the problem of establishing

tenancy rights over land was difficult for tenants. Because almost all the tenancy agreements were oral and the land owners were not giving any receipt to the tenants after receiving rent.

Conferment of Ownership Right on Land to Tenants :

The Orissa Land Reforms Act, 1960, as amended in 1965, provided that in the matter of disposal of ceiling-surplus land priority was to be given to the evicted tenant and the contiguous raiyat having land not exceeding one basic holding. The objective of this legislation was to confer the ownership right of the cultivable land on the tenant or the actual cultivator of the land.

An Amendment to the Act in 1973 provided that 70% of ceiling-surplus land was to be distributed among the scheduled castes and scheduled tribes in proportion to their respective population in the village. As more than 65% of the tenants belonged to the scheduled castes and tribes, the Act was also intended to benefit sub-tenants and tenants at-will. But the provisions of ceiling on land-holding will not affect the bulk of the land owners. The ceiling limit even at its present lower level of 10 standard acres, would not affect a large number of land owners. In this situation a sufficient amount of ceiling surplus land will not be available for distribution among tenants and landless agricultural labourers.

Implementation of Tenancy Reform Measures :

The implementation of tenancy reform measures in Orissa is found to be unsatisfactory. The highly defective land records, the prevalence of oral leases, an absence of rent receipts and the ignorance of the legal provisions of tenancy legislation and the inability of the tenants to go to the law courts for redressal of their grievances due to acute poverty made enforcement of tenancy legislation practically impossible. More importantly, lack of political will of the party in power, absence of bureaucratic commitment to the cause of tenants and deficiency in organisational ability of the tenants led to non-implementation of tenancy reforms in Orissa.

Moreover, there are certain socio-cultural reasons for which tenants do not come forward to establish their rights on the tenanted land. It is pertinent to quote a conversation between a Harijan and a group of politicians from P. Mohanti's book 'Changing Village, Changing Life' (1990). The politicians said to the tenant, "You have lived on

this land for so many years, the land is yours. Register a case against the landlord." The Harijan replied, "How can I start a case against him? I know this land is his. How can it suddenly become mine? When I have problems I go to him for help. We live in the same village and we see each other every day. You are here now, but after one hour you will be gone and it will be difficult for me to see you. How can we get their land in our name? It is not good." Thus as long as the state machinery is not capable of providing a dependable and perfect substitute of the informally contracted recipient systems which are endogenously created out of necessity, it cannot successfully supplant it.

As per existing tenancy laws in Orissa, barring some special circumstances leasing-out is legally prohibited in the state. But it is observed that unrecorded oral tenancy is pervasive in Orissa with high rent, insecurity of tenure and absence of input cost sharing. All these features of tenancy indicate regressive tenancy relationship and also adversely affect agricultural growth of the state.

However, given the socio-economic conditions in Orissa like adverse land-man ratio, inequity in land ownership, rapid population growth, increasing pressure on land, sub-division of land holdings, massive unemployment, slow pace of industrialization and few employment opportunities in the non-farm sector, share tenancy will continue to provide a source of livelihood to the landless, land scarce and labour abundant households. The matter for concern is how to make it a useful institution for promoting agricultural growth of the state by regulating its terms and conditions by appropriate legislation and its proper implementation. Therefore, instead of banning tenancy altogether, it should be legalised and recorded with clearcut terms and conditions on rent payment, cost sharing, tenure of lease etc. Legalisation of tenancy will help in unearthing the large scale of concealed tenancy existing in today's Orissa. Tenancy will bring about resource adjustment of land, labour, bullock power, entrepreneurial ability, credit etc. With proper incentives for efficient cultivation and appropriate regulations of terms and conditions, tenancy can be made equitable as well as harmonious for agricultural growth.

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Tenancy Reforms in Orissa : Some Emerging Issues

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One of the major problems faced by agriculture-predominant developing countries including India is to abolish feudal and semi-feudal production relations in order to secure a more egalitarian distribution of land and water resources. Such feudal relations in terms of land monopoly by landowners seem to have paved the ways in different areas for extraction of rent even at exorbitant rates from small cultivators. Such vested interest in land monopoly that enables extraction of rent from small tenants acts as a fetter; First, for not creating economic incentives among tenants to invest in land since little surplus income is left with them after payment of rent; Second, land owners get so much rental incomes merely by possessing ownership in land that it prevents the tenants to take much interest in it. In point of fact, in the absence of adequate tenurial security both equity and productivity are adversely affected.

It is indisputable to say that agricultural progress is formidably hindered by a peculiar land tenure which is institutionally linked with the pattern of land ownership, pattern of land use and the basis of production and distribution. Higher agricultural productivity may result from a set of reforms in the land tenure system. This involves decision in the redistribution of land ownership, conditions of tenancy and control of rent.

Historically, British attempted to integrate the old landlord aristocracy into a new fiscal system of Orissa, Bihar and West Bengal. But it succeeded very partially owing to the most complex characteristics of agrarian structure that stemmed from different systems of land tenurial arrangements prevalent in various parts of the neighbouring provinces. The present unequal distribution of farm land logically has also stemmed

from the growing complexities of land relations in the recent past. There was a high degree of concentration of land ownership in zamindari areas. Extensive leasing out and leasing-in of land prevailed generally against stringent terms of lease. Neither there was sincere efforts for an improvement in the management of land nor in its productivity owing to the vested interest of imperial administration to appropriate land revenue through frequent changes in land relations.

A set of land legislative laws was enacted and enforced during the post-independence period to do away with intermediary tenures as well as to protect tenants against arbitrary evictions and to fix fair rents. Accordingly, the complex revenue system through a process of evolution had to be progressively fashioned from a feudalist to a democratic pattern of ownership and agricultural production. Land ceiling laws and consolidation were also introduced at the later stage through legislations. The main thrust of the process in the series of legislations was directed towards elevating the right and status of the tillers of the soil. But, most of these so called reform measures have not substantially contributed to ensure tenurial security and ownership over precious resources to raise productivity and agricultural production in totality. However, though reorganisation of agrarian structures is a stupendous task since land has been heavily burdened through the course of history, these burdens seem to have operated as heavy drags on agricultural development.

At this background, an analysis of the major aspects of agrarian structure in the context of Orissa and the changes therein over years partly due to legal measures (because of the inadequacy of a set of institutional reform measures in the initial stage) but mostly owing to the process of development seems to be very crucial. In this context, it is our strong view that once such development gathers momentum, it can bring about a number of changes in the economy and under the pressure of these changes, the agrarian structure of the economy automatically gets transformed. But, it seems reorganisation of agrarian structure in recent years has assumed crucial significance owing to larger proportion of rural dependents on agriculture which has remained somewhat unchanged at 70.0% while its contribution to NSDP has been at a lower level of about 33.0% in 1997-98 (at 1980-81 prices).

Evidently, the consequences of somewhat undiminished pressure of population on agriculture over years has been a steady rise in both the number and proportion of landless and so also of the very small holding in the state of Orissa. The pyramid structure of landholdings is

steadily having a wider base and lower height. But, the increasing number of such small holdings is very unlikely to contribute a significant agricultural growth in years to come unless a greater proportion of the cultivated land is covered under irrigation. Admittedly, only 30.0% of the cropped area is irrigated (Economic Survey 1998-99) and the rest area is rainfed and exposed to vagaries of monsoon. Further, in terms of outlays made for different types of irrigation over plan periods in Orissa, greater thrust on major and medium irrigation projects seems to have paid meagre attention to the needs of small, marginal cultivators including small tenants who scarcely have access to such irrigation sources owing to varieties of socio-economic factors. In this context, the question arises whether unrestricted/open tenancy could in anyway improve the situation and could make cultivable units viable in the State of Orissa.

Further, the tenancy reform measures formulated by the state and implemented during the last two and half decades have not virtually abolished tenancy as an institution in agriculture. The small holders in such a situation have often been unable to develop it or lease it out and seek alternative occupation elsewhere for fear of losing the land which ensures them atleast some amount of social scrutiny. There are apprehensions in some quarters that the proportion of tenanted land (of the cultivated area) documented in the Report of Agricultural Census at different points of time and in the various rounds of NSS Reports with respect to Orissa do not really reflect on the ground realities. It is confirmed from various Rounds of NSS that between 1971-1992, the proportion of tenant households of total operators has increased from 14.8% in 1971 to 16.8% in 1981 and again to 22.1% in 1992. But, the proportion of tenanted land under their control has declined from 14.7% in 1971 to 8.0% in 1981 and further marginally increased to 10.0% in 1992.

It is sometimes argued that tenancy is no longer very important in Orissa since 10-11% of total operated area is with 22.0% of total holdings or so. But (to our mind), the non-importance of tenancy appears to be fallacious on two counts; First, there exists widespread unrecorded tenancy with higher incidence in coastal districts and the OLR Act 1960 that made tenancy illegal has resulted in greater concealed tenancy and there is very high extent of de facto leasing in villages empirically supported by large number of micro-studies; Second, the fall in the recorded area under tenancy may not be used to infer that the tenancy problem is minor. This is because, a handful of well-to-do farmers who leased-in land in addition to operating substantial owned

land could afford to purchase ownership rights to their formerly leased lands after these vested with the government. This acquisition of ownership must have resulted in a substantial fall in area leased. On the other hand lakhs of poor and marginal farmers who could not afford to purchase ownership seem to have remained as tenants and also in the guise of recorded tenants. But, many of them suffered when landowners resumed land under the 'Personal Cultivation' clause. In many cases, many of such tenants were reengaged on oral informal leases to prevent their acquiring any legal rights. Precisely, these are the so-called poorer farmers who are either poor tenants or with little land of their own for whom payment of rent becomes a heavy burden that prevents any improvement on their land. They are indeed the tenants for whom insecurity of tenure inhibits any dynamism even if they manage to arrange some funds for improvement of the land.

To sum up, despite a host of so-called progressive reform measures at different points of time, in Orissa the problem of land monopoly continues and redistribution has been much less than all-India average. In this context, the pious and idealistic intentions of the OLR Act 1960 seem to have grossly failed since hardly 1.51 lakh tenants have secured ownership rights over a meagre area of 0.94 lakh acres. Thus, no spectacular measure of success despite application of legal provisions has been achieved. But, instead, the policy of prohibiting leasing has led to the emergence of large scale 'Concealed tenancy' where the status of tenants is even more precarious. However, to NSS data on operated land, we find that in 1970-71, 20.0% of holdings operating above 2 hectares controlled 54.0% of total area and at the bottom 54.5% of holdings operating below one hectare held only 18.6% of the total operated area. After two decades in 1991-92, the holdings above 2 hectares comprising 16% of the total number had 48% of total area while holdings below one hectare were 60.0% of total number held 22.0% of total area. By constructing the Lorenz Curves of concentration it is estimated that while the top decile of all holdings had 38.0% of total area operated in 1970-71, the top decile in 1991-92 had 33.0%; a decline by only 5.0%. However, while the share of next 25.0% of all holdings had gone up 5% points from 37.0% to 42.0%, the poorer mass of cultivators at the bottom 65.0% had gained nothing at all and continued to account for the 25.0% of the total area at both the dates.

But the pertinent question is whether the meagre gain of 5.0 to 7.0% of land in favour of small holders is not really poor in terms of redistribution through the so-called reform measures during the last few

decades should we really mean tenancy reform is unimportant? The 48th round NSS data show that in 1992 only 10% of total operated area in rural Orissa was cultivated by tenants. The latest Agricultural Census on Orissa also gives an estimate close to this. It is quite possible that some of the sample households might not have revealed their tenancy status and area of land cultivated by them. But, since these two independent surveys give almost the same estimates, it is unlikely that nonreporting would be very large. But a number of micro-level village studies suggest high extent of de facto leasing in villages in different parts of the State compared to the official estimates by the NSS.

According to some estimates it ranges from 20.0 to 50.0% of the operated area. Appu, a leading authority on land reforms therefore aptly remarks "So long as a class of land owners who are reluctant to engage in manual labour and a vast army of landless agricultural labourers and marginal peasants co-exist, any legal ban on tenancy in the Indian society will remain a dead letter". However, even if tenanted land is marginally higher than one-tenth of operated land, the tenancy problem is possibly not unimportant; first, widespread unrecorded tenancy exists (with higher incidence in the coastal districts); second, the fall in the proportion of tenanted land is very much owing to purchase of ownership rights by numerically small number of well-to-do farmers. The other pertinent question relates to concentration of unrecorded share tenancy in the four coastal districts and Dhenkanal which constitute around 60% of the total area under share cropping tenancy in Orissa. On the other hand, fixed cash rent and kind rent seem to have been the predominant forms of tenancy in the districts of Sambalpur, Bolangir, Kalahandi, Mayurbhanj and Koraput which are in fact in the backward regions of the State. Such trends are really of much concern. These indeed are fresh areas for further probings and empirical investigations to ascertain the reasons of such differential forms of tenancy across districts and so also their impact on productivity as such in a historical perspective.

It is also pertinent to point out that the security or insecurity of lease which is related to the period of the lease contract, is as important as the fact of lease. After paying rent to the owner on the basis of rent contract, the tenant is left with very little to invest due to disincentive effect apart from very shortterm improvements. These at a later period give their full return within the period of lease—in terms of some other improvements like irrigation investment, fruit trees

etc. which permanently raise productivity. But, in reality, the landowner can evict him and use his improvement to charge a higher rent from the next tenant. The alternative option for him is to capitalise higher income in terms of sale at a very higher price.

The other dimension of the issue of tenancy is that poor people are forced to pay higher rent amounting to half or even more of the gross output to those who monopolise land and therefore are left with bare subsistence resulting in no funds to put even into HYV seed, fertilisers, pesticides etc. to improve the yield – not to speak of any longer term improvements. The uncertainty regarding tenure also takes its own course in the other way where the tenant faces the threats of eviction from the landowner if the former undertakes the risk of digging a shallow tubewell, or in planting trees for firewood and fruit. On the contrary, the land owner thinking himself as a substantial owner and takes little incentive to cultivate the land directly since he enjoys some amount of rent without making any outlay at all in production. But he has options to make free investment in any other income-generating assets, trade, money lending etc. A number of doctoral research findings also suggest that the landowner in this way appropriate both rent as well as profit.

The small owner cultivator however does not face any such rent barrier. His objective is not to obtain profit but to employ his under employed as well as unemployed family labour to satisfy his consumption needs and also to secure livelihood at a customary level. The fundamental difference between a capitalist and a small producer is that in case of former labour is cost which he seeks to minimise in order to obtain profit. But, in case of latter, his labour itself is a source of income and therefore, he works tooth and nail to make full utilisation of his family labour. Further, so long as family labour is unemployed and income is inadequate, he invests on improving yields in order to give an additional income to the family.

In point of fact although feudal tenures have been abolished in Orissa and recorded tenancy has fallen, de facto land concentration and substantial levels of de facto tenancy continue to exist. The solution therefore lies in effective implementations of provisions to ensure secure occupation. The success of 'Operation Berga' in West Bengal since 1978 lies with the fact that it gave owner-like security to the mass of poor tenants by recording them at the village land by panchayats and making eviction somewhat very difficult. There was no distribution of ownership to tenants and the title remained with the landowner who could freely

transfer the land. But, the recording itself ensured legal existence—thus, the threat of arbitrary eviction was reduced. As a result, West Bengal seems to have exhibited steady spread of HYV—fertiliser use aided by shallow tubewell investment over the rice areas cultivated by newly recorded and empowered tenants. However, one of the sensitive issues that could not catch attention in Bengal's Operation Berga was the dimension of gender equality which has been recently sought to be rectified.

The situation in Orissa is however somewhat different despite our sensitised as well transparent elected bodies at present at various levels of self-governance. The issue therefore is whether PRIs in Orissa could be really entrusted with the task of recognising and recording tenants at the village level for implementation of tenancy reform measures and if so, how effectively functions, powers, responsibilities could be meaningfully devolved and also what provisions accordingly are needed for such an attempt looking at our grassroot level realities. This issue needs serious attention of the scholars, researchers, bureaucrats, politicians and policy makers to rethink about its implementation when all of us are aware of the facts like regular panchayat elections, cadre-based panchayat functionaries and greater emphasis on village panchayats in West Bengal that caused greater success—to which possibly in every respect we are ill-equipped in Orissa.

Further, Orissa historically faced specific problems; first, the agriculturally rich coastal areas of Orissa participated in the decline of rice yields which occurred in the Bengal presidency between 1912 and 1947. Till today, neither Bengal nor Orissa have fully revived in their output per head it enjoyed during the 1st decade of this century; second a large part of non-coastal areas remained under highly exploitative and oppressive princely rule. Such areas were predominantly tribal areas that suitably ensured preservation of semi-feudal relations. High level illiteracy, ignorance, poverty and vulnerability also paved ways for outsider traders that led to tribal land alienation and debt bondage; third, tribal populations in fact live at some distance from Centres of governance and indeed are very much prone to greater incidence of poverty, illiteracy & destitution. De facto tenancy is very much among tribals as the lands of numerically large number of areas have been alienated in the past to non-tribal outsiders and traders. However, a recent research study suggests that productivity measured by foodgrains output per head of population has been consistently higher in Kalahandi than both the all-Orissa average and the all-India average. Despite

this, bulk of the producers of agricultural products are noticed to have been in the grips of starvation—for a large share of their produce is drained out in terms of rent, interest payment and trader's commission by the land owners leasing land, by the traders lending money and buying the crop.

The strategic issues on tenancy reforms that need attention on priority are : first, the implication of the tenancy structure for increase in agricultural productivity and how the poor farmers share in productivity; second, relative efficiency of tenant farms vrs owner farms ; third, approach to the regulation or abolition of tenancy in the State ; fourth, administrative mechanism for the implementation of tenancy laws; fifth, land lease market and its regulation; sixth, the issue of simultaneous reforms in credit marketing and other related institutions along with reforms in share tenancy in view of terms of lease, security of tenure and the socio-economic conditions of tenants in Orissa. Last but not the least, issues relate to what kind of tenancy reforms are indeed required for the state of Orissa in the context of an environment of economic liberalisation and what kind of fresh provisions in the prevailing Act or laws for enactment are really needed to protect tenant's security from the point of view of productivity so that tenants could share the benefit of produce as a sustainable source of livelihood.

Some Views on Cropsharing Tenancy in Orissa

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One of the very common forms of tenurial arrangements in agriculture is the form of cropsharing tenancy. This type of traditional lease arrangement is seen not only to have existed today, but it was there in early days of human civilisation in some form or other in different parts of the world. Among the early economists, Adam Smith, Mill and Marshall each wrote profusely on several aspects of cropsharing contract. While Adam Smith denounced the French 'metayagi' system on the ground of its becoming a source of disincentive in agriculture, Mill condemned the sharecropping system as being responsible for creating 'a useless and miserable population' and Marshall with his erudite scholarship theoretically proved the system as inefficient in relation to farming with wage labour. However, the Marshallian conjecture stood contradicted by several agricultural economists in subsequent times.

Cropsharing tenancy is a system of cultivation in which the capitalist farmers as it is ordinarily understood, lease-out the whole or a portion of their land holdings to be cultivated by a group of tenants who are mere tillers having no right whatsoever in the land they cultivate. Since the landlords are the actual owners of land, they claim and the tenants are obliged to pay in recognition of the former's right, a rent normally determined by the terms of contract. Ordinarily, the rent is settled at the ratio 50:50 which constitutes a portion of the total physical produce raised on the leased-out land at the expense of tillers' labour and resources. Conceptually, under the system of cropsharing tenancy, actual cultivators are mere tenants-at-will who can be evicted at any time without being given even short-notice. Actual cultivators have no security whatsoever, in the lands they cultivate, neither in the matter of rent determination nor in the matter of duration of tenancy. Hence, under the system of cropsharing tenancy, actual cultivators are no cultivators.

The data base of the study constitutes a portion of a complete set of data collected in 1998-99 for an ICSSR Research Project titled 'Land Reforms in Orissa' undertaken by the author.

The growth of share-tenancy arrangement in agriculture may be the outcome of a set of factors like (1) the rise of an elitist class who hold white collar jobs and spend substantial portion of their time in urban centres and also have their roots in villages, (2) the employment of persons in expanding manufacturing and service sectors who possess land, live in villages and find no time to devote to the cultivation of their own land, (3) the existence of a permanent sense of desire in bourgeoisie landlords to create a fleet of unhesitant yes-men followers and (4) the incapacities of landlords with unusually large land holdings to manage the cultivation of their own land. The first two causes subscribe to the growth of absentee landlordism in agriculture. Irrespective of the causes, the system of sharetenancy has an inherent tendency towards exploitation and thus, it has been held as one of the hopelessly bad methods of cultivation.

In the present village level study, it is proposed to build certain views on a few economic aspects of cropsharing tenancy in Orissa like (1) incidence of tenancy, (2) adaptability of cropsharing system in agriculture to new technology, (3) efficiency of the method of share-tenancy and (4) the supply of land and labour under sharecropping. The quantitative informations relevant to the study have been collected by the method of direct and personal interview from primary sources comprising the households of lessors and lessees. The sample space is formed of seventeen villages having spread over two community development blocks belonging to the district of Cuttack. The choice of the district is purposive as it is the most developed district of the state having determined on the basis of the value of a composite index constructed by using certain basic choice parameters.

In the sample households of lessors, 7% belong to the scheduled caste and tribe community and the rest 93% are from the general castes. Among the lessees, 36% are from the households of scheduled castes and tribes and the rest 64% are the households of general castes. In 45% cases, either the head or principal earner of the lessors' households are staying away from their native places and in the rest 55% cases, they are seen to be living in their own villages.

Incidence of Tenancy :

By incidence of tenancy it is meant the manner of falling of tenancy on several sections of the sample households of lessors (landlords) and lessees (tenants). Table-I displays a summary picture of the involvement of households in tenancy contract.

TABLE—I

Incidence of Tenancy by Social and Occupational Divisions

| Divisions/ Sub-divisions | Percentage of households leasing- out land | Percentage of households leasing- in land |
|-----------------------------|--|---|
| CASTES : | | |
| S.C. and S.T. | 7 | 36 |
| General | 93 | 64 |
| HOUSEHOLD TYPES : | | |
| Nuclear Families | 88 | 87 |
| Joint Families | 12 | 13 |
| OCCUPATIONS : | | |
| Service | 50 | 13 |
| Business | 30 | 18 |
| Farming | 10 | 69 |
| Others | 10 | 0 |

The incidence of tenancy can also be drawn into a relation with the extent of land ownership by the households of lessors and lessees. If there is any relationship between these two variables, this can be read from Table-II.

TABLE—II

Incidence of Tenancy by Land Ownership

| Land holding in acres | Per house-hold land leased-out (in acres) | Per house-hold land leased-in (in acres) | Percentage of households | | | | | |
|-----------------------|---|--|--------------------------|---------------|-----------------|-----------------|---------------|-----------------|
| | | | Leasing-out land | | | Leasing-in land | | |
| | | | Total | On fixed rent | On Crop-sharing | Total | On fixed rent | On Crop-sharing |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| By Lessors : | | | | | | | | |
| 1-3 | 1.86 | — | 36 | 33 | 67 | — | — | — |
| 3-5 | 3.14 | — | 17 | — | 100 | — | — | — |
| 5-10 | 4.5 | — | 26 | 8 | 92 | — | — | — |
| 10-15 | 9.5 | — | 17 | 0 | 100 | — | — | — |
| 15-20 | 5.0 | — | 4 | 0 | 100 | — | — | — |
| By Lessees : | | | | | | | | |
| 0-1 | — | 1.65 | — | — | — | 71 | 69 | 31 |
| 1-2 | — | 2.60 | — | — | — | 16 | 43 | 57 |
| 2-3 | — | 1.74 | — | — | — | 11 | 12 | 88 |
| 3-4 | — | 1.50 | — | — | — | 2 | — | 100 |

Technology, Efficiency and Sharecropping :

The arrangement of cropsharing tenancy though arises out of necessity, ultimately appears to be the mother of misery. Under this arrangement, a class of parasitic landlords continue to survive on the fruits of others' labour—the labour of a group of persons who have no land of their own excepting labour which perishes if it is not performed. Economists differ among themselves as to whether sharecropping can be an efficient form of cultivation. 'Old school' neo-classicals having accepted the Marshallian value theoretic approach, viewed sharecropping arrangement as an usually inefficient way of using land and labour as compared with the system of farming with wage-labour. The sharecropping system, according to this school, is built-in inefficiency as it denies the sharecroppers a marginal return to their labour equal to the one they might have received had they chosen to act as wage-labour. The other group 'new school' neo-classicals rival the argument of the 'old school'. In the opinion of the 'new school', sharecropping is more efficient than wage-labour and they have gone to the extent of concluding with that such an arrangement would be Pareto efficient. There is hardly any neo-classical truth in this line of argument. The 'new school' probably looks into the problem of sharecropping from the view point of production rather than distribution. In a society, where not very many alternative means of living are available to farming, in the absence of sharecropping, tenants' labour and landlords' land each would have wasted. Tenants have labour but no land of their own and landlords have land but no labour. Tenants cannot create inventories out of their surplus unused labour and landlords will not be willing to part with that portion of their land which they own.

But under certain grounds, such an argument is not tenable. Firstly, any output-sharing reduces work incentive of the actual tillers. Therefore, sharecroppers would be discouraged to optimally use their labour eventhough they get land for their surplus labour. Secondly, the system of sharecropping being looked from the side of distribution makes the strength of the argument of the 'new school' weak. When the landlords and tenants enter into a cropsharing contract, they never decide at the point how much to be produced, rather they settle how is the produce, whatever it may be, to be distributed. Hence, the cropsharing tenancy is a problem of distribution rather than production.

And under cropsharing arrangement, both parties to the contract feel as if their respective shares have been lower than what they should have got otherwise. Accordingly, the attainment of Pareto optimality

would be an impossibility under the cropsharing contract. Thus, cropsharing tenancy may be production efficient, cannot simultaneously be distribution efficient.

Survey results point to certain disturbing conclusions that while most of the landlords make a very casual approach to crop-sharing tenancy, the sharecroppers take the system with a seriousness even though 96% of them are in the opinion of having paid a disproportionately high rent, 89% feel their landlords being exploitive and 73% consider themselves to be the tenants-at-will. Moreover, among the households of landlords, 98% have admitted of doing no improvement, whatsoever, in the land after it is leased-out, and 95% inform of meeting the tenants among which 67% do so at the time of harvesting of the principal crop when they come to collect their shares and only 28% frequently meet the tenants to take stock of the progress in farm activities. The study shows that (1) sharecropping is based on the whims of landlords and the necessity of tenants and (2) sharecropping is a blend of puzzles and paradoxes which are listed as follows:

1. That, landlords incapable of cultivating their own land decline to part with it in favour of the actual tillers.
2. That, landlords show much interest in shares than in the improvement in the quality of the soil.
3. That, landlords expressing their desire to return to self-cultivation in the event of any necessity, have chosen to dispose of all their agricultural implement including bullocks and buffaloes.
4. That, the sharecroppers feel to have been exploited but accept cropsharing contract with a care and seriousness.
5. That, the cropsharing tenancy is a combination of conflict and co-operation.

In view of all these conflicts and puzzles, it is very hard to hold sharecropping system as an efficient system of tenancy.

The issue relating to technological adaptation in sharecropping is not a settled one. The introduction of modern technology in agriculture is normally believed to benefit the large capitalist farmers much more than the smaller ones. This is evident in the experience gained during the following years of Green Revolution in Punjab. Before Green Revolution, sharecropping was a normal practice in agriculture in Punjab as much it happens today as in other parts of the country. The class of

sharecroppers almost disappeared with the adaptation of new technology under the influence of Green Revolution from the farm sector of Punjab. On this basis, it would be said that sharecropping and new technology are incompatible. But it is not a settled conclusion. There are a group of lessors who intend the application of new technology in the cultivation of their leased-out land by the lessees. Still others are there who donot want it altogether. Such things can also be expected from the side of the sharecroppers.

The following conclusions are derived in respect of the sample households of tenants, that 91% of tenants in the sample have done improvement in the leased-in land having a full knowledge of the fact that the land is not their own and they may be evicted at any time. Though all the tenants' households in the sample are the households of marginal and landless farmers, 71% of them have used more or less some of the advantages of new technology. The rest 29% have used conventional technology in farming. In the group of 71% of lessees' households using new technology, all have used HYV seeds and chemical fertilisers. Regarding the use of implement, around 8% of the lessees' households taking to modern technology have gone for the use of mechanically driven devices like tractors, power tillers, thrashing machines etc. All these findings lead to the conclusion that the cropsharing system in the present context is not seen to be completely furthered from the use of modern technology in agriculture in spite of a very small size per household landholdings of the lessees.

Land, Labour and Sharecropping :

Under cropsharing arrangement, land and labour are tied between themselves in a way or the other. Marshall while writing on the subject of sharecropping has assumed that the supply of land to tenants is not restricted and thus tenants can be able to get as much land as they want for cultivation. Another school of thought contradicts the Marshallian view point. This school hypothesises that landlords' choice for leasing-out is not unlimited. Hence, according to this school, the supply of land under sharecropping is unlikely to be unlimited as Marshall believed it to be. If Marshall's hypothesis is valid, one tenant can obtain land from many landlords, and in the event of the alternative argument being efficacious, many tenants can lease-in from one landlord. The Marshallian one-tenant-and-many-landlords relationship implies the tenant (being only one) playing a dominant role in the process of determination of rent under cropsharing arrangement. On the contrary, the

many-tenants-and-one-landlord relationship holds the landlord (being only one) dominating the rent determination process under the system of cropsharing contract.

Though the latter line of argument sounds logically valid, there is hardly any grain of practical truth in it as pointed out in a Marxist view to sharetenancy. In the latter type of cropsharing arrangement, even if there is only one landlord leasing-out land to so many tenants, still tenants enjoy relatively better economic power to dictate the terms of contract. It is a fact that labour commands capital not the reverse. Farm households having unused labour and felt the necessity of meeting food requirements, attract the land of landlords who do not or fail to cultivate their own land wholly or partly by themselves. Thus in this case, it is not the landlord but the tenants who in fact dominate the decision-making process. Under both forms of cropsharing contract, whether it is Marshallian or otherwise, as the underlying theory suggests, tenants enjoy supremacy.

Theory does not always tally with practice. Here is an occasion where practice is seen to have deviated from theory. In the sample, none of the contract is seen to have been decided at the tenants' choice. Only in 22 cases out of each 100, lessors are seen to have dictated the terms of contract and in rest 78 cases, it is the local customs and time-honoured practice which is seen to have been the guiding force of determining the types of terms of tenurial contract. In addition to this, another inconsistency is marked in respect of landlords' choice of tenants and tenants' choice of landlords. In the group of landlords, 91% prefer a single tenant type contract and only in 9% cases, the preference is for a many tenant type contract. Among the 91% of the landlords' households preferring a single tenant each, there can be two divisions. In one division comprising 66% of such households of landlords each has leased-out his land to a particular tenant throughout and in other division consisting of 34% each has chosen to do so to one tenant for one agricultural year by rotation. On this basis, one would infer that a majority of landlords prefer to lease-out their land to a single tenant at a time and hence, from the side of landlords, it is mostly of one-landlord-one-tenant-type sharecropping system.

Let us view the type of tenancy from the side of tenants. Among the sample households of tenants, 36% prefer to be tied to a particular landlord each and the rest 64% depend on many landlords for meeting their purpose of leasing-in. Hence, from the side of tenants, it is mostly

of one-tenant-many-landlords-type cropsharing tenancy. Thus, in the sample, landlords prefer one-tenant-type sharecropping while tenants prefer many-landlord-type sharecropping, thus confirming inconsistencies between the choices of both the parties to the contract. Thus, the Marshallian unlimited-land-supply argument or its opposite, less-than-unlimited-land-supply argument, none is seen to have been applicable in the present context.

Conclusion :

Over ages, starting with the system of 'hektemoroi' in Ancient Greece during the period preceding 594 B.C. down to the present time, it has been agreed upon that the system of sharecropping is one of the worst puzzling phenomena in agriculture. Most of the puzzles emanate from the facts that land relations are extremely complicated relations and that the system of sharetenancy works within the confines of co-operations and conflicts, sometimes open and many times hidden, between two economic classes whose interests are never converging. In spite of this, the system has survived its relatively stronger demerits than merits. But there has been certain changes in its operational features. One of such changes has been marked in respect of an improvement in the relationship between landlords and tenants. Landlords are no more the supreme dictators of tenants' social, political and religious activities, they no more control the land-use pattern and they no more treat share-tenancy as an alternative form of slavery. Thanks to education, consciousness among the sharecroppers' class, cultural upgradation and after all, the state policies.

Many things have been written on the theoretical aspect of cropsharing tenancy. Stated elsewhere in the paper, theory and practice do not always converge. Of course, no claim has been made here to declare all theories underlying the cropsharing system of tenancy null and void. It is desired to state a few conclusions obtained from the empirical exercises and results of the survey in a sample of Orissa villages without of course considering whether such conclusions oppose the underlying theory. Sharecropping is needed by both parties but it is much needed by the tenants. Landlords with stable means of income show a casual approach to sharetenancy. The advent and application of technology in agriculture has not eliminated sharecropping, rather a portion of new technology is seen to have been introduced by the sharecroppers themselves. The results of the present survey have pointed to a significant conclusion in respect of supply of labour under the system of sharecropping. The average labour supply by the tenants' households

has increased. But it is very difficult to say whether it has increased due to extra hours of work performed by the members of the households already in farming or by the entry of new members who were otherwise unemployed.

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Share Cropping Tenancy and Agriculture in Orissa : A Study of A Village

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Land is the most relevant source of living in the rural society of India. The rights on land confer the Socio Economic status and dignity to the rural people. So land reforms are very important for rural reconstruction and transformation which have been on the national agenda since our first five year plan. The major objectives of land reforms consist of reordering agrarian relations to achieve an egalitarian social structure by enlarging the land base and increasing the agricultural productivity and production. The major components of the strategy of land reforms are as follows :

- (a) The abolition of intermediary tenure.
- (b) Tenancy reforms.
- (c) Consolidation of holding.
- (d) Distribution of Govt. waste land including Bhoodan land.
- (e) Modernisation and updating of land record system.
- (f) Conferment of ownership rights on homeless persons.
- (g) Special measures for protection of lands of Scheduled Caste and Scheduled Tribes.

The share cropping tenancy is the dominant form of tenancy in Orissa. The output is divided between the land owner and tenant on fifty-fifty basis. In Orissa tenancy has not weakened, but it has shown an upward trend. The vested interests have dominated all through changing decisions in their favour.

1.1. Objectives of the Study :

This study is an attempt to highlight the tenancy system in Orissa agriculture on the basis of a primary study on a village in Cuttack District of Orissa. The specific objectives are as follows :

- (i) To assess and analyse the proportion of land under tenancy cultivation and its variation among marginal, small, medium and large farmers.
- (ii) To highlight the distribution of operational holding and proportion of land under tenancy for various social classes of Orissa.
- (iii) Proportion of land under fixed rent tenancy (Sugarcane cultivation) and share cropping tenancy and its various forms according to farmer classes.
- (iv) To investigate the causes of leasing out land to the tenants.
- (v) To suggest some measures to promote tenancy reforms in Orissa.

1.2. Socio Economic Overview of District & Village :

The village under the present study is named as Haladia under the Mahanga Block of Cuttack District of Orissa. The Mahanga Block has 206.44 Sq. Km. of geographical area, 20,894 residential houses with 1,49,276 population. The percentage of scheduled caste population to total population is 21.73.

The village Haladia comes under Haladia Panchayat in Mahanga Block. The land in the village is irrigated by canal No. 8 which has passed through the village. It is well connected by roads and the village has a post office, High School, Veterinary Office and a local Hat. The village has approximately 1700 population mostly depending in agriculture for their livelihood. More than 90% people are literates and 15 persons are in Government jobs at present. On the whole the village is a developed village where rice is the main crop followed by Mug and Sugar cane.

1.3. Sampling, Methods of Data Collection and Units of Study :

The village Haladia is selected as it is a typical, well connected irrigated village where consolidation has been completed two years back. The sample households are selected on the basis of stratified sampling dividing the entire village into different social classes (Sahi). The landless farmers and tenants are excluded in the selection of the samples.

The relevant data are collected from each sample households in printed questionnaires on personal investigation method. The data are collected during the third and fourth week of December, 1998. The operational holding data include all the land cultivated by the farmers excluding the waste land. Since the land holdings are measured in acres in Cuttack District of Orissa, the classification of farmers are done in acres instead of hectares.

1.4. Distribution of Operational Holdings & Tenancy :

The following table gives a detailed analysis of number of households studied, operational holdings, land under ownership cultivation, land under tenancy and percentage of land under tenancy.

Farmer Class wise Distribution of Farmers, Operational Holdings, Ownership Cultivation and Tenancy Cultivation.

| Sl. No. | Class | No. of Households | Operational holding | Land under Ownership Cultivation | Land under tenancy | % of land under tenancy |
|---------|--------------------------|-------------------|---------------------|----------------------------------|--------------------|-------------------------|
| 1. | Marginal (0-2.5 acres) | 36 | 68.6 | 63.4 | 5.2 | 7.58 |
| 2. | Small (2.5-5 acres) | 21 | 79.7 | 68.3 | 11.4 | 14.05 |
| 3. | Semi Medium (5-10 acres) | 15 | 93.4 | 72.1 | 21.3 | 22.80 |
| 4. | Medium (10-25 acres) | 5 | 66.1 | 31.8 | 34.3 | 51.89 |
| 5. | Large (Above 25 acres) | Nil | Nil | Nil | Nil | Nil |
| Total | | 75 | 307.8 | 234.6 | 73.2 | 23.78 |

Source : Field Data from village Haladia.

The table shows that 7.58% land are under tenancy cultivation in marginal farmers category. The percentage of land under tenancy increases to 14.05 in small farmer class, to 22.80 in semi medium class and 51.89 in medium class. Many members of medium class farmers are service holders and they have leased out land for tenancy cultivation.

1.5. Social Class Analysis of Tenancy :

Scheduled caste households are the poorer sections of the society. In the village under study, Haladia, has a distinct scheduled caste group

called Panas who live in a separate block (sahi). There are 10 households having operational holding of 21.8 acres out of which only 2.1 acres are under tenancy cultivation. Scheduled tribes do not live in the village under study. 43 households belong to other backward communities who have leased out 20.48% of their land for tenancy cultivation. The general households, mostly Brahmins and Karans, who are semi and medium farmers have leased out 32.04 percent of their land to tenants because they have Govt. job holders in their family. On the whole 23.78% land in the village is cultivated by the tenants.

1.6. Share cropping and Fixed Rent Tenancy :

In the village under study the share cropping tenancy is dominating but fixed rent tenancy is found since last 3 years. With the financial support of Shakti Sugar Industries, many people in the village have been growing sugar cane which is a commercial product. The households lease land to tenants for a period of 3 years for cultivating sugar cane at Rs. 3000/- as rent per acre per year. This fixed rent tenancy is increasingly becoming popular in the village; 42.25% and 39.36% land among semi medium and medium class farmers are under fixed rent tenancy out of total land under tenancy cultivation. But in marginal and small farmers class, there is no fixed rent tenancy as farmers want agricultural products like paddy and mug for home consumption.

1.7. Causes for Leasing out Land to Tenancy Cultivation :

An opinion survey is conducted in the village for knowing causes for leasing out land for tenancy cultivation. Maximum households who leased out land opined that they were unable to cultivate land as they were Government job holders. Four households stated that lack of agricultural labour in cropping season and 2 households stated that high wage rates were the causes for their leasing out land. Many people in the village have gone to Surat for working in spin mills.

1.8. Implications and Conclusion :

In spite of all efforts of Govt. of India and Orissa, tenancy has not been abolished and rent has not been regulated as per the Govt. rules. The dominant cause or poor showing of the tenancy policy is that the policy is not in conformity with the ground realities. In the matter of regulation of rent in share cropping tenants, though the law provides for not more than 25% of the gross produce, the dominant mode continues to be 50% of the gross produce.

It is unrealistic to assume that all rural poor can be accommodated in agriculture as owner cultivators. The study shows that the

proportion of land under tenancy cultivation increases with increase in the size of land holding. Medium and large farmers lease out land more to tenants than small and marginal farmers. So the strategy of land reform has to be multidimensional. Depending upon the resource base, income level and skill availability within the family, intervention may have to be advocated either individually or in combination. The priority in the distribution of land has to be given to those who have requisite skill and expertise in agriculture. In the state of Orissa effective steps need to be taken to regulate the rent for share cropping and granting of permanent security of tenure to tenants.

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Towards a new approach to Land Reforms in India

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Land reforms, as are ordinarily understood, comprise of a few components. The prescription are : a ceiling on land holdings, tenancy reforms and consolidation of holdings. The former to have been primarily intended to bring about an egalitarian asset ownership structure in the agrarian economy of India and the later is mostly seen as an efficiency augmenting measure. In this paper the purpose is quite limited to touch in generic terms the issues generally defy a solution and to generate a debate. No empirical exercise have been carried out on any of the aspects.

In the aftermath of the Independence of India and consequent assumption of office by a Prime Minister with a socialist leaning, agrarian reform received primacy of importance without much consideration being given towards suitably evolving a politico-administrative structure. Spate of legislations were enacted, constitutional amendments made, appropriate bureaucratic apparatus set in place. The results have been dismal except in Kerala and West Bengal. It has now reached a stage, the measures exist in the law books sans its efficacy. The measure in the statute is a mockery of our governance just like many other measures aimed at changing the power structure in the political economy.

I would not contend that the intention is bad or the measures are inappropriate but in the given socio-political setting and the contemporary structure of land ownership and power, the measures have been made impotent to make any real dent towards a transformed society/economy. It has probably done wonder, as people sometimes say, in West Bengal and Kerala where social environment has been pregnant with possibilities for change but in other parts of the country, the results have been too insignificant to arouse any interest, particularly in respect of acquisition and distribution of surplus land. In fact the land actually distributed over a fifty-year effort has been too insignificant compared

to total cultivable area. The results would not be far too different if the beneficiaries are compared with the population or the agricultural population. To make the matters worse, the quality of land made available after all these efforts has been too poor to make it to any fruitful use. This being the nominal physical progress, the real progress could be far less if we discount the progress with time and making due allowance for administrative expenses incurred by the states and efficiency/inefficiency of the measures in the statute books on the overall working of the economy. One such cost is discouragement to productivity augmenting investment in agriculture and introduction of farm-business enterprises. The cost involved on account of many battles in the court are, of course, to be counted.

The other measure pertains to tenurial relationship. As we know, the states have enacted a variety of tenancy legislations to govern the relationship between the landlord and the tenant farmer. The primary objective is to ensure a fair return to the farmer and security of tenure. Researcher in the various regions of the country might have studied the actual working of these statutes/legislations which could pinpoint the gray areas for further improvement in the efficacy of these measures. The intention in this paper here is not to ignore them as such if they are realistic and feasible. What I am of the view is that these measures have made only cosmetic impact on wily people, frightened other law abiding land holders from participating in any meaningful efficiency augmenting partnership with the tenant. Many have found convenient ways to dissuade the tenants from lodging claim to either ownership to land or permanency in tenancy. The politico-administrative structure, as exists, in many states does not seem inclined to implement the laws in letter and spirit. It has not gone unnoticed that many in the power structure are themselves absentee land lords. Therefore, it is too much to wish that they would themselves deprive them of the rental income accruing from the land lordship.

As a result, the statute remained in the law books, without being taken seriously by the law enforcers and beneficiaries either. On the other hand, it acted negatively on the incentive to modernize agriculture through more investment. Historically, it has been found that an economy can sustainably grow if majority of the economic agents participate effectively and efficiently. Unfortunately the agricultural sector which employs most of our population, is under-invested, poorly organised and incapable of involving actively the available labour force.

The economy has tolerated such a state of affair far too long. The emergent situation in view of globalisation could be suicidal for any complacency in this regard. In a global economy there is only one dictum. Either succeed or perish. We should look for a workable but equitable land relationship.

One of the arrangements could be a system of lease-in and lease-out & allowing the terms of the lease to be decided by the market forces. The proposition may, for a moment, look radical and dangerous. But in reality, if it becomes credible to the participants it would benefit the tenant-cultivators in the long run. The lack of fear of land grabbing would bring more lands under cultivation from current fallow. More investment could flow to the agricultural sector and thereby producing and employing more per unit of land. Commensurate with this, if the market structure is perfected and harvesting/storage methods are improved, the earning per unit of land could further improve. The system would free many part-timers in farming to devote full attention to their primary job. A case in point is the example of rural school teachers. The system thereby can set off a chain reaction.

Similar to ceiling and tenancy legislations, the endeavour at consolidation of holdings has not borne significant fruits. There has not been much success of the effort because farm house holds lack trust on the fairness of the administrative machinery entrusted with the consolidation work. We have already spent much time and money in this effort. There could be an alternative proposition which seems to me fairly efficient and fair compared to consolidation.

Land-cooperatives could be formed where the Government assuming only an umpiring role. Suitable regulations could be framed for efficient governance of the cooperative and to safeguard the interests of all participants. The system could be made further flexible and land holdings monetised by creating suitable rating agencies, through appropriate regulation which could value land and denominate the title to land in terms of scrips of very small denominations. The measure can open up scope for secondary trading of scrips in the rural areas just like titles to industrial enterprises are traded in a stock market. The additional benefit accruing from this measure is lesser Government and revenue saving to many a cash-strapped state Governments.

I am of the firm view that land reform, as originally introduced in 50's is a utopia. The thinking of the present leadership is greatly

different from the leadership of the fifties. The socialistic wave of the mid-twentieth century has given way to the contemporary belief in the efficacy of the market. Thus, there would be further waste of time if we continue to debate on the unworkable and measure progression/regression by inch through systematically designed field work/case studies. Rather the alternatives either the ones in the foregoing paragraphs or some other more efficient and better workable system could be thought of and appropriately designed.

The system thereby can act as a chain reaction. In their primary job, a case in point is the example of rural school teachers. The system would free many part-timers in farming to devote full attention to their primary job. The earning per unit of land could further improve. The market structure is reformed and barter-exchange methods are abandoned. Investment would flow to the agricultural sector and thereby producing would bring more lands under cultivation from current fallow. More tenant-cultivators in the long run. The lack of fear of land grabbing thereby, its income would be a new dimension in the development of the country. The system may, for a moment, look radical but it is a necessary step towards the development of the country.

Similar to ceiling and tenancy legislations, the endowment consolidation of holdings has not borne significant fruits. There has not been much success of the effort because farm houses hold lack trust on the fairness of the administrative machinery entrusted with the implementation work. We have already spent much time and money in this effort. There could be an alternative proposition which seems to me worthy attention and fair compared to consolidation.

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N.B.: The views expressed in this paper, are that of mine and in no way reflect the views/policy/objectives of the organisation I serve/employed.

Tenancy Legislations in Orissa

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I

Introduction :

While there is a general agreement in literature that, Land reforms in India have failed to achieve the professed goal of equity, there have been very few studies that enquire into the progress of tenancy legislations in Orissa. The present paper concentrates on the progress of tenancy reforms in Orissa. The study primarily is based on secondary data.

In a recent article in Indian Economics Journal, April-June 1996 entitled "Economic Reforms, Agricultural growth and Rural Poverty; some reflections on the relevance of East and South East Asian experience for India" C. H. Hanumantha Rao has argued that, the impact of development of rural poverty reduction has been great in situations, where land reforms have been implemented successfully. Rapid agricultural growth in China was explained by thorough going land reforms and high level of irrigation achieved in pre-reform period. The study by Dr. B. N. Misra titled "Agriculture Unemployment and Rural Development" (Economic Development of Orissa, edited by Dr. Bidyadhar Mishra, D.C. Mishra and B. N. Misra) has indicated that, agricultural development depends not only on technological changes but also on structural changes.

There is broad consensus that, income inequality is harmful for growth. Available evidence shows that, land ownership is uneven in Orissa. As per the Agricultural census of Orissa, 1985-86 marginal & small farmers comprised 52% & 25.3% of the total farmers respectively but they owned only 17.5% & 24.2% of the total operated land. Semi-medium & medium farmers comprised 16.3% & 5.7% of total cultivators

respectively but they owned 29.8% & 22.2% of operated land. At the other end of the scale, only 0.6% of the cultivators might be called large farmers owning as high as 6.3% of the total operated land. So land reforms may reduce concentration of land in the hands of a microscopic minority of the community leading to increase in land productivity. There is recognition that, broad based increase in social and economic opportunities can be growth enhancing. In rural areas, land is a source of prestige and social identity. In the context of non availability of land to the teeming millions, equitable distribution of land appears to be the only solution to the land hunger of toiling peasants.

The origin of land reforms in Orissa may be traced to the report of the congress Agrarian Reforms Committee under the Chairpersonship of J. C. Kumarappa (1947). The Orissa Bhoodan Movement Act was passed in 1953, with a view to removing motivational impediments in the increase of agricultural production with a high level of efficiency.

II

Zamindari System :

Eighteenth century witnessed the introduction of permanent settlement in West Bengal, Orissa and Bihar. Permanent settlement, the brain child of Lord Cornwallis declared the revenue collectors (Zamindars) full proprietors of areas, over which their revenue collection extended. The assessment was fixed at about ten-eleventh of what the Zamindar received as rent from the raiyat. The balance of one eleventh constituted the remuneration of the Zamindar.

Thus, a unique agricultural system was developed which conferred the right of sharing produce without participating in the productive process. The cultivators working as tenants did not receive a fair share of their produce. Whatever surplus above minimum subsistence was produced by them was snatched away by the Zamindars. Due to threat of evictions from land, they worked like serfs through out their lives, without security of tenure. It is no surprise that, the owners of small holdings have become landless and have joined the ranks of tenants.

One major outcome of the report of the Congress Agrarian Reforms Committee was the abolition of Zamindari system in the State of Orissa, with similar developments in other parts of India. Compensation in form of cash and bonds was paid to Zamindars for the loss of their rights and interest in land. The amount of compensation paid to Zamindars varied from 3 to 15 times the net annual income in Orissa, from 2 to 15 times in Assam and 2 to 20 times in Bengal.

Thus, the orchestral endeavour of planners and policy makers of Orissa has resulted in the abolition of intermediaries and the cultivator was brought to direct relation with the State government. It was realised that, rack renting was an instrument of exploitation of peasantry by the intermediary class. So, laws were passed regulating rents so as to leave an adequate margin with the cultivators, after covering the costs of cultivation.

In Orissa, like in other provinces of India, rents were fixed at 1/4 to 1/5 of the gross produce. In states of Punjab, Andhra Pradesh and Tamil Nadu, the regulated rents were higher than what were fixed in the first five year plan. P. S. Appu observes that, in the Balasore District of Orissa, the share croppers had to part with as high as 50 percent of the produce as rent as late as in 1972. The palpable deficiency was attributed to lack of awareness of legal provisions among the share croppers. The share croppers were socially and economically weaker as compared to land owners and hence, they could not ascertain their rights. A more or less similar situation prevailed in the other parts of the country also.

III

Security of Tenure :

The Bombay Tenancy and Agricultural Lands Act 1948 defined a tenant, as a person cultivating any land belonging to another person, if such a land is not cultivated by the owner, and if such a person is not a member of the owner's family. There is a danger of eviction only for tenants at will and sub-tenants. Occupancy tenants are free from the threat of eviction, subject to regular payment of rent.

The Orissa Land Reforms Act 1960 as amended in 1973 and 1976 provides for security of tenure at least in the non resumable area, which is lawfully held by the tenant. No tenant in lawful cultivation of land at the commencement of land reforms Act can be evicted. Section 6 of the Act forbids sub-letting except by a privileged Raiyat or a person under disability. The transfer by a privileged Raiyat can be to a person who is not a privileged raiyat. The rights of the raiyat are made permanent, heritable and transferable.

The implementation of the Act was in bad shape. The share croppers are not treated as raiyats. There was resumption of land by land owners for personal cultivation & under the circumstances, the law in Orissa, Maharastra & Kerala requires that, one half of the tenanted land should be left with the tenants. Availability of correct and upto date

records is an essential pre-condition for ensuring security of tenure. A person can claim that, he is a tenant only if his name appears, as such in records. In the States of Gujrat, Himachal Pradesh, Jammu & Kashmir, Utter Pradesh and Madhya Pradesh there is provision for annual revision of land records. In states like Assam, Orissa and Karnatak land records are usually updated after long time intervals. So it follows that, land records usually remain outdated.

The term personal cultivation gives rise to conceptual difficulties. It was unequivocally stated by J. C. Kumarappa, that, the word personal cultivation needs be so interpreted as to require a minimum amount of Physical labour and participation in agricultural operations. But surprisingly most of the legislations have given marginal recognition to physical labour while defining personal cultivation. So, personal cultivation should be carefully defined and strictly enforced or else it may give rise to absentee land lordism.

Planning efforts in Punjab & Haryana were directed to induce the tenants to buy the land which they cultivated but the effort was abortive. The interaction effect of lease labour and credit links are such that, if a tenant happens to be a poor person and depends heavily on his land owners for employment and occasional credit needs security against eviction depends upon the mercy of land owners. The government may buy such lands on behalf of tenants and collect rent from them.

The other loophole in legislation is related to voluntary surrender. Many land owners compelled their tenants to give up tenancy of their own accord. So it was stipulated in the second five year plan that at country level surrender of land by a tenant is valid only if it is registered by revenue authorities. Legislation has to prevent ejectment of share croppers on expiry of written lease. In order to acquire right of occupancy a tenant is required to prove continuous possession of land for twelve years. In actual practice, land owners resort to rotation of crops from plot to plot and disallow continuous possession of land by tenants.

Summary & Conclusion :

The reasonable expectation of peasantry is that, legislation should provide the right of ownership of land to the tiller of the soil. It has not materialised so far. However two things have been achieved : abolition of intermediaries and reduction in the level of land rents. But, the performance of the economy in land distribution has been very modest.

There is need to create an overall legal and social environment, which is poor friendly and which does not discriminate against the poor. Some of the important elements of such an environment are traditional rights to land compilation and updating of land records, organisation of marginal farmers on cooperative lines, commitment of judiciary to settle cases quickly, and political will to check malafide transfers of lands. A more broad based agricultural growth is likely to be achieved by improving the irrigation base of the economy.

The power of vested interests is fierce. To counter the menace of this privileged section of society sustained efforts may be made by voluntary agencies to educate and organise the tenants, so that they can be made aware of their rights and responsibilities.

Poverty can be eradicated only when the poor start contributing to the growth by their active involvement. As a total ban on sub letting is not socially acceptable, efforts may be made to rationalise the evils of lease based cultivation, so land reforms must form an integral part of the strategy of rural development. The beneficiaries of tenurial reforms may be supported by complementary programmes like I. R. D. P & E. R. R. P. to enable them to rise above poverty line. With a view to improving the accessibility of the resource-poor to credit facilities, cooperative societies may be strengthened.

Land reforms can not succeed without a programme for eliminating weaknesses which arise from uneconomic holding and deficiency in management and use of land. J. C. Kumarappa has rejected the concept of capitalist farming on the ground that, it would deprive agriculturalists of their rights in land and reduce them to wage earners. While peasant farming may be allowed in case of basic holdings or above, cooperative farming may be tried in case of below basic holdings. State farming appears to be suitable for reclaimed waste lands, on which landless labour could be settled.

Quick surveys may be taken up for recording registration of tenants to ensure proper legal basis for the rights of tenants and share croppers. Thus, administrative-cum-institutional support would be a pre condition for any such reform. Any go slow and half hearted approach would be harmful to the cause of growth and equity.

Tenancy Reforms Scenario in Orissa and Distributive Justice—Issues and Reorientation of Policies

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Introduction :

Land reforms occupy a pivotal position in the agrarian reforms to realise the goals of enhancing agricultural productivity, achieving justice and mitigating rural poverty. Land reforms have been accorded a high priority in the agricultural development strategy as also in achieving the objective of uplifting the landless poor and down trodden in rural area. The term 'land reform' has a wider connotation. It covers various dimensions such as abolition of intermediaries, regulation of rent, security of tenure to tenants and share-croppers, conferment of ownership rights on share-croppers, sub-tenants, imposition of ceiling, distribution of surplus land to agricultural workers, landless poor and small holders and consolidation of holdings.

The Scope and Issues of Tenancy Reforms :

Tenancy reforms primarily centres round three major areas of agrarian structure.

- (1) Security of tenure;
- (2) Conferment of right of ownership to tenants; and
- (3) Regulation of rent.

Security of Tenure :

Legal provisions for regulation of rent can be made effective only when they are accompanied by security of tenure. The laws passed by the states in this connection have made the following provisions.

- (i) Cultivators can be ejected only under the law. A cultivator can be removed only if he does not pay the rent, damages land or uses it for purposes other than cultivation.
- (ii) Land owners can resume land for self-cultivation subject to a maximum limit. The legislation provides that the tenants can not be ejected so long as they continue to pay rents.

Right of Ownership of Tenants :

To encourage hard work on the part of the cultivators many state Governments have given the tenants the right to purchase their holdings. In more than twelve states such as Maharashtra, Gujarat, Kerala, Karnataka, Assam, Himachal Pradesh, Jammu & Kashmir, Rajasthan, Madhya Pradesh and Orissa laws have been enacted to confer ownership rights on the tenant cultivators.

Regulation of Rent :

One of the serious problems of owner-tenant relationship has been exorbitant rents charged by the owners from the tenants.

During the pre-independence period as much as 50% or more of the produce used to be paid as rent. Besides cultivators had to render a number of services free of cost to the owners of land. The high rate of rent served as a disincentive to the cultivators to produce, more particularly in the case of share cropping, because of this sort of exploitative practices. In the light of the recommendation of the First Five Year Plan it was fixed that the rate of rent should not exceed between one-fourth to one-fifth of the gross produce. The maximum limit in Orissa and Andhra Pradesh was fixed at one-fourth of the total produce, compared to one-third and one-sixth in other states.

The specific land reform measures suggested in the Eighth Plan document regarding Tenancy reforms are the followings :

- (i) To inculcate the degree of solidarity among tenants to counter the dominance of landed classes.
- (ii) To make the transfer of title to the actual cultivators.
- (iii) To get the quickest return from land by applying modern inputs.

It was felt necessary to detect the informal and concealed tenancies to help the tenants and share croppers in future.

An Appraisal of the Performance :

Legislations have been enacted and modified from time to time to reform the tenancy system. The laws provide for total security to tenants in the tenanted lands, acquisition of full ownership right with full powers to heritability and transferability and payment of rent not more than one-fourth of the gross produce and the value thereof to the landlord in respect of tenanted land and eviction of tenants under certain specific grounds.

The 37th round of NSS Report reveals that out of the total households numbering 40.6 lakhs, 16.70% households were leasing in households whose number was estimated to be 6.92 lakhs in 1982.

The distribution of leasing in households categorywise shows a large concentration among the landless (61.45%), the other categories represent marginal (13.53%), small (13.91%), semi-medium (13.41%) and medium (10.33%). Share of large segment in the leased out holdings, though comprised 34.31%, the participation of marginal, small and medium was not insignificant. The profile brings to light that tenancy has not been reduced despite legislation to control it: land concentration has not broken to the desired extent.

A study of the changing pattern of the distribution of holdings over decades shows that series of land reforms measures do not seem to have improved the pattern of land distribution. The following table shows changes in the average size of marginal, small and large holdings by the state.

Table-1

Changes in Average size of Marginal,
Small and Large holdings (in ha.)

| Year | Marginal | Small | Large | Average of all groups |
|---------|----------|-------|-------|-----------------------|
| 1970-71 | 0.52 | 1.53 | 16.43 | 1.89 |
| 1990-91 | 0.49 | 1.38 | 16.61 | 1.34 |

Table-1 shows a decline in the average size of holdings of small and marginal and the average of all the groups but an increase in size in case of large farmers.

Changes in the concentration ratio (Gini Coefficient) of ownership and operational holdings are shown in Table-2.

Table-2

Changes in the concentration ratio of ownership
and operational holdings from 1971 to 1991.

| Year | Ownership Holdings | Operational Holdings |
|------|--------------------|----------------------|
| 1971 | 0.645 | 0.501 |
| 1981 | 0.614 | 0.526 |
| 1991 | 0.583 | 0.551 |

Table-2 shows that the decline in the concentration ratio of ownership of holdings from 0.645 to 0.583 is insignificant and there has been an increase in the concentration ratio of operational holdings from 0.501 to 0.551.

The dominant cause for the poor showing of the tenancy policy is that the policy is not in conformity with the ground realities. The policy was drawn up on the presumption that once the tenants are declared owners of land, the tenancy will come to an end and thereby exploitation will cease. This very presumption failed to take notice of the fact that tenancy has not come into being in one year or in a few years, but has been in the agrarian landscape for generations. There are evidences of frequent land disputes.

In the matters of regulation of rent in crop sharing tenancy contracts, though the law provides for not more than 25% of the gross produce or the cash equivalent thereof, the dominant mode continues to be 50% of the gross produce. The existing provision of division of the output in case of share cropping between the land owner and cultivator is 50% for the paddy grown in the rainy season, 43% & 66% in the summer season and for Rabi crops, it is 50% and 50%. For vegetables, sugarcane and other cash crops the land owner is paid some cash in lumpsum. Hence there is variation in the share produce depending upon the nature of the crop and season.

Where have we Faltered ?

After more than fifty years of independence, when we look back the land reform scenario obtaining in the country it compels us to concede that our efforts have not yielded the desired results. The situation is rather gloomy. Land to the tiller remains a far cry. The tenancy reforms have no doubt curtailed the powers and privileges of the owners and conferred certain benefits to the tenants but unfortunately the gains have not always gone to the actual cultivators.

There are no adequate administrative arrangements to enforce these regulations for the protection of actual cultivators. Though security of tenure has been assured to a large extent and rents reduced the progress of transfer of rights of ownership has been very slow. Laws fall short of expectations in provisions and enactment. Tenancy reforms can

not be really effective unless the tenants themselves are active enough to get land reforms duly implemented.

Among the main reasons attributed to the present state of unsatisfactory performance are the prolonged litigation, absence of updated land records—concealed tenancy, shortcomings & loopholes in the laws, variation in land reform laws, alienation of land belonging to the SCs and STs, ideological gap, inefficient implementation, and above all administrative bottlenecks and lack of political will. All these things need to be changed in order to improve the situation.

In the matter of regulation of tenancy in crop sharing tenancy contracts, though the law provides for not more than 25% of the gross produce or the cash equivalent thereof, the dominant mode continues to be 30% of the gross produce. The existing provision of division of the gross produce in case of share cropping between the land owner and cultivator is 50% for the paddy grown in the rainy season, 40% & 60% in the summer season and for Kharif crops, it is 50% and 50%. For vegetables, sugarcane and other cash crops the land owner is paid some cash in lumpsum. Hence there is variation in the share produce depending upon the nature of the crop and season.

Where have we faltered?

After more than fifty years of independence, when we look back the land reform scenario obtaining in the country is somewhat as follows. It is a pity that our efforts have not yielded the desired results. The situation is rather gloomy. Land to the tiller remains a far cry. The tenancy reforms have not dismantled the power and privilege of the owners and conferred certain benefits to the tenants but unfortunately the gains have not always gone to the actual cultivators.

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SECTION-I

A. Scenario on the Eve of Independence :

Orissa Tenancy Structure, Land Productivity and Poverty : A Post Independence Scenario

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A piece of land can be operated in various production arrangements from which two mutually exclusive systems are : (i) pure owner cultivation and (ii) tenancy cultivation. In tenancy cultivation, since the owner and the tiller of the land belong to two different parties, their bitter relations in any terms may raise agrarian issues relating to technology, land productivity, economic coercion, etc. In pure owner cultivation, these issues are the least as assumed by many economists. For this reason, in the policy of the national land reforms, the abolition of tenancy cultivation was the main action point.

In the present research paper, our main thrust is to highlight on some grass-root realities of Orissa tenancy relations, land-productivity and rural poverty besides many other related matters.

On the strength of some empirical findings, selected important matters are to be thoroughly examined which are : (i) Is the tenancy cultivation as compared to the pure owner cultivation worse form of land operative system ? (ii) Do all types of tenancy obstruct the technological break-through in agriculture ? (iii) Is it practically feasible to relinquish tenancy cultivation completely ? and (iv) Theoretically say that if the tenancy cultivation is completely relinquished and the entire land is brought under the pure owner cultivation, will it ensure more productivity of land, lesser incidence of poverty and more socio-economic justice and equality ?

This paper contains three broad sections : Section-I is the general discussion of tenancy, land productivity and poverty mainly based on secondary data; Section-II provides a detailed analysis of the above issues for which we use case studies data (primary data); and Section-III give conclusions and suggestions.

SECTION—I

A. Scenario on the Eve of Independence :

A multiplicative land tenure system was prevailing in Orissa till the eve of independence : 'Zamindari' and 'Khas Mahal' in Northern and some western parts, 'Raiyatwari' in Southern parts, rented feudal lords (Chieftains) in 'Garhjat' areas and some pockets were continuing as rent-free zones. By the end of the year 1945-46, about 69.43% of total areas of the state was under the zamindari system which was much less than that in West Bengal where the figure was 87.87%. The area under the Raiyatwari-Khas Mahal and Rent-free estates constituted 29.02% & 1.55% respectively. In Madras and Assam, in the same year, the estate under zamindari system was 31.71% and 15.84% respectively (Mohapatra, 1996). It is thus quite evident that in Orissa and West Bengal, relatively a greater proportion of land area was remaining under the control of feudal zamindars. The practices of sub-letting and leasing-out of land to the petty and marginal peasants were invariably prevailing in almost all the above systems. Hunter Commission [Hunter, W. W., 1872] noticed that leasing-out of land for sharecropping (bhag-chasa) was not widely prevalent before the 1866 famine. But, since then, the category of sharecroppers in Orissa became prominent.

In 1946, the percentage of families living mainly as sharecroppers was as small as 3.5, but the percentage of land cultivated by them was as much as 15.6 [Govt. of Orissa—1949]. Among the categories of the tenant cultivators, petty and marginal tenants (operating land holding upto one acre) and small tenants (operating land between 1.0 acre and 3.0 acres) constituted 26.70% and 32.10% respectively, whereas the big tenants (operating land holding above 75.0 acres) constituted only 0.20%. It is quite evident that even during the British regime the incidence of tenancy was relatively higher for smaller size land operators.

In respect of production, yield rates of various crops were varying among different farm size categories. The available evidence proves that the small and marginal farmers were producing more on per acre than the rich and big farmers (Jit, 1984). But, these groups of farmers were not fully benefited from the higher rates of yield-gains because of two main reasons : Firstly, the acute poverty of these families was acting as a compelling factor for them to sell out a major proportion of their produce just at the time of harvest when the prices were relatively lower, in order to defray their debts. Secondly, some middlemen in rice marketing as village money lenders, brokers, landlords, etc. were extracting

production gains from the petty and marginal farmers through the process of purchasing in advance at much lower prices [Cobben Ramlym, 1909.]

B. Scenario Since Independence :

Agrarian picture in Orissa took a new dimension during the Post-Independence era. So far as data permitted, a comparative study between Orissa and India is made in the context of tenancy, land productivity and rural poverty.

The incidence of land-lease market was relatively greater for the petty and marginal land owning households during 1971-72 and 1982. Again, the incidence of land-lease market showed a declining trend in almost all the lower size-class owners and an increasing trend in higher size-class owners between 1971-72 and 1982 which indicated the increase of bigger size tenants. As regards the incidence of tenancy, it was similarly greater for the petty and marginal land owners and relatively lesser for the big land owners. The incidence of tenancy between 1971-72 and 1982 was declining both in Orissa and India. The incidence of share-crop tenancy was relatively higher than that of fixed rent tenancy in Orissa as well as in India. The incidence of other types of tenancy (as cultivation against land mortgage, lease against service, etc.) was declining in Orissa and was remaining about unchanged at All India level. Again, if we see the incidence of tenancy by size-class wise, a remarkable change was observed both in Orissa and India, in 1971-72 the incidence of tenancy was relatively higher for the lower size-class owners and lower for the higher size-class owners, whereas in 1982, that was speedily decreasing for petty and marginal land owners and slowly increasing for larger size land owners. This trend implies that the land-lease area released from smaller size owners was partly being diverted towards the bigger size land owners. However, this was showing a structural change in the tenantry. There was the growth of what we call the 'rich tenants'.

As regards the productivity of land, the performance of Orissa farmers as compared with that of their brethren at All India level was not much satisfactory. For example, for rice an important crop in Orissa, the average yield of this crop per hectare was remaining above the national average till the year 1961-62, since then, it was continuously remaining below the national average, perhaps, the unfavourable tenancy structure might be one of the important causes, as was being proved in other parts of the country.

The lower productivity of land along with inequitable distribution of land-resources among farming households was responsible for perpetuation of higher incidence of poverty and indebtedness of lower size-class farming households. The trend in the incidence of rural poverty in Orissa authenticates this matter. Since the year 1957-58 the incidence of rural poverty in Orissa has been remaining much above the national average. It has been proved that the incidence of rural poverty is inversely related to the agricultural performance [Ahluwalia, 1978 and Mohapatra, 1987].

SECTION—II

ANALYSIS ON THE BASIS OF CASE STUDIES

A. Structure of Land-Lease Markets :

The incidence land-lease markets is relatively higher in the irrigated areas and relatively lower in the unirrigated areas. Across the size class continuum the incidence is relatively higher for the petty and marginal farmers as compared with bigger size farmers. In absolute number, the pure tenant operators are larger in the irrigated villages and fewer in the unirrigated villages. Similarly, the incidence of tenancy (the percentage of leased-in land area to total operated land area) is relatively higher in the irrigated villages than in the unirrigated villages and again, it is much higher for the smaller size operators and is much lower for the larger size operators [Bharadwaj-Das, 1975 and Mohapatra, 1996]. Moreover, these results are fully compiled with those estimated from the NSS data in the previous section. Further, the preponderance of petty, marginal and small cultivators as tenants even in the so-called agriculturally progressive areas of the state contradicts the report of 'capitalist tenants' as being seen in Punjab agriculture [Singh, 1985]. Apart from that, the average number of parcels per acre of lease-in land is relatively greater for the marginal tenants and lesser for the larger size tenants [Bharadwaj-Das, 1975 and Mohapatra, 1996].

Even till today, two types of tenancy are becoming popular in Orissa agriculture : share crop tenancy and fixed rent tenancy. The incidence of share crop tenancy is relatively higher than of fixed rent tenancy in the coastal-agriculturally progressive areas, whereas the incidence of fixed rent tenancy is relatively higher than of share crop tenancy in the western-agriculturally backward areas of Orissa. Again, a relatively higher percentage of lease-in land of the petty and marginal tenants is put under the fixed rent system compared with the share crop system. This means that the smaller size tenants generally

prefer the fixed rent system to share cropping. This result is completely in conformity with the observation in West Bengal [Chadha and Bhaumik, 1992]. The preference of the petty and marginal tenants for fixed rent tenancy is owing to some genuine reasons. As is well known the poor petty and marginal tenants always try their best to generate more surplus in their leased-in portions through adopting intensive cultivation process, with the objective to lessen their burden of poverty. Under share cropping arrangement, they do not get much incentive for raising production inasmuch as their lessors would squeeze out increased produce by sharing; which is not happened under fixed rent tenancy. About the decision of rent fixation, mode of rent payment, conditions of lease and various other related matters, the lessees play passive roles in sharp contrast in their prospective lessors [Mohapatra, 1994].

In supply side of land-lease, the lessors generally belong to different size classes of ownership holdings. Pure lessors (rentier class) are insignificant in number. It is a matter of concern that lower size class owners lease-out even a relatively higher percentage of their land & retain lower percentage of land for self cultivation. There is one important reason behind it that scarcity of finance does not allow them to purchase adequate inputs and agricultural implements to cultivate their entire owned land. Under this situation, they are compelled to lease-out a larger percentage of their own land. The lessors in any size class continuum lease out relatively smaller size parcels and retain big size parcels for self-cultivation. Again, the big lessors generally prefer the landless and marginal cultivating households as their tenants. Through this arrangement, they seek to maximise the indirect exploitation of the tenants' family labour by interlinking land-leases with labour hirings [Bharadwaj-Das, 1975 and Mohapatra, 1996].

B. Interlocked Land-Lease Markets :

Like in other states, here too, we observe acute imbalance of demand-supply in land-lease markets. The demand for land-lease always far exceeds its supply. This adverse condition in the land-lease markets very often causes interlocking lease transactions between the lessors & their lessees. There are four types of interlocked structure of land-lease markets : (i) land-labour inter-locked markets, (ii) land-credit interlocked markets, (iii) land-labour-credit inter-locked markets and (iv) land-lease market free of any interlocking. Some forms of land-lease interlockings are also experienced in other states, but its severity is acutely felt under

semi-feudal agrarian systems as in West Bengal, Orissa, Assam, Bihar and Eastern Uttar Pradesh where 'zamindari system' was at their bygone backgrounds [Bhaduri, 1973; Bharadwaj-Das, 1975; Bardhan and Rudra, 1978; Bardhan, 1980; Clive & Srinivasan, 1989; and Mohapatra, 1994].

The incidence of land-lease interlocking is much higher in the irrigated agriculture than in the unirrigated one. In both types of agriculture, the incidence of land-labour interlocking is relatively higher compared with other types. The land-credit interlocking is on the verge of disappearance especially in the areas of progressive agriculture [Clive and Srinivasan, 1989; and Mohapatra, 1994]. There are implications of tenants' exploitation under interlocking lease arrangements. The nature of lease contracts and the degree of tenants' exploitation mainly depend on the relative economic status of the lessors and the lessee. The difference between the lessor and the lessee in terms of economic status is more pronounced in the irrigated villages than in the unirrigated ones. Perhaps, this might be an important reason for a relatively higher incidence of land-lease interlockings in the irrigated villages than in the unirrigated ones.

Although the concept of 'exploitation' of tenants has its real implication in the land-lease interlockings in Orissa agriculture, yet its adversities on tenants' productions and incomes are not clearly discernible [Mohapatra, 1994].

C. Is it Possible to Relinquish Tenancy Completely ?

The complete relinquishment of tenancy cultivation in Orissa agriculture (even, in other parts of the country) seems interesting in theory. In actual practice, many qualifying remarks need to be made. From an experiment with some quantitative variables (which are generally perceived as main factors influencing a cultivator to become a tenant) in our 'Tenant-To-Owner' switchover model [see book, Mohapatra, 1996], we conclude that the conditions required for a complete relinquishment of tenancy in Orissa are: (i) the average size of ownership land per working member of the cultivating household should be as big as 1.93 acres; (ii) the percentage of non-farm income to total income for every cultivating household should be above 50.0; and (iii) on an average, per capita income of the cultivating household should be about Rs. 6360-00 at 1988-price level. Keeping in view the present size of population, limited area of cultivable land and bleak scope of non-farm employment for rural people in Orissa, it would be very difficult to fulfil

the above conditions for complete relinquishment of tenancy. However, these conditions are related to the demand side of the land-lease.

If the supply side of the lease is examined, the chance of stopping leasing-out is also bleak. For a desperate land owner, who is helpless to cultivate personally because of some temporary impediments to him, considers tenancy as the best alternative arrangement for land operation. And again, never he would sell out his land under a temporary awkward situation unless and until he gets a best alternative occupation. Under this situation, if the tenancy act is enforced upon him, there are three probable ways for him: (i) he may hide the fact of leasing-out through a mutual understanding between him and his lessee; (ii) he may bring back his land in the name of self-cultivation and leave land deserted; and (iii) he may bring back and put it to sub-tilling. However, in first case the tenancy will not disappear and in two later cases, no doubt, his returns will be affected, but at the same time, state's total production may be affected.

D. Tenancy Relations and Productive/ Allocative Efficiency of Tenants :

The distribution pattern of new inputs used by cultivators having different forms of tenancy status is quite uneven. By ranking the cultivators with respect to the introduction of new technology in agriculture, the fixed rent tenants would stand first, owner cultivator second and the share croppers would be the last to come. Secondly, ranking among size classes under either agrarian variant shows that in the use of new inputs, the marginal farm would command the highest rank and the large farm the lowest. Thirdly, a comparison between owner cultivator and tenant cultivator shows that the intensity of family-based farming is lower in the former and higher in the latter. Further, between fixed rent tenancy and share cropping, the intensity of family based farming is greater under the former system than the latter one. Again, looking across farms of different sizes, we discover that the intensity of family-based farming declines as we move from smaller size farm to larger size farm. In sum, the marginal tenant farmer under fixed rent tenancy displays a better performance in adoption of green revolution technology and in use of own family labour [Mohapatra, 1996].

As regards the yield rates, on an average, the yield rates per acre of the tenant farm stands higher than that of the owner farm. A glance through size class of farms shows that both under owner cultivation and tenant cultivation, both in irrigated and unirrigated villages, the margi-

nal farms remain ahead of the small and large size farms, in the respect of average yield per acre. Again, yield rates, comparing between fixed rent system with share crop system, are relatively higher in the former than in the latter. In sum, marginal fixed-rent tenants are much more efficient in raising yields. This is mainly due to their relatively higher allocative efficiency particularly in the fields of application of new inputs and use of family labour. The values of the production elasticities of new inputs and own family labour are relatively greater in the fixed rent tenancy than those in other forms. The value of production elasticities measures farmers' allocative efficiency in production.

By and large, share crop tenancy is disincentive ridden and acts as a barrier to the use of modern as well as traditional inputs and to the use of own family labour as well [Sharma, Mehta and Mohapatra, 1995].

E. Tenancy and Poverty :

The exploitative tenancy which is observed under interlocking conditions has certain impact on the incidence of poverty, particularly for the petty and marginal tenants who opt for sharecropping. In order to study the economic status of the cultivating households, three important parameters are taken into account : (i) per capita income and expenditure; (ii) saving-income ratio; and (iii) incidence of poverty using households per capita consumption expenditure as poverty norms. The per capita income as well as expenditure of the tenant cultivators as a whole are much lower than those of the owner cultivators' group. The proportion of farm-income to total income of the tenant cultivators is lower than that of the owner cultivators. A study across size class continuum shows that the proportion of farm-income increases as the farm size increases. Similarly, the saving income ratio is relatively greater for the owner cultivators and relatively lower for the tenant cultivators. As regards the incidence of poverty we see that most of the marginal tenant operators, a majority of whom are found being petty land owners and landless, are living below the poverty line. The incidence of poverty for this group is highly intensive in the unirrigated agriculture. Again, the incidence of poverty of a farmer is inversely related to his size of farm. From what the poverty table implied, we can conclude that particularly, if the tenant cultivators get irrigation facility, their poverty-incidence could get reduced to a large extent because under the irrigation condition they could generate more farm-income which would help them to cross the poverty line.

SECTION—III

CONCLUSION AND SUGGESTIONS

Since early seventies, Orissa tenantry has been passing through structural changes, i.e. the incidence of tenancy in the lower size class operators is decreasing, but in the higher size classes it is increasing. In overall terms, the proportion of land-lease area for the petty and marginal tenants is decreasing whereas for the larger size tenants it is increasing. This trend implies that the net land-lease area released from the smaller size tenants is diverted towards the larger size tenants. There is also implication that the lower size class land owners as petty and marginal owners lease out a relatively greater proportion of their land to their big brethren and retain a smaller proportion for self-cultivation. This change in the tenancy structure is not at all favourable to the development of Orissa agriculture. Secondly, the interlocking land-lease arrangements that are seen in the Orissa tenantry would not create a friendly environment for a sustainable agriculture development. Thirdly, the fixed rent tenancy is proved to be an efficient system in all directions as in adoption of the green-revolution technology and in raising yields per acre. In contrast, the share crop tenancy is proved to be the worst system for land operation and again, this system bears some features of exploitation. Lastly, the tenancy cultivation cannot be completely relinquished. If the government attempts to enforce laws rigorously in the tenancy markets, there is greater possibility of production loss in consequence, for the state as a whole.

In order to make tenancy more friendly towards agricultural development and also, towards socio-economic justice to lessors and lessees, we suggest a very pragmatic approach to the tenancy issues, what we call 'Land-To-Optimum Tilling'. As we know that in Land Reform, the programme 'Land-To-Tiller', which is meant for conferring ownership upon the actual tiller, is now obsolete and would be inappropriate to our Indian agriculture. Our proposed scheme is viewed to displace this obsolete one. In our model 'Land-To-Optimum Tilling', there will be land-switchover from worse conditions to better conditions, from inefficient cultivation to efficient cultivation, through the process of 'Tenancy Management' [Mohapatra, 1996]. In 'Tenancy Management', the tenancy should be legalised through the process of official recording. The size of lease to a tenant should be fixed on the basis of land-resource of the cultivator; rent and tenure of a lease should be pre-fixed. Since share cropping is exploitative and inefficient in its implication, the prospective lessors and lessees should be motivated to switchover to fixed-rent tenancy, in gradual process.

Tenancy Reform in Orissa— A Case Study of Athgarh Tahasil

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ABSTRACT

A study has been undertaken in Athgarh Tahasil collecting data at the researcher's discretion from 20 tenants and 5 officials of revenue department through questionnaires. Out of these five officials, 3 are revenue Inspectors, one is Tahasildar and one is Revenue Officer in charge. Besides this, relevant informations have been collected both from published and un-published sources of certain government and non-government organisations. The summary of the findings are given below :

There is tenancy system without any recorded evidence and the tenants are given only verbal permission. Almost all of the tenants pay rent in form of kind except a few. Though the actual rate of rent exceeds the official rate, the tenants have not complained against the system due to their illiteracy, ignorance and fear of eviction. The landlords do not meet any part of the cost of cultivation of land. Seventy percent of the tenants pay the rent in the house of the landlord. All the officials pay rent within 2 months of harvesting. Though 40 percent officials say that the mode of payment of cash rent is by hand with money receipt, none of the tenants has paid rent in form of cash. In case of payment of rent in kind none of them has been granted receipt nor has informed the Revenue officer for legal action. Though the tenants are evicted illegally they have not moved for any legal action due to their illiteracy, ignorance and unawareness of tenancy acts. There is lack of security of tenure due to impractical enactment of the laws and lack of land records.

The resumption of land for personal cultivation is less and in case of the resumption of land by the landlord for personal cultivation the tenants have not been granted compensation due to lack of written docu-

ments. None of the officials has suo motto initiated action for determination of resumable and non-resumable lands. There is lack of initiation of action due to non-availability of information from the tenants. The tenancy reform has become ineffective due to lack of written documents and money receipts. Payment of $1/2$ of the gross produce by the tenants in actual practice is excessive in view of the high cost of cultivation. The official rate of rent that is $1/4$ of the gross produce of the land has become inoperative. So the rate of rent should be fixed between $1/4$ and $1/2$ of the gross produce.

Government should enforce the official rate of rent strictly. The tenants should be made aware of the tenancy laws through village level workers distributing the manuals free of cost written in regional languages. The tenants should be given sufficient protection. Tenants should be encouraged to pay the rent at the harvesting place and move for legal action against any injustice made to them. Grant of money receipt for the payment of rent should be made compulsory. The tenants should be discouraged to cultivate without any written permission and grant of money receipt. Officers taking initiation for the implementation of government Acts should be given preference in promotion. The price of agricultural goods may be enhanced and the tenants should be given minimum support price for their products. Seminars, Training, Orientation & village level exhibitions and melas should be organised to make the tenants aware of the laws. It is expected that if ownership of land will be conferred on the tiller of the soil, then only permanent improvement on the land is possible. That is why it has been rightly stated by Arthur Young—"Give a man the secure possession of a black rock, and he will turn it into garden; give him more years lease of a garden he converts it into a desert".

means. None of the officials has any means to initiate action for determination of rentable and non-rentable lands. There is lack of initiation of action due to non-availability of information from the tenants. The tenancy reform has become ineffective due to lack of written documents and money receipts. Payment of 1/3 of the gross produce by the tenants in actual practice is excessive in view of the high cost of cultivation. The official rate of rent that is 1/4 of the gross produce of the land has become inoperative. So the rate of rent should be fixed between 1/4 and 1/3 of the gross produce.

Government should enforce the official rate of rent strictly. The tenants should be made aware of the tenancy law through village level workers distributing the manuals free of cost written in regional languages. The tenants should be given sufficient protection. Tenants should be encouraged to stay throughout the harvesting season and more for legal action against any injustice made to them. Grant of money receipt for the payment of rent should be made compulsory. The tenants should be encouraged to cultivate without any written permission and grant of money receipt. Officers taking initiation for the implementation of Government Acts should be given preference in promotion. The union of agricultural goods may be enhanced and the tenants should be given minimum support price for their produce. Government should make the tenants aware of the law. It is expected that if ownership of land will be concentrated on the tiller of the soil, then only permanent improvement on the land is possible. That is why it has been rightly stated by Arthur Young—"Give a man the secure possession of a black rock and he will turn it into garden; give him more years lease of a garden he converts it into a desert."

**LIBERALISATION
AND
SMALL SCALE INDUSTRIES
IN INDIA**

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AND
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Growth of Modern Small-Scale and Informal Manufacturing Sectors in India During the Liberalisation Era : Who Bears the Burden

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There is an increasing tendency of growth of the size of small-scale and informal manufacturing sector in developing countries. Due to structural adjustment and liberalisation, the growth of small-scale industries (SSI) and informal manufacturing sector (IMS) is likely to be more.

In many transition economies (that is, former socialist countries, there are increases in unemployment and reduction in income as workers formerly employed by the state sector face wage cut, loss of social security benefits, fewer working hours, non-payment of wages and/or unpaid leave (*IMF Survey : 1995*). These workers are joining informal sector including its manufacturing sub-sector (i.e. IMS) as well as SSI sector. The same trend is also observed in developing countries due to liberalisation and structural adjustment programmes. In 1993, around 2 billion lived in developing countries. About one-third of the working age population in these countries is unemployed and around 85 percent of them earn a living in the informal economy (*IMF Survey : 1995*).

It is argued that liberalisation may not lead to much job creation but would instead eliminate the inefficient jobs (Roemer : 1986). In India, due to liberalisation, the growth of employment in public sector is likely to decelerate. It is also expected that the introduction of exit policy and the removal of other labour market regulations (leading to labour market flexibility) may shift the labour from FMS to SSI and IMS units which, in consequence, lead to the growth of SSI and IMS activity.

In fact, due to structural reform in India aiming at restructuring the public enterprises and promoting organised private industry in formal sector, there are also some changes. Several trends are observed in the formal manufacturing sector (FMS) such as :

- (1) Sub-contracting
- (2) Casualisation of workforce and
- (3) Appointment through contractors

All these tend to help in the growth of small and IMS units due to shift of activities from FMS to SSI and IMS (Mitra : 1997). Public sector enterprises are increasingly relying on the small-scale and ancillary units since 1991. Private Sector industries in India have substantial vendor-development programmes related to both captive and sub-contracting units in SSI and IM Sectors. Many large industries are procuring parts and components from the SSI and IMS units and manufacturing end products which are marketed under the brand names of large units in the formal manufacturing sector. Secondly, during 1980s and early 1990s, the work participation rate by usual status declined while that by current status increased. That is, there has been a slower growth in jobs available on a regular basis in the formal manufacturing sector (FMS) and increase in time or casual work in SSI and IMS activities. Finally, appointment through contractors is being increasingly practised in the organised sector as it assumes the constant supply of labour to the employer (Mitra : 1997).

Due to liberalisation, there is advent of neo-colonialistic trend through the entry of multinationals and liberalisation of international trade. For these, we observe two trends : viz.

- (1) availability of cheap, similar and substitute manufactured goods from foreign countries, and
- (2) change in taste and fashion of the people due to more exposure as well as aggressive advertisement by multinationals and large firms in print and electronic media.

These trends adversely affect the growth of SSI sector and IMS particularly in the sub-sector of traditional manufacturing both in rural and urban areas (Samal : 1997a).

But the picture is totally different for modern manufacturing sub-sector of SSI sector and IMS. It is now thriving in many third world cities as a result of market forces which are being stimulated through

measures like Structural Adjustment Programmes, trade liberalisation, deregulation and privatisation. All these measures have created a new demand for modern SSI and IMS activities in the form of proliferation of sub-contracted and piece-rate work and a variety of service sector work generated by activities centering on export, imports and tourism (Amin : 1996). In this scenario, many stable and secure jobs in FMS are disappearing while jobs are being created in the modern SSI and IMS activities. The modern SSI and IMS activities began to flourish almost immediately particularly in the former socialist economies as well as in the deregulated, liberalised, privatised market economies of the typical developing countries due to resurgence of market economies in the 1980s like Latin America and Africa and later in 1990s, in the former socialist countries including USSR and in developing countries like India in Asia (ILO : 1995; World Bank : 1995). The opening up of the economy and reliance on market forces in developing countries have led to greater reliance on IMS and SSI as a main source of employment and hence their growth.

Moreover, due to liberalisation, another factor, in the field of finance, plays an important role for the growth of SSI and IMS activities. There are three main sources of funds for firms : viz.

- (1) internally generated resources;
- (2) bank credit; and
- (3) capital market.

In the 1990s, there has been increase in the use of capital market (both equity and bond markets) as a source of external financing of firms in developing countries including India that are liberalising their economies. The choice of firms between debt and equity depends on various factors such as : (1) cost of finance, (2) risk of bankruptcy, (3) maintaining control over firms, (4) tax treatment of debt and equity, etc. The development of equity market due to liberalisation initially affects the financing choices of largest firms in FMS because equity market development may be more important for large firms since their shares are traded more often. Small firms may not benefit as much at least initially because their access may be limited by high issuance costs and stiff competition from large firms including multinationals.

In India, SSI and IMS units hardly go to capital market to raise their funds. They mainly depend on banks. After liberalisation since 1991, funds raised in equity market as a percentage of total funds raised by the listed firms of FMS have continuously increased (Samal: 1997b, 1997c). Consequently the debt-equity ratio of the listed firms of Mumbai

Stock Exchange has been declining. Debt-equity ratio of most of the top ten large companies like Reliance Industry, TELCO, TISCO, L & T, ITI, Hindustan Lever, ACC, etc. are also declining. The rise in dependence of large FMS Companies on capital market releases more funds from scheduled commercial banks and financial institutions to meet the requirements of SSI and IMS units which help in the growth of the latter's activities. In fact, outstanding bank credit of scheduled commercial banks to modern small scale industries (other than artisans and village industries) has increased from Rs. 18,058 crore to Rs. 21,722 crore in 1995 and further to Rs. 25,823 crore in 1996 (EPWRF : 1999).

Thus liberalisation and reliance on market forces have created (i) more demand for modern SSI and IMS units and (ii) released more funds from scheduled commercial banks for which there is growth of this sector.

The rate of growth of SSI production is much higher than the percentage growth in overall industrial production. Certain steps have been taken in connection with SSI units. More and more items are being dereserved since 1991. In April 1997, following the recommendation made by the Abid Hussain Committee on small and medium enterprises, 15 items are further dereserved. The investment limit for SSI units has been increased to Rs. 3 crore from 60 lakhs. For tiny sector, the investment ceiling has increased to Rs. 25 lakhs from the existing Rs. 5 lakhs. Composite loan limit for SSI units has also increased to Rs. 2 lakhs from Rs. 50,000 in September 1997.

In spite of dereservation of some items, the overall performance of SSI sector is satisfactory. The number of SSI units in India has increased from 20.8 lakhs in 1991-92 to 28.6 lakhs in 1996-97. The output at current price has increased from Rs. 1,78,699 crore to Rs. 4,12,636 crore and the employment from 129.8 lakhs to 160 lakhs during the same period.

However, due to structural adjustment and consequent liberalisation and privatisation, when the economy declines, labour is likely to bear the brunt of the shock while capital flows as labour is less internationally mobile than capital. Shifts from FMS to SSI and IMS employment, like increase in unemployment rate, are important features of labour market adjustment, especially in countries with no safety net or unemployment insurance. The SSI and IMS employment grows during the period of adjustment (as in India) as workers laid off in the FMS seek new jobs and other household members including women and children

who are not earlier working, join IS employment to help offset the fall in household income. The informalisation of employment has characterised both former centrally planned economies/transition economics where modern informal sector including IMS and other sub-sectors were underdeveloped and developing countries where modern IS was already highly developed.

This shift from FMS to SSI and IMS as well as the decline of traditional SSI and IMS including artisans increases the supply of labour in IS and depresses the wage in the SSI and informal sector including the manufacturing sub-sector. Thus, though there is growth of modern SSI and IMS due to liberalisation, the real burden of adjustment is borne by the workers both by those who are laid off from formal manufacturing sector and the new existing workers of informal sector.

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Impact of Liberalisation on Small Scale Industries in India

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The Small-Scale industries (S.S.I.) occupy an important place in the economy of India. Available statistics show that these industries constitute about 95 per cent of the total industrial units and provide employment to more than 80 per cent of the total industrial work-force. About 40 per cent of the turn-over of the manufacturing sector comes from S.S.I. sector and about 40 per cent of the industrial exports is contributed by this sector. So the contribution of this sector to the G.D.P. throughout the post independence period is quite substantial. Due to this importance of the S.S.I. sector in the economy of the country, an attempt is made in this study to assess the impact of liberalisation on the S.S.I. sector in India under the New Economic Policy, 1991.

Before spelling out the objectives of the paper, it is desirable to say a few words about the definition of S.S.Is. Traditionally it covered agro-based cottage and rural industries. But in the post-independence period its definition changed from time to time according to initial investment made in plant and machinery. In 1980 S.S.I. was considered to be a unit where initial investment made in plant and machinery was up to Rs. 2.0 million; in 1985 this ceiling limit was raised to Rs. 3.5 million; in 1990 to Rs. 6.5 million and in 1997 to Rs. 30.0 million. Thus, in recent years the initial investment limits have been raised up from time to time to make them more efficient from technological point of view. With this concept of S.S.Is, let us spell out the objectives of the present study.

Objectives :

The objective of the present study may be stated as follows :

1. To assess the performance of the S.S.Is in quantitative terms, particularly in terms of growth rate of units of production,

volume of employment and value of the out-put produced in the post-liberalisation period ;

- 2 to assess the performance of the S.S.I. in qualitative terms in the post liberalisation period ;
3. to study the problems that cropped up in the S.S.I. sector in the wake of liberalisation; and
4. to study the measures adopted by the Government to tackle these problems.

Methodology :

The study is primarily based on secondary data collected from the Economic Survey of the Government of India for various years and other reports and records of the Government. In order to make an assessment of the impact of liberalisation on the S.S.I. sector, not only information relating to post-liberalisation period was collected but also for a few years prior to it was collected and compared.

In order to assess the performance of the S.S.I. in quantitative terms under the regime of liberalisation, annual growth-rates of S.S.I. units in operation, volume of employment generated and value of their output were calculated. In order to assess the impact of liberalisation on the performance of S.S.I. sector in qualitative terms, descriptive methods were used.

Analysis and Discussion :

Before going to analyse and discuss the impact of liberalisation on the S.S.I. sector, it is desirable to state a few distinguishing features of the policy of liberalisation under NEP of 1991. The most distinguishing feature of the policy of liberalisation is that it opened up the Indian economy to all types of international competition and removed all types of protectionist and regulatory barriers. In the matter of manufacturing trade and business, licensing is deregulated and no discrimination is made between domestic and foreign products.

When this policy was introduced in 1991, it was apprehended in several quarters that S.S.I. sector would be affected greatly by competition from more efficient units from abroad. It was apprehended that many units would be closed down; there would be a fall in their volume of employment and value of their output. But Table-1 shows that no such adverse effect was experienced in India. Table-2, which presents average annual growth-rates of different variables for different periods further corroborates this points.

The S.S.I. sector in India, not only maintained its performance in quantitative terms, but also in qualitative terms. This sector diversified its product-range to suit to the changing demand conditions. It entered into relatively new areas like food-processing, ready-made garments, engineering goods like spare parts of automobile, computer and tele-communication industries etc. It also effectively integrated its products with the production of medium-scale and large-scale industries. Further, this sector also successfully introduced technological up-gradation in different spheres of production to make the products cost-effective and competitive both in internal and international markets.

Besides, so far as the traditional items of village and cottage industries are concerned, they are made more useful, keeping in view the requirements, tastes and preferences of the present-generation. As a result, the demand for such products is also kept at a higher level even at the face of highly competitive market situation.

The technology upgradation of the S.S.I. sector, which came in the wake of the introduction and implementation of the process of liberalisation under N.E.P. of 1991 has given rise to certain fresh problems.

The technology upgradation has not been even. This has given rise to increased inter-firm, inter-industry and inter regional differences in development. This aspect needs to be studied at greater depth at the micro-level.

Besides, introduction of large-scale technology upgradation in some of the industries like food-processing, leather, rubber, plastic, paper etc. has given rise to the problem of environmental degradation or pollution.

So far, suitable measures in concrete terms have not been taken either by the Government or by the individual entrepreneurs to overcome them. It is high time that some precautionary measures should be worked out and adopted to control them.

Conclusions :

From the above analysis of facts and figures, it can be said in conclusion that the process of liberalisation under the NEP, 1991, poses several challenges for the development of S.S.I. sector in India. It also opens up vast opportunities for development of this sector. If challenges can be properly overcome and opportunities accepted, this sector would contribute greatly to the economic development of the country.

Table—1
Over-all Performance of S. S. I. Sector

| Year | No. of Units (in lakhs) | Employment (in lakh Nos.) | Out-put (at current prices) (Rs. Crores) |
|---------|----------------------------|------------------------------|---|
| 1981-82 | 9.6 (10.3) | 75.0 (5.6) | 32,600 (6.2) |
| 1989-90 | 18.2 (6.4) | 119.6 (5.8) | 132,320 (24.4) |
| 1990-91 | 19.5 (7.1) | 125.3 (4.8) | 155,340 (17.4) |
| 1991-92 | 20.8 (6.7) | 129.8 (3.6) | 178,699 (15.0) |
| 1992-93 | 22.5 (8.2) | 134.1 (3.3) | 209,300 (17.1) |
| 1993-94 | 23.8 (5.8) | 139.4 (4.0) | 241,648 (15.5) |
| 1994-95 | 25.7 (8.0) | 146.6 (5.2) | 293,990 (21.7) |
| 1995-96 | 27.2 (5.8) | 152.6 (4.1) | 356,313 (21.2) |
| 1996-97 | 28.6 (5.2) | 160.0 (4.8) | 412,636 (15.8) |

* Figures within brackets indicate annual growth-rates.

Source : Government of India—Economic Survey of various Years.

Table—2

Average annual rates of growth of some important
variables in different periods.

| Periods | No. of Units | Employment | Out-put |
|-----------------------|--------------|------------|---------|
| 1981-82 to 1989-90 | 8.5 | 6.0 | 16.6 |
| 1990-91 to 1991-92 | 6.9 | 4.2 | 16.05 |
| 1992-93 to 1996-97 | 6.6 | 4.3 | 18.3 |

Economic Reforms and Employment-Output Trade Off : A Strategy for Small Scale Sector of India

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Starting from Mahalanobi's model of economic development to the recent regime of liberalisation, privatisation and globalisation (LPG) of Small Scale Industries (SSI) in India have been assigned an important place in the frame work of planning system owing to their roles in the creation of immediate employment opportunities with relatively low capital investment, utilisation of locally available resources, distribution of national income, dispersal of manufacturing activities over space and effective mobilisation of local human skills and capital. Findings of several studies not only provide such evidences but also hold that small size is associated with less capital per worker, lower labour productivity, more output or value added per unit of capital. Even if we consider one aspect, i.e., employment generation by the industrial sector, SSIs are the winners par excellence given the dearth of capital in developing countries like India.

But during the period of LPG we face a policy dilemma in the form of a trade-off between output growth and employment. To attract more FDI & pave the way for smooth flow of funds to modern large scale sector (LSS) reforms have been carried out in almost all sectors even to the extent of allowing mergers, amalgamations and takeovers by the big corporate houses as against the basic objectives of the MRTP Act. The MRTP Act has been virtually scrapped for the sake of increasing the level of efficiency. Policies, plans and programmes which were considered as public faith for last 40 years have been summarily rejected and replaced by the new economic policy which completely rests upon the market mechanism.

Thus, the modern production methods with technological efficiency, economies of scale and corporate management seem to provide

effective use of capital to maximise output growth. But on the other hand, they are unable to absorb the growing urban labour supply and hence, conflict with the goal of full employment. Absorption of these labour force into SSS to raise employment seems to be inconsistent with maximum output growth because average productivity is lowered.

To resolve this employment output trade off and protect the SSS from the onslaught competition of the large scale sector (LSS) a separate policy for SSIs titled "Policy Measures for Promoting and Strengthening and Supplementing Small, Tiny and Village Enterprises" has been announced for the first time on 6 August 1991. However, the ongoing economic reforms with greater emphasis on modern LSS owned/managed by MNCs have created lurking fear about their negative impacts on SSS. The past experience shows that SSS has not undergone any substantial change except some primary and agro-based industries such as food products, beverages, tobacco products, wood, leather and garments. This is perhaps due to industry specific characteristics but not for the Government protection.

Thus, keeping in view the policy changes for SSI over time, on the basis of our own and cross country experiences, this paper makes a modest attempt to make some policy prescriptions for the development of Small Scale Industries in India. The present paper has been organised in four sections. Section-I reviews the Industrial policies for small scale sector since 1948. Section-II delineates the significance and performance of SSI in terms of growth of output, employment generation, gross employment-output elasticity and gross export-output elasticity. Section-III interpretes various strategies followed in different countries where SSS is performing well. Section-IV tries to capitalise significant conclusions emerging out of the study and draws the attention of the policy makers on some important aspects for the redressal of the policy for the small scale sector.

I

REVIEW OF THE SMALL SCALE SECTOR POLICIES

II

PERFORMANCE OF SMALL SCALE SECTOR

The study reveals that the SSSs during the regime of liberation have not performed well in terms of growth of output, employment and export. Production in terms of money at current prices has been marked by a declaration in the growth trend. While production increased at the rate of 20.83% during 1984-85 and 1990-91 it was 18.87% during 1991-92

and 1996-97. Similarly, employment growth in SSS has declined during the second period. It is 4.33% as against 5.63% of the pre-liberalised period, i.e., between 1984-85 and 1990-91. Although the growth rate of export is 24.35% in the last six years it is less than the growth rate of export in the seven years of pre-liberalised period i.e., 25.96%.

TABLE—1

Growth of Production, Employment, Exports, Gross Employment-Output Elasticity and Gross Export-Output Elasticity in Small Scale Sectors of India—1984-85—1996-97.

| Period | Growth rate* of production | Growth rate* Employment | Growth rate* of Export | Gross Emp-output Elasticity** | Gross Emp-Output Elasticity† |
|---------|-------------------------------|----------------------------|---------------------------|-------------------------------------|------------------------------------|
| 1984-85 | | | | | |
| 1990-91 | 20.83 | 5.63 | 25.96 | 0.2742 | 1.2462 |
| 1991-92 | | | | | |
| 1996-97 | 18.87 | 4.33 | 24.35 | 0.2295 | 1.3255 |
| 1984-85 | | | | | |
| 1996-97 | 19.10 | 4.76 | 28.67 | 0.2492 | 1.5010 |

* Estimated from the exponential trend ($Y = ab^t$) as follows :

$$Gr = (b-1) \times 100$$

** Gross Employment-Output Elasticity has been estimated dividing the growth rate of employment by the growth rate of output.

† Gross Export-Output Elasticity has been estimated dividing the growth rate of Export by the growth rate of Output.

Source : Currency and Finance, RBI for different years.

Further, it is observed that gross employment-output elasticity has declined since 1991-92. It is 0.2295 during the period 1992-97 and 0.2742 during the period 1984-1991. The value of employment-output elasticity 0.2295 indicates that a 10% growth in production resulted in around 2.3% of growth of employment during 1992 to 1997 as against 2.7% during 1984 to 1991. Decline in employment-output elasticity clearly indicates about the rise of capital intensity during the period of liberalisation. However, the rise in export-output elasticity after liberalisation shows that SSS is increasingly becoming export oriented. In the pre-liberalised period under study 10% growth in production was giving rise to 1.25% of export while it is 1.32% in the liberalised period.

III

Cross-Country Experience :

In India we can not dismantle the industrial structure which has been built up since 1948 on the plea of modernization, liberalisation and globalisation nor can we rely any more upon the performance of SSS under the policy of liberalisation. The industrial structure and its size distribution have to be looked upon as a continuum of different sizes coexisting as competitive and viable units. The present structure and the size of the SSS must be readjusted as they happened in case of Italy, Japan, South Korea and Malaysia.

The Italian success is largely attributed to the advantages of collective agglomeration of industrial districts. Similarly the outstanding performance of small scale manufacturing enterprises in Japan lies with the close cooperation of Ministry of International Trade and Industry (MITI) with business and industry. Although the units are owned and managed by the private owners but the aspects like R & D, wage marketing and provision of financing are totally regulated by the State through a long term strategic planning. The Korean Experience shows that the better performance of SSS rests upon an approach combining macro policy measures, creation and maintenance of suitable environmental conditions, continuous upgrading of skills and technology, operation of viable financing system and direct Government intervention through public sector. Moreover the Mexican success sets an example for other developing countries including India. In Mexico more attention is given to micro enterprises. There is multiple participation of National Development Bank, State Government, NGOs and Commercial Banks. The credit and services facilities are provided in a centralized manner through financial and regional agencies.

IV

COCLUSIONS

In India one can not afford to forget that there are many a supply side bottle necks and structural problems which can not be explained on the basis of one or two unfavourable regional factors. Moreover the problem becomes more complex with the addition of demand constraints arising from the market mechanism and export-led growth strategy. There has been spurt in exports from SSS. But if we closely observe we will notice that the items in the export basket are mostly from labour intensive industries and traditional goods. The rise in export increases the income

of producers and the domestic price as well. But the income does not rise uniformly particularly in case of lower income groups. Thus, what ever demand for manufactured goods that comes from the lower income groups will vanish over time. According to 1995-96 Economic Survey, Government of India the real wages of workers have declined during last five years.

Moreover, the organised sector being increasingly mechanised with imported technology is likely to displace more labour force from work and increase casualisation of employees. The SSS in particular and unorganised sector in general are forced to accept persons displaced from the organised sector. Since, the modern SSSs in the regime of liberalisation display an increase in the capital intensity the persons employed in the sector have to bear with either income losses or even loss of employment in future.

Thus, there is a need to redress the policies to expand the SSS with twin objectives : more output and more employment. In a broader prospective the new strategy for SSS should aim at removing the structural and supply side bottlenecks and improve the demand conditions inter-alia support the units to reap the benefits of scale economies, product mix, sectoral linkages and agglomeration.

These are some of the broad suggestions critically important to evolve a new strategy for SSS.

1. Despite the remedial measures embodied in the new industrial policy for small scale sector SSS continues to face many legal formalities and administrative hurdles which must be thoroughly revised.
2. R&D bears a direct relationship with innovation of economically viable products. So the steps may be taken for the inter industry transfer linkage of technology upgradation.
3. Subsidies given to SSS must be discriminatory and they must induce the units to become more competitive.
4. The entrepreneurial abilities of individuals applying for obtaining licence to set up units should be seriously viewed as it would eliminate traders and encourage the skilled entrepreneurs.
5. Financing must be through multi agency system as is followed in Japan.

6. Because of the opening of the economy the export sector has assumed greater importance. Thus, the quality of products from SSS must be upgraded up to zero defect level and maintained through strict quality control measures so that the small enterprises can take the advantages of world market.
7. Collective agglomerations in similar products of the Italian type are sure to provide the benefits of scale economies.
8. An application of flexible manufacturing system would be very much beneficial for small scale units.
9. Emphasis should be given on demand-oriented policies as they generate upward pressure on the value of labourer's marginal product in SSIs while maintaining their incentives to use capital efficiently.

To conclude it can be retold with affirmation that a new strategy comprehensive enough to accommodate the above aspects can be an answer to the performance crisis faced by the SSS and to resolve the employment-output trade-off.

The New Economic Policy and Regional Disparity in the Development of Small Scale Industries

Dr. Jagannath Lenka
& Prof. A. K. Mohanty

1. Introduction :

Regional disparity indeed is not conducive to national goals of growth, stability and social justice. It leads to inefficiency and underutilization of scarce resources and thus retards the pace of economic development. No country in the world is regarded as having a well integrated economy as long as there are glaring disparities in different regions within it. It is, therefore, rightly emphasized in our Plans that regional disparities had to be reduced in the context of social justice & there should be rate of growth in different regions for national integration and unity. Thus, one of the important objectives of our Plans has been to bring about a balanced regional development through rapid industrialisation which is considered synonymous with economic development. But the way industries (particularly the large scale industries) have developed and hold out promises for further development, regional inequality has been intensified over the years.

Moreover, the poor of the world cannot be helped by mass production but only by production by the masses. When pressure on agriculture is already high and the development of large industries has failed to bring about any significant spread effect on the surrounding regions, the long-term balanced regional development calls for universal development of small scale industries. Not to exaggerate, the small scale industry sector has the potency to emerge as a dynamic and vibrant sector. It is corroborated by the fact that at the end of the Seventh Plan period, it accounted for nearly 35% of the gross value of output in the manufacturing sector and more than 40% of the total exports of the country. It also provided employment opportunities to around 12 million people.

The present study proposes to examine regional disparity in the development of small scale industries in the light of the new economic

policy where the issues of privatisation, competition, technological, upgradation, restructuring of the economy, liberalisation and globalisation have become prominent and issues like economic concentration and balanced regional development have been given less importance.

2. Objectives of the Study:

- (1) To examine the extent of disparity in the development of small scale industries in Orissa.
- (2) To assess the impact of the new economic policy on disparity in the development of small scale industries across regions in the state.

3. Data and Methodology :

The data for the study have been taken from the statistical hand-book published by the Directorate of Industries, Orissa, Cuttack and the Census of India 1981 and 1991. The analysis has been carried out in terms of the variables like employment and investment in the small scale industries of Orissa.

For measuring the overall concentration and dispersion in regional disparities, the Herfindahl index has been used. It is computed as follows :

$$HI = \sum X_i^2 / (\sum X_i)^2$$

Where, HI stands for the Herfindahl Index. X_i is the value of the indicator in the i th district.

Further, weighted co-efficient of variation has been used to explain the disparity among the districts.

$$C.V_w = \left[\frac{\sum P_i (W_i - \bar{X}_i)^2}{\sum P_i} \right]^{1/2} \times \frac{100}{\bar{X}_{iw}}$$

Where \bar{X}_{iw} is the weighted mean or the average value of X for all the districts taken together.

$$\bar{X}_{iw} = \frac{\sum P_i X_i}{\sum P_i}$$

where P_i is the population of the i th district and X_i is the value of the indicator in the district.

The above measures of variation have been worked out for the following standardised indicators.

- (1) Employment per ten thousand population.
- (2) Investment per ten thousand population.

The undivided districts of Orissa have been considered for the purpose of analysis at four points of time (1st April to 31st March of 1979-80, 1984-85, 1989-90 and 1996-97). It is to be noted that these are the last years of the Five-Year plans. While the first three years relate to the pre-reform period (before the introduction of New Industrial Policy, 1991), the last one relates to the post reform period.

Regional Disparity in Employment

Employment per ten thousand population in each district is shown in Table-1. It is evident that employment per ten thousand population (ETP) is highest in Sundargarh district in all years under reference. In contrast with this, the lowest ETP is found in Phulbani district in the years 79-80 and 84-85, in Keonjhar district in the year 89-90 and in Koraput district in the year 96-97. Apart from this, only Cuttack district is seen to have ETP above the state average ETP whereas ETP in Balasore, Ganjam, Kalahandi, Keonjhar, Koraput, Mayurbhanj and Phulbani districts are below it in all the years.

The ETP in Dhenkanal and Puri districts which was below the state average ETP in 79-80, was found to come above it for the rest of the time periods (except Puri in the year 84-85). But the ETP in Bolangir district which was above that of the state in the year 79-80 is seen to go below it for the rest of the years. Similarly ETP in Sambalpur district is also found to come below the state average ETP for the year 96-97.

A perusal of the annual compound growth rates of the districts shows that Dhenkanal district witnessed the highest growth rate (16.50%) upto 89-90 followed by Phulbani district (15.69%). The lowest growth rate (7.32%) is registered in Sambalpur district. If the whole period upto 96-97 is taken into account, then Dhenkanal is seen to have registered the highest growth rate (10.60%) followed by Puri (10.08%). Again the lowest growth rate (5.32%) is found in Sambalpur district. Cuttack, Dhenkanal, Phulbani and Puri districts are seen to have growth rates above the average growth rate of state as regards the employment per ten thousand population. The ETP in other districts grows slowly except in Ganjam district upto 89-90. The annual compound ETP growth rate of Keonjhar district which was below the state average growth rate upto 89-90 is seen to be more than the state average when the whole period is considered.

| Orissa | Sundargarh | Sambalpur | Puri | Phulbani | Mayurbhanj | Koraput | Keonjhar | Kalahandi | Ganjam | Dhenkanal | Cuttack | Bolangir | Balasore | Districts |
|--------|------------|-----------|------|----------|------------|---------|----------|-----------|--------|-----------|---------|----------|----------|-----------|
|--------|------------|-----------|------|----------|------------|---------|----------|-----------|--------|-----------|---------|----------|----------|-----------|

TABLE-1
Employment and Investment per Ten Thousand Population.

| | Employment per Ten Thousand Population | | | | Annual Compound Growth Rate (%) | | Investment Per Ten Thousand Population | | Annual Compound Growth Rate (%) | | | |
|------------|--|---------|----------|----------|---------------------------------|---------|--|---------|---------------------------------|---------|---------|---------|
| | 1979-80 | 84-85 | 89-90 | 96-97 | Upto 90 | Upto 97 | 1979-80 | 84-85 | 89-90 | 96-97 | Upto 90 | Upto 97 |
| Districts | 1979-80 | 84-85 | 89-90 | 96-97 | Upto 90 | Upto 97 | 1979-80 | 84-85 | 89-90 | 96-97 | Upto 90 | Upto 97 |
| Balasore | 28.7072 | 48.5337 | 63.7280 | 80.0498 | 8.30 | 6.22 | 2.7547 | 5.0164 | 15.7277 | 28.9455 | 19.03 | 14.84 |
| Bolangir | 31.9108 | 63.6069 | 82.9597 | 102.3832 | 10.03 | 7.10 | 2.2875 | 6.1441 | 11.9051 | 22.4567 | 17.93 | 14.38 |
| Cuttack | 29.4125 | 69.5371 | 90.6727 | 106.2345 | 11.92 | 7.85 | 3.0560 | 9.3220 | 15.4146 | 23.5096 | 17.57 | 12.75 |
| Dhenkanal | 19.1229 | 70.2879 | 91.5037 | 106.0534 | 16.95 | 10.60 | 1.7826 | 6.1871 | 11.9163 | 20.2569 | 20.92 | 15.37 |
| Ganjam | 32.3246 | 56.5974 | 75.8188 | 95.0974 | 12.51 | 8.62 | 1.5622 | 5.2646 | 11.0978 | 23.5067 | 21.66 | 17.96 |
| Kalahandi | 26.1676 | 54.0248 | 74.3371 | 79.9978 | 11.01 | 6.79 | 2.4003 | 4.7925 | 9.3432 | 11.6507 | 14.56 | 11.22 |
| Keonjhar | 21.8369 | 50.0669 | 65.9663 | 77.6983 | 11.69 | 7.75 | 1.6094 | 3.1045 | 6.2345 | 14.6445 | 14.50 | 12.35 |
| Koraput | 19.4828 | 40.6420 | 50.9849 | 65.3642 | 10.10 | 7.38 | 1.2552 | 2.9548 | 6.5547 | 14.7848 | 19.97 | 15.61 |
| Mayurbhanj | 27.8142 | 53.9048 | 74.7662 | 91.8645 | 10.39 | 7.28 | 1.7232 | 4.1579 | 9.0602 | 14.2428 | 18.05 | 13.23 |
| Phulbani | 15.6873 | 25.2437 | 67.3910 | 74.0249 | 15.69 | 6.59 | 0.6163 | 2.9780 | 4.9425 | 8.8411 | 23.15 | 16.96 |
| Puri | 21.4763 | 54.8522 | 88.6598 | 109.8915 | 15.23 | 10.08 | 2.6515 | 11.4309 | 24.4818 | 40.3857 | 24.89 | 17.37 |
| Sambalpur | 42.1068 | 73.4332 | 85.3633 | 101.6336 | 7.32 | 5.32 | 3.9510 | 6.3820 | 10.2575 | 23.7518 | 10.01 | 11.13 |
| Sundargarh | 82.1685 | 70.9451 | 227.1738 | 289.4641 | 10.70 | 7.69 | 8.5750 | 20.2912 | 35.8186 | 78.4408 | 15.37 | 13.91 |
| Orissa | 29.2732 | 64.1812 | 85.3379 | 103.4205 | 11.29 | 7.71 | 2.6631 | 7.1366 | 14.0115 | 25.6790 | 18.06 | 14.26 |

The values of the weighted coefficient of variation and Herfindahl Index (Table-2) are respectively 47.19% and 10.01% in the year 1979-80; 41.36% and 9.46% in the year 84-85, 40.86% and 9.45% in the year 89-90 and 43.20% and 9.73% in the year 96-97. These values of dispersion bring out the fact that there exists regional disparity in the employment in small scale industries among the districts of the state.

Regional Disparity in Investment :

Table-1 shows the investment per ten thousand population (ITP). Sundargarh district again has the highest ITP in all the years whereas Phulbani has the lowest ITP except 84-85 when Koraput had the lowest ITP. Sundargarh, Cuttack, Puri and Balasore except the year 84-85 are seen to have ITP above the state average whereas the rest of the districts are below it in all the years under reference.

The growth rates of ITP for Balasore, Dhenkanal, Ganjam, Phulbani and Puri districts are above that of the state average (18.06%) with Puri at the top (24.89%) upto 89-90. The growth rates of ITP for the rest of the districts lie below it with Sambalpur at the bottom (10.01%). But when the whole period upto 96-97 across districts is taken into account, the same pattern of growth is encountered. Only Bolangir district whose ITP growth rate was below the state average before 1990 has crossed the state average for the entire period under consideration.

TABLE-2

Indices of Regional Industrial Disparity in Orissa

| Year | Employment per Ten Thousand Population | | Investment per Ten Thousand Population | |
|---------|---|-------|---|-------|
| | CVw | H.I. | CVw | H.I. |
| 1979-80 | 47.19 | 10.01 | 59.73 | 11.71 |
| 1984-85 | 41.36 | 9.46 | 56.50 | 11.18 |
| 1989-90 | 40.86 | 9.45 | 52.17 | 10.74 |
| 1996-97 | 43.20 | 9.73 | 56.20 | 11.38 |

The measures of dispersion as shown in Table-2 reveal that there is wide disparity in investment in small industries across the districts of the state. The values of weighted coefficient of variation is placed at 59.73% in the year 79-80, 56.50% in the year 84-85, 52.17% in the year 89-90 and 56.20% in the year 96-97. The same pattern of variation is confirmed by the Herfindahl Index with its value of 11.71% in the year 79-80, 11.18% in the year 84-85, 10.74% in the year 89-90 and 11.38% in the year 96-97.

Regional Disparity and the New Economic Policy :

The package of new policy measures for promoting and strengthening small, tiny and village enterprises was laid down before the Parliament on 6th August 1991. The primary objective of the policy was to impart more vitality and growth impetus to the small scale sector so as to enable it to contribute its mite fully to the economy, particularly in terms of output, employment and export. The sector has been substantially delicensed. Further, efforts were made to deregulate and debureaucratise the sector with a view to removing all fetters on its growth potential reposing greater faith in small and young entrepreneurs. All statutes, regulations and procedures were reviewed and modified, wherever necessary, to ensure that their operations do not militate against the interest of the small and village enterprises.

But if we look at the reality, the picture is quite gloomy and disheartening. On the basis of the present analysis it is clear that the growth of small scale industries has slowed down after the introduction of the new industrial policy. The growth rate of employment and investment (Table-1) in all the districts of Orissa has gone down after 90 as compared to that before. It may be attributed either to the challenge of the large business houses or to the sluggish economic activities all over the world or to the new economic policy. This does not constitute a part of the present analysis.

It is disheartening to note that regional disparity has widened after the 90s as compared to the 80s. The indices of regional industrial inequalities reveal that the weighted co-efficients of variation with respect to employment and investment which were 47.19% and 59.73% respectively in the year 1979-80 came down to 41.36% and 56.50% in the year 84-85. Again, these figures fell to 40.86% and 52.17% in the year 89-90 showing a decline in regional inequalities during this period. But after 90, it is seen that the weighted co-efficient of variation has increased to 43.20% and 56.20% in the case of employment and investment respectively. It is also supported by the increased values of H.I. to 9.73% and 11.38% in the case of investment and employment respectively. This may be attributed to the overall impact of the new economic policy.

Conclusion :

The conclusions that emerge from the present analysis are :

- (i) The growth rate of small scale industries has gone down after the implementation of the new economic policy.

- (ii) The regional disparity has widened in the process of development under the influence of the new economic policy.

Therefore, adequate precautionary measures are to be taken by the government to see that the present growth trend is reversed so as to reduce regional imbalance.

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Credit Flow Through OSFC to the Small Scale Industries in Orissa : An Inter-Regional Analysis

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"It is only when India has acquired the ability to design, fabricate and erect its own plants without foreign assistance that it will have become a truly advanced and industrialised country."

Introduction :

Orissa is an example of a rich state with poor people in spite of its magnanimous gifts of nature. From mineral resources point of view, it is not only the richest state in India but also is one of the few such privileged ones in the world. High population pressure, acute unemployment problem, low level of income require that measures should be taken for the development of industries and maximum utilization of these resources of the state. The people in the state mainly depend on the primary sector for their livelihood. Agriculture is seasonal in character. It could provide only part time employment opportunity to the people and for the rest of the year, they remain idle. Only 5 out of 1000 people depend on the industrial sector to earn their livelihood whereas in Gujarat and Maharashtra 18 and 17 persons work in the industrial sector respectively. Therefore, in such a situation, the development of Small Scale Industries is one of the most important steps to achieve the employment of rapidly growing labour force in the state.

Small Scale Industries are vital for the industrial growth of the state. The concept of 'Small Industry' is a relative one and based on certain characteristics. Industries have been generally classified into small, medium and large scale industries on the basis of a set of criteria. The definition of 'Small Industry' usually depends upon the socio-economic conditions of the country & the policy adopted for its deve-

lopment. The industries which are considered small in highly developed countries might be considered as medium or even large in a developing country. A small scale unit is identified in most of the countries on the basis of the investment in fixed assets and/or employment.

In 1916 the Indian Industrial Commission (1916-18) had given the earliest definition about the Small Scale Industries. Before independence, village and urban cottage industries were considered as Small Scale Industries. Different states have taken different views towards the promotion of Small Scale Industries.

According to the recommendations of the Karve Committee, the definition of Small Scale Industries was a unit in which less than 50 persons are employed (if using power) and whose capital assets did not exceed Rs. 5 lakhs (2nd Five Year Plan, GOI, Planning Commission, 1956). In 1960 the power and employment link was removed. It was again changed in 1966 and capital investment was defined to cover investment in plant and machinery only, with the ceiling on investment raised to Rs. 7.5 lakhs in case of Small Scale Industries and Rs. 10 lakhs in the case of ancillary industries. In 1975, the Govt. of India stated that Small Scale Industries (SSI) have a fixed capital not exceeding Rs. 10 lakhs. In 1977, there was a demarcation of a subsector in the SSI sector, known as "tiny industries" with an investment of not more than Rs. 1 lakh. New Industrial policy of 1991 raised the investment limit to Rs. 60 lakhs for Small Scale units. On the recommendation of the Abid Hussain Committee, the investment limit for small scale units was further raised to Rs. 3 crores in February 1997.

2. Small Scale Industries in Orissa :

There has been many supportive policies to promote the Small Scale Industries in the country. The important role of the Small Scale Industries was emphasised in all the Industrial Policy Resolutions of 1948, 1956, 1977, 1980, 1991 and 1996. After implementation of Economic Reform measures in July 1991 at the national level, the Govt. of Orissa reformulated the Industrial Policy in March, 1996 with the following objectives : (Economic Survey, GOO, 1997-98).

- (a) Optimum utilisation of natural resources of the state of accelerating the industrial growth state with the protection of environment.
- (b) Development of agriculture through linkage between agriculture and agro-food processing industries.

- (c) Internal and external investment invited.
- (d) Creation of employment on a large scale in Industrial/Commercial activities.
- (e) Development of backward areas/regions of the state through industrialisation.
- (f) Agro-based industries, small industries, village and cottage industries, sericulture, hand loom and handicraft industries should be strengthened in the rural areas.
- (g) Development of skill.
- (h) Stimulating and strengthening local entrepreneurial skill and talent.

3. Term finances of SSI sector and OSFC:

In spite of large potentialities of industrial development in the state, there are only a few industrial units due to lack of infrastructure facilities. During the Planning period multi-agency approach was initiated at the national as well as state levels. The rapid growth of Small Scale Industries depends on the availability of industrial finance and government support. In the successive Five Year Plans, a number of agencies were set up in Orissa. The sources of finance of SSI can be divided into two broad categories—(1) internal or own sources and (2) external or negotiable sources. The negotiable sources are again subdivided into (a) Non-institutional and (b) Institutional sources. The International Planning Team of the Ford Foundation (1953) had recommended for the establishment of State Financial Corporations (SFCs) at the state level for providing financial assistance to the medium & small scale industries. Accordingly the Orissa State Financial Corporation (OSFC) came into existence in 1956 and started functioning from 1957 as a Statutory Corporation. The OSFC finances the term capital requirements of SCEs and transport operators. The commercial banks finance apart from the OSFC and the banking institutions, the working capital requirements. There are other various term-financing agencies at the national and state levels. At the national level, there are seven institutions like Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI), Life Insurance Corporation (LIC), General Insurance Corporation (GIC), Unit Trust of India (UTI), Industrial Reconstruction Bank of India (IRBI). These institutions finance in different ways for industrial development of medium and large-scale industrial units in the state and refinance the OSFC which also provides finance for the development of these industries.

At the state level, there are three important institutions. They are State Industrial Development Corporation (SIDC), Industrial Promotion and Investment Corporation of Orissa Ltd. (IPICOL) and Orissa Infrastructural Industrial Development Corporation (OIIDC). The long term finance of small scale industries are met by the OSFCs. Their branches are opened in almost all the districts of the state.

According to SFC sAct, business management of OSFC is vested on the Board of Directors which is assisted by an Executive Committee and the Managing Director. The Board of Directors consists of twelve members. Four directors are nominated by the State Government. One director shall have special knowledge on Small Scale Industry or experience in SSI, one is nominated by the Reserve Bank of India and two directors are nominated by IDBI. Three directors are to be elected, one is elected to represent Scheduled Banks, another is from co-operative banks and the third one is from financial institutions and other institutions. One director is to be elected from among the share holders of the corporation. A managing director is appointed by the state government in consultation with the IDBI.

The state government and IDBI jointly extend financial assistance to the OSFC in providing to term loans medium and SSI sector. The loans and advances are provided by the corporation against pledge, mortgage, hypothecation of Govt. or other securities, stocks, shares or secured debentures or other tangible assets.

Performance of OSFC :

This section examines the performance of OSFC in the areas of loan disbursement, loan recovery, profit and loss and release of State Investment Subsidy & Capital Investment Subsidy over the period from 1984-85 to 1992-93.

Loan disbursement is made by the OSFC in different districts of the State. The total districts were divided into three categories i.e. Advanced districts (2) Backward districts, and (3) No-Industry Districts. In 1984-85 the total amount of loan disbursed by the OSFC was Rs. 2436.88 lakhs in advanced districts. In the backward districts the total amount of disbursement was Rs. 513.47 lakhs and for No-Industry districts the amount was Rs. 421.01 lakhs. The total amount of loan disbursed by the OSFC thus comes to Rs. 3371.36 lakhs. Thus it is found that the loan disbursement by the OSFC over the years have increased gradually and it reached to Rs. 5078.42 lakhs in 1991-92. But in 1992-93 it was slightly declined to Rs. 4927.58 lakhs. For the advanced districts

the total amount of loan increased from Rs. 2436.88 lakhs to Rs. 3609.81 lakhs. For backward and No-Industry districts the trend was uneven. The total amount of loan in the year 1989-90 in the no-industry districts was highest at Rs. 1730.10 lakhs and for backward districts it reached the highest amount of Rs. 846.47 lakhs in 1991-92. Among these three categories of districts the highest amount of loan has gone to the advanced districts.

When we come to recovery, it is found out that the recovery position of loan by the OSFC in Orissa in 1984-85 was Rs. 1711.62 lakhs. Of this Rs. 1284.52 lakhs and Rs. 238.50 lakhs came from the advanced districts and backward districts respectively. From no-industry districts the recovery was very much negligible i.e. only Rs. 118.60 lakhs. But in the successive years the recovery position of the OSFC gradually increased from Rs. 1711.62 lakhs to Rs. 5137.09 lakhs for the advanced districts, from Rs. 238.50 lakhs to Rs. 1082.84 lakhs and from Rs. 118.60 lakhs to Rs. 1098.45 lakhs for the backward districts and no-industry districts respectively.

When we come to profit and loss, we find that in 1984-85 the performance of the OSFC was not good. It incurred heavy losses. The total amount of loss was Rs. 126.08 lakhs and the net loss was Rs. 126.08 lakhs. After that, the OSFC was making profit upto 1988-89. In the same year the total amount of gross profit was Rs. 15.82 lakhs and the net profit was Rs. 13.45. But from 1989-90 the OSFC incurred losses over the years. In 1992-93, the total amount of loss was Rs. 38.43 lakhs and the net profit was Rs. 38.43 lakhs. From these figures it is clear that the performance of the OSFC in the state of Orissa is not satisfactory.

Inter regional variation in investment flow :

The OSFC disbursement as presented earlier has wide variation across the districts. The coastal advanced district comprising of Puri, Cuttack, Dhenkanal, Ganjam and Sundergarh in the Western Orissa have taken a major share of total investment. The other backward and no-industry districts in the interior Orissa have not developed very much industrially. To examine inequality in industrial development (expansion or contraction) we have calculated two important inequality indices. These are (i) The standard Deviation of logarithms (H) and the other is (ii) Ginni Co-efficient (G).

Table—1

Co-efficient of Inter Regional Variation in SSI Development in Orissa.

| Sl. No. | Year | Ginni Co-efficient 'G' | Standard Deviation of Logarithm 'H' |
|---------|---------|---------------------------|--|
| (1) | (2) | (3) | (4) |
| 1. | 1984-85 | 0.46 | 0.45 |
| 2. | 1985-86 | 0.30 | 0.44 |
| 3. | 1986-87 | -0.03 | 0.22 |
| 4. | 1987-88 | 0.32 | 0.41 |
| 5. | 1989-90 | 0.29 | 0.58 |
| 6. | 1990-91 | 0.29 | 0.24 |
| 7. | 1991-92 | 0.30 | 0.26 |
| 8. | 1992-93 | 0.39 | 0.36 |
| 9. | 1993-94 | 0.36 | 0.32 |
| 10. | 1994-95 | 0.38 | 0.34 |
| 11. | 1995-96 | 0.36 | 0.16 |
| 12. | 1996-97 | 0.46 | 0.45 |

Source : Computed.

Table-1 presents the calculated value for the years from 1984-85 to 1996-97. Some important inferences from the table are :

1. Compared to 1984-85, there is marginal decline in the value of 'G' and 'H' reflecting reduction in regional inequality upto 1989-90.
2. In 1996-97, there is a sharp increase in the value of both 'G' and 'H' reflecting widening of the gap in industrial development between the regions.
3. In the years of 1990-91 and 1991-92 the inequality index showed a consistent minimum value.
4. There is no significant variation in the value of 'G' and 'H' over the period under study.

Impact of Liberalisation on SSI Sector of India

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I. It is said that "small is always beautiful", Small Scale Industries are small in terms of size but play a gigantic role in promoting economic growth and development and form the backbone of Indian economy. The intrinsic advantages of SSIs in view of lower capital overheads, highly favourable capital output ratio and employment potentialities make the sector quite competitive in the present day environment of liberalisation.

The new economic policy with its emphasis on liberalisation, privatisation and globalisation has heralded a new phase in the history of small scale sector having a series of challenges and opportunities. The dismantling of many controls, restrictions and regulations has opened a new chapter for the small scale sector.

II. Objectives :

The study intends to pursue the following specific objectives :

- (1) To assess the overall growth performance of small scale industries in the wake of NEP.
- (2) To compare the efficiency of SSS during two periods, that is pre-liberalisation and post-liberalisation.
- (3) To examine the impact of liberalisation on SSS.
- (4) To highlight the major constraints faced by SSS and suggest measures to remove there constraints.

III. Growth Performance of SSI :

The SSI Sector is analysed for a period from 1986-87 to 1996-97 in terms of size of SSI units, employment generation, production and export earnings in India. The entire period is divided into two sub-periods; that pre-liberalisation (from 1986-87 to 1990-91) and post

liberalisation (from 1991-92 to 1996-97) onwards in order to make a comparison of growth of SSI Sector between the two periods.

By estimating the index and growth rate of employment, production and export performance during the pre and post-liberalisation period (Table-1) it is observed that the employment scenario in the SSI Sector is not impressive although its export performance is very good. We have estimated the employment elasticity with response to production and export. It is estimated by two co-efficients as follows.

$$(i) e_{ep} = \frac{\Delta E/E}{\Delta P/P}$$

Where, E = Employment in SSS

P = Production in SSS

X = Export of SSS

$$(ii) e_{ex} = \frac{\Delta E/E}{\Delta X/X}$$

From the data it is found that both the co-efficients are consistently declining over the entire period. By comparing two periods it is seen that, the employment elasticity has fallen in the post-liberalisation period and the relationship between employment and production is positive but non-proportional. It is also observed that the coefficient of employment elasticity with regard to export has also declined during the post-liberalisation period although the growth index has increased. It means export scenario conceals the dismal picture in employment leading to disaster and frustration among the educated unemployed youth in the country.

IV. Impact of Liberalisation :

The type of industrialisation the NEP contemplates is not going to be of any benefit to the rural poor. The highest growth rate was associated with the lowest growth of employment. SAP (Structural Adjustment Programme) is emphasising on modernisation, automation and computerisation; SAP and NEP are not attuned to increase employment in small scale sector. It may generate a very few job opportunities for highly skilled people. Industries shall require the labour which cannot be supplied by the village poor. They produce the goods which the poor do not consume. Hence, the industrial activity is most labour displacing. All types of ancillary industries are likely to be preempted and a type of process of de-industrialisation is likely to set in. Although in the past, with the government support there has been a phenomenal

TABLE-1

| Year | No. of Units | Index | Employment (In Lakhs) | Index | Production (In Crores) | Index | Export (In Crores) | Index |
|---------|--------------|--------|-----------------------|--------|------------------------|--------|--------------------|---------|
| Pre-L | | | | | | | | |
| 1986-87 | 14.62 | 100 | 101.4 | 100 | 72.250 | 100 | 3,643 | 100 |
| 1987-88 | 15.83 | 108.27 | 107.00 | 105.52 | 87.300 | 120.83 | 4,372 | 120.01 |
| 1988-89 | 17.12 | 117.09 | 113.00 | 111.43 | 106.400 | 147.26 | 5,489 | 150.67 |
| 1989-90 | 18.23 | 124.69 | 119.00 | 117.35 | 132.320 | 183.14 | 7,625 | 209.30 |
| 1991-91 | 19.48 | 133.24 | 125.30 | 123.57 | 155.340 | 215.00 | 9,664 | 265.27 |
| | (33.24%) | | (23.57%) | | (115%) | | (165.27%) | |
| Post-L | | | | | | | | |
| 1991-92 | 20.82 | 142.40 | 129.80 | 128.00 | 178.699 | 247.00 | 13,883 | 381.08 |
| 1992-93 | 22.46 | 153.62 | 134.06 | 132.20 | 209.300 | 289.68 | 17,785 | 488.19 |
| 1993-94 | 23.84 | 163.06 | 139.38 | 137.45 | 241.648 | 334.46 | 25,307 | 694.67 |
| 1994-95 | 25.71 | 175.85 | 146.59 | 144.56 | 293.031 | 405.57 | 38,482 | 1056.32 |
| 1995-96 | 24.24 | 165.80 | 152.61 | 150.50 | 356.213 | 493.02 | 36,420 | 999.72 |
| 1996-97 | 27.5 | 118.09 | 159 | 156.80 | 403.824 | 550.92 | N.A. | — |
| | (32.08%) | | (22.49%) | | (125.98%) | | (162.33%) | |

Source : Centre of Monitoring Indian Economy (CMIE) Report, Bombay.

Pre-L : Pre-Liberalisation Period

Post-L : Post-Liberalisation Period

growth in the SSS, however the development has been concentrated in a few metropolitan and selected areas and a few other large towns. As a result although employment in SSS has been rising, it is totally inadequate to solve the problem of unemployment in rural areas.

In NEP, there is nothing new or special for the Khadi and Village industries. In spite of its implementation, the rate of growth in rural industrialisation is very slow and the picture of village industries is still gloomy. During the last eight years of economic reforms, village and cottage industries have not been able to overcome the problems they were facing. The traditional and village industries are deprived of being benefited by the policy of liberalisation and they still remain traditional. In the age of present liberalisation of the economy, village industries need more government support because of indiscriminately relying upon the free play of market, for investment allocation can not serve the interest of the village industries.

The competitive strength of SSS is increasing because of the entry of large scale multi-national firms. It is more so, because of the transplanted industrialisation with the euphoria of hi-tech which is as elusive as any strategy. SSI Sector of the country which is based upon the fundamental objective of creating employment opportunities, instead of adopting hi-tech, warrants the adoption of appropriate technology which should be people-based and simple in application and operation.

V. Major Constraints of SSI :

The major problems of SSI include long gestation period, accounting problem, weak infrastructural facilities, restrictions imposed on the information and technology, unsatisfactory power supply, absence of reliable communication network, lack of industrial experience, inadequate market intelligence, highly regulated and slow moving financial system and complicated taxation policies of the government.

VI. Suggestions :

1. There should be dereservation and it should go in a faster way as reservation leads to legitimised inefficiency. The Government should support the small entrepreneurs by providing adequate financial facilities and assist in technological upgradation.
2. The MNCs should be invited to invest on infrastructure in India but not on mass consumption goods.

3. Incentives should be provided to the modern small scale sector after seeing their performance.
4. Inspector raj should be abolished and the number of posts for inspectors should be reduced.
5. Taxation should be centralised on the manufacturing of production instead of imposing multifarious taxation at different stages.
6. There should be bureaucratic and administrative reforms.
7. Tax incentives should be given to sick units.
8. Human approach is required to tackle the small entrepreneurs by the bankers and a special cell should be opened to train the bank staff.
9. Attitude of the entrepreneurs should be changed towards the payment of loan.
10. Attitude of the workers should also be changed. They ought to be more responsible and honest towards increasing productivity.
11. There should be linkage between MNCs and SSI Units.

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Growth and Performance of Small Scale Industries in Orissa : A Comparative Study of Pre and Post Liberalisation Period

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The economic development of a country depends to a large extent on the development of industrial sector which consists of Large, Medium and Small Industries. In many countries of the world Small Scale Industries provide employment to a substantial proportion of the total industrial labour force. These industries play a very vital role in fulfilling the socio-economic objectives of industrially less developed countries like India. This small industry segment is the pivot of Indian economy.

Our country entered into a new phase of economic reform with launching of new economic policy in June, 1991. The NEP is an integrated process of development having three components; such as :

Privatisation, Liberalisation and Globalisation.

Fundamentally privatisation is an essential feature of liberalisation which aims at deregulation of price and investment from Government control. The investment ceiling for small scale industries (S.S.I.) in plant and machinery has been enhanced from Rs. 60 lakhs and Rs. 75 lakhs to Rs. 3 crores and that of tiny sector from Rs. 5 lakhs to Rs. 25 lakhs in 1996-97. In the new industrial policy of 24th July, 1991 all the industries were delicensed except 18 strategic industries of national importance to promote industrialisation in India.

1. 1. Objectives of the Study :

The present study aims at analysing the impact of liberalisation on Small Scale Industrial Units (SSI) in Orissa. The specific objectives are as follows :

- (1) To find and compare the growth rates of S.S.I. Units in Pre-liberalisation (1986-90) and post liberalisation (1991-96) in Orissa.

- (ii) To analyse and compare the growth of capital and investment in S.S.I. Units in Pre and Post liberalisation period in Orissa.
- (iii) To investigate the employment generation and growth during pre and post liberalisation periods.
- (iv) To compare districtwise and industrial zonewise employment generation in Orissa in Post liberalisation period.
- (v) To suggest some measures to promote Small Scale Industries in Orissa.

1. 2 Small Scale Industrial Units in Orissa :

Orissa is a coastal state situated in the eastern part of India which has rich resource base for industrialisation. But it is less industrially developed compared to other states.

On all India basis, Orissa had only 1% of small scale industries and 2.9% of employment in these industries in the year 1993. Most of the developed states were much better.

1. 3 SSI Units in Pre & Post Liberalisation Period :

In Pre-liberalisation period 2096 new SSI Units were established during 1988-89 and the percentage growth rate was 6.61. But in 1989-90, 2047 SSI units were established with a growth rate of 6.05% and in 1990-91, 2249 SSI units were established with a growth rate of 6.27%.

The NEP was started in 1991-92. The growth rates during the period 1991-92 to 1995-96 was less than 6%. It came down to 5.20% in the year 1994-95. This declining trend of growth rates of SSI Units clearly indicates that liberalisation has adversely affected the establishment of SSI Units in Orissa.

1. 4 Investment and Capital Growth in Pre and Post Liberalisation Period :

The net investments were Rs. 49.07 crores, Rs. 51.55 crores and Rs. 59.34 crores during 1988-89, 1989-90 and 1990-91 respectively in S.S.I. Units in Orissa. During the pre-liberalisation period investment growth rates were 14.58%, 13.37% and 13.57% respectively during the above three years.

In post liberalisation period the net investments in SSI units were Rs. 52.03 crores, Rs. 55.00 crores and Rs. 56.21 crores during 1991-92, 1992-93 and 1993-94 but they increased marginally to Rs. 68.08 crores and

Rs. 74.82 crores during 1994-95 and 1995-96 respectively. The growth of investment calculated in percentages were 10.48, 10.03, 9.36, 10.36 and 10.32 respectively during the first five years in this period. In 1993-94 growth of investment was the lowest i.e. 9.36% only whereas in pre-liberalisation period the investment increased at more than 13% from the year 1987-88 to 1990-91; but it increased at less than 11% in all the years during Post Liberalisation period. It clearly indicates that the rate of growth of investment has decreased due to liberalisation.

1.5 Impact of Liberalisation on Employment in SSI Units in Orissa :

Liberalisation has adverse effect on employment generation in SSI units in Orissa. Employment increased at 5.86 percent, 5.61 percent and 5.88 percent during 1988-89, 1989-90 and 1990-91 respectively. But in post liberalisation period employment growth rate has decreased continuously. It declined from 5.53 percent in 1991-92 to 4.50 percent in 1992-93, and further to 4.46% in 1993-94, 4.05% in 1994-95 and 3.86% in 1995-96.

This continuous decline is a clear indication that liberalisation has adversely affected the employment generation process in Small Scale Industries in Orissa. Due to introduction of modern technology in methods of production, employment may decline. But in a state like Orissa with abundant labour supply, declining rate of growth of employment is a serious problem for future employment generation in Orissa.

1.6 Employment Generation in Different Districts of Orissa :

The State of Orissa has 30 districts which are divided into three industrial zones such as Cuttack Industrial Zone (Central), Sambalpur Industrial Zone (Western) and Berhampur industrial Zone (Southern). Each Zone consists of 10 districts each. The details of employment generation in S.S.I. Units are analysed below.

1.6. (i) Cuttack (Central) Industrial Zone :

The S.S.I. Units in Khurda district generated additional employment of 1418 in 1993-94 and 1385 in 1994-95 respectively. But it decreased to 1320 in 1995-96 and to 1355 in 1996-97. Nayagarh is found to be industrially most backward district in Central Zone with employment generation of less than 200 in all the years. The total employment generation in S.S.I. Units in Central Zone was 42.95 percent in 1993-94, 44.33 percent in 1994-95, 44.57 percent in 1995-96 and it was 44.39 in 1996-97. This industrial zone dominates the S.S.I. units of the State.

1.6 (ii) Berhampur (Southern) Industrial Zone :

Ganjam is the most industrially advanced district in Southern Zone with additional employment generation of 1543 in 1996-97 which

was only 912 in 1993-94. The proportion of employment generation in S.S.I. Units in this Zone on All Orissa basis was only 19.29 percent in 1993-94 which increased to 24.40 percent in 1995-96. Malkangiri was the least industrially developed district in this zone. Rayagada and Koraput were two other important districts in this zone in respect of Small Scale Industrial Units. Compared to other two industrial zones Berhampur Zone ranked lowest in employment generation in S.S.I. Units.

1.6. (iii) Sambalpur (Western) Industrial Zone :

Sundargarh is the most industrially developed district in Western Zone generating additional employment of 2406 in 1993-94 and 2228 in 1996-97. Deogarh is the least industrially developed district with only 72 additional employment generation in 1996-97. The proportion of employment generated in this zone to that of all Orissa was 37.76 percent in 1993-94 which decreased to 32.54 percent in 1996-97. Rourkela in Sundargarh district is the most important industrial town providing almost 40 percent of total employment generated in this industrial zone.

1.7 Overall Impact of Liberalization : and Role of Orissa

Small Industries Corporation (O.S.I.C.) :

As expected liberalisation has not been successful in promoting the small scale industries in Orissa. The establishment of new S.S.I. Units, investment and employment generation have been adversely affected in our state. Specially employment scenario in post liberalisation period has been very dismal and therefore urgent steps are needed to restructure the S.S.I. Units for gainful employment in Orissa. 1993-94 is the year when the Small Scale industries were badly affected in terms of investment and assistance from Orissa Small Industries Corporation. Orissa Small Industries Corporation (OSIC) was established in 1972 as a nodal promotional agency for the Small Scale Industries in Orissa. It has

Table—I

Performance of Orissa Small Industries Corporation (OSIC)

| Year | Raw Material Supplied | | S.S.I. Units Assisted | |
|---------|-----------------------|---------------------|-----------------------|----------------------|
| | Quantity (M. T.) | Value (Rs. Lakh) | No. | Amount (Rs. Lakh) |
| 1991-92 | 34547 | 5,728.51 | — | — |
| 1992-93 | 33524 | 5,757.47 | 146 | 1,205.83 |
| 1993-94 | 31,977 | 5,436.54 | 174 | 1,331.48 |
| 1994-95 | 44,998 | 7,410.30 | 212 | 2,393.19 |
| 1995-96 | 33,305 | 7,708.55 | — | — |

Source : Economic Survey of Orissa, 1996-97.

been extending various types of Assistance to S.S.I. by providing raw materials, finance, equity and sub-contracting exchanges with services. During 1993-94, the value of raw materials supplied was only Rs. 5,436.54 lakh which was lowest during the period from 1991 to 1996. The detailed performance of O.S.I.C. is given in Table—I.

1.8 Conclusion :

Industrialisation holds an important place in economic development programme of all the countries. Small scale industries play an important role in economies of developed and developing countries as they enlarge employment opportunities, secure dispersal of industries and lead to a broad based entrepreneurship. In Orissa the growth of investment and employment in S.S.I. Units shows a declining trend in post liberalisation period during 1991 to 1996. This declining trend is mainly due to inadequate performance of Orissa Small Industries Corporation, lack of credit supply in time of necessity and mismanagement. The Govt. of Orissa needs to take urgent step to promote S.S.I. Units to generate more and more employment in backward districts of Orissa. The growth of S.S.I. Units is highly skewed and concentrated in Khurda district in Central Zone, Ganjam in Berhampur Zone and in Sundergarh in Western Zone. There should be balanced regional development in all the districts and regions for overall growth of the state economy.

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New Economic Policy and Small Scale Industries In India

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The oil crises of the second half of the 70s stimulated a sea change in both developed and developing countries. In the developed countries a process of restructuring of economies has been taking place based on optimising factor use (energy, materials, capital and labour) reducing costs & improving productivity and efficiency, thereby leading to growth and higher incomes in the 80s and 90s (Nanjundan, 1994). The developing countries experienced a cumulative chain of balance of payment crisis, production crisis, reduced productivity, atleast until the beginning of the 90s. Structural adjustment programmes assisted by the International Monetary Fund (IMF) and the World Bank, have sought improvements through appropriate macro economic, fiscal trade, industrial and agricultural policies oriented to the market mechanism, the private sector, and entrepreneur. Rapid changes in technology, management practices and increased role of services and overall reduction in duties, widening of market price competition etc. are revitalising the small scale sector all over the globe including industrialised countries. India also experienced some changes. This paper tries to study the impact of New Economic Policy (NEP) 1991, on Small Scale Industries (SSIs). It has five Sections. Section I briefly narrates the NEP. Section II explains the argument for SSI. Section III finds the impact of NEP on SSI. Section IV discusses the consequence of the impact. Section IV presents a conclusion.

Section—I

The first wave of New Economic Reform was introduced by Mr. Rajiv Gandhi, the then Prime Minister in 1985 and suggested for improvement in productivity, absorption of modern technology and fuller utilisation of capacity. The basic thrust was a greater role for the private sector. But the first wave did not yield the desired result.

The average deficit in trade balance jumped from Rs. 5,935 crores during sixth plan (1980-81 to 1984-85) to Rs. 10,841 crores during seventh plan (1985-86 to 1989-90). Consequently the country was faced with a serious balance of payments crisis.

The second wave of New Economic Reform started in 1991 by Dr. Manmohan Singh, the then finance minister, to revive the economy from the above problem. The main thrust of the second wave was to increase efficiency and international competitiveness of industrial production, to utilise foreign investment and technology to a much greater degree than in the past, to improve the performance of the public sector and to reform and modernize the financial sector so that it can more efficiently serve the needs of the economy.

Section—II

There are no two opinions that SSIs play an important role in the economic development of a country and they are widely recommended as appropriate means for industrialising the industrial backward regions of a country. The SSI has certain inherent advantages like low capital intensity, high employment generation potential, shorter gestation period, more equitable distribution of income and wide dispersal of industries (Justus and Kevin, 1997). To cite but one case in point, the High Performing Asian Economies (HPAES) owe their progress to the profusion of small and medium size enterprises which absorb a large number of workers, reducing unemployment and attracting rural labour (World Bank 1993). Employment creation has been the major objective of many protective and promotional measures initiated by the state in developing small scale industry. Policy support includes reservation of products for exclusive manufacture by small scale units, fiscal incentives in term of exemption from excise tax, direct subsidy, price preference, availability of credit at a concession rate, technical and marketing assistance (Ramaswamy, 1994)

The small-scale sector has stimulated economic activity of a far reaching magnitude and has played a significant role in economic growth process of India. The arguments in favour of SSI are for :

- * elimination of economic backwardness of rural and developed regions in the country ;
- * attainment of self reliance ;
- * creation of greater employment opportunities and increased output, income and standard of living ;

- * reduction of disparities in income, wealth and consumption ;
- * mobilization of resources of capital and skill and their optimum utilization ;
- * meeting a substantial part of the economy's requirements for consumer goods and simple producer goods.

Competitive Advantage of Small Business

| Advantage | Outcomes | Examples |
|--|--|---|
| (a) Ability to perceive opportunities | (a) Innovation and Technological Development | (a) Silicon Valley (California) |
| (b) Action orientation | | (b) Route 128 (Boston) (c) Research Triangle Park (Releigh N.C.) |
| (a) Ability to mobilise local resources | (a) Development of venture Capital fund | (a) Informal credit market in India |
| (b) Risk management | | |
| (a) Ability to utilize resources efficiently | (a) Higher profitability | (a) Bolton Report 1971 Wilson Committee(U.K.) |
| (b) Increased resource Specialization | (b) Lower factor costs particularly labour costs | (b) A large percentage of new employment in U.S. |
| (c) Better Managerial control | | (c) Salaries in small-scale sector in Japan are almost half of that in the large industries. |
| (a) Ability to react to rapidly changing environment | (a) Greater innovative capacities (b) Better equipped to Compete in the growing Service industry and in Knowledge intensive Industries. | (a) A large number of hightech industries have been set up by entrepreneurs in small scale sector |

Source : Desai (1995).

Section—III

In India, Small Scale Industry contributes over 40% to the gross turnover in the manufacturing sector, about 45% of manufacturing exports and 35% of total exports. The performance of the small sector in respect of critical parameters like the number of units, production, employment and exports is given in Table-I. The total number of small scale units in the country was 28.6 lakhs at the end of 1996-97, value of production in 1996-97 aggregating at Rs. 4,12,636 crores showed an increase of 15.5% over 1995-96. Employment generated by the sector stood at 160 lakhs, indicating a growth rate of 4.8% in the year and exports increased by 7.6% in 1996-97.

This section tries to find out the impact of NEP on SSI in India. Though statistics on Small Scale Industrial enterprises are notoriously inadequate in India, because of overlapping definitions for regulatory and assistance programmes, changing coverage, exclusion of self-employed or own-account enterprises and no reporting of closures or mortalities. Required data are collected from GOI (1997) and Desai (1995). The data are classified in two periods to know the impact of NEP on SSI, i.e., before NEP 1986-87 to 1991-92 and after NEP 1991-92 to 1996-97, with respect to number of SSI units set up, employment generated, production (output) and export. The impact is shown by calculating compound growth rate.

With the initiation of the NEP in 1991 there was a slump (Kumar, 1993) which was in line with the most analysis of NEP involving a stabilisation package in the short to medium run. The growth rate of the economy picked up rather strongly in early 1994 and reached the level achieved in the 1980s. Hence, it is argued that the NEP has not disrupted the economy and rather succeeded in India (Kumar, 1996). India has made substantial progress since 1991 on the path toward Macro Economic and Structural Reform. The Benefits are becoming evident in a robust economic expansion, by a recovery of private investment and rapid economic growth (Chopra and Collins, 1995).

Most sectors of Indian economy have had to distically adjust to the process of globalisation moving from a state of temporary and involuntary dependency on the more powerful to one of voluntary interdependence. In India, on the other hand SSIs are adversely affected by NEP. This is evident from, Table-1.

Table-1 shows the overall performance of SSI sector in India. The compound growth rate of number of SSI units, output, employment, export decreased from 7.34, 19.86, 5.06 and 30.64% during 1986-87 to

TABLE—1

Overall Performance of SSI Sector in India

| Year | No. of units (Lakhs) As on 31st Dec. | Output (at current Prices) | Employment (Lakhs No.) | Export at Current Prices (Rs. Crores) |
|----------------------|---|----------------------------------|---------------------------|---|
| 1986-87 | 14.76 | 72250 | 101.40 | 3648 |
| 1987-88 | 15.76 | 87300 | 107.00 | 4345 |
| 1988-89 | 17.12 | 106875 | 113.00 | 5681 |
| 1989-90 | 18.27 | 132320 | 119.60 | 7990 |
| 1990-91 | 19.48 | 155340 | 124.30 | 9100 |
| 1991-92 | 20.82 | 178699 | 129.8 | 13883 |
| 1992-93 | 22.5 | 209300 | 134.1 | 17785 |
| 1993-94 | 23.8 | 241648 | 139.4 | 25307 |
| 1994-95 | 25.7 | 293990 | 146.6 | 29068 |
| 1995-96 | 27.2 | 356213 | 152.6 | 36470 |
| 1996-97 | 25.6 | 412636 | 160.0 | 39249 |
| Compound Growth Rate | | | | |
| 86-87 to 91-92 | 7.34 | 19.86 | 5.06 | 30.64 |
| 91-92 to 96-97 | 6.58 | 18.22 | 4.27 | 23.1 |

Source : GOI (1997), Desai (1995).

1991-92, to 6.58, 18.22, 4.27 and 23.1% during 1991-92 to 1996-97 respectively. In other words, in the pre-NEP period overall performance of SSI was better than in the post-NEP period. It proves that NEP has adversely affected the SSI sector. Even in total factory/manufactures sector, NEP has atleast not increased employment (Arup Mitra). There seems to be several reasons for the government's inability to enunciate a policy on SSIs and to reformulate its programme. The reasons are as follows :

* Growth of Urban informal sector, dependence on large scale industries.

* The bewildering heterogeneity of the small industry sector and the steady erosion of its representative organisation has willy-nilly aided the governments. Natural inclination to adjust the policy to suit the requirement of established large industries. Thus, the continuous increase in the upper limit definition of SSI and the reform package announcement of large industries or Foreign Direct Investment (FDI) upto 24% permitted in small enterprises.

* There is no case for subsidies, tax concessions and exemption and Labour Legislation. Government could assist through grants and loans, the dissemination of industrial technological information, quality upgradation and transform of technology through associations of the enterprises themselves.

* The centralisation decision making in New Delhi, acquiesced in by state government ever indeed of financial resources, makes a mockery of any programme for the poor. In theory and on paper the Panchayats and Nagarapalikas ought to take their own decisions.

* Finally, on the reliability of statistics. Measured by the official definition the SSI sector must grow continuously of its coverage through increase in the upper limit taking place continuously. There is no information on mortality or on the contribution of unregistered units. Data on factory employment and manufacturing census and surveys are more dependable to assess capital and labour productivity and intensity.

In the context of small industrial units, it has been observed that these units mainly survive on Product, Geographical market segmentation and Policy protection. The importance of all the three factors are expected to go down once the economy globalises, liberalises and moves over to a higher growth path. Growth necessitates development of infrastructure which would reduce geographical market segmentation. Growth is also expected to reduce the relative share of price sensitive and quality insensitive segment via rise in real per capita income. Policy protection is phased out by overall reduction in duties as a point of globalisation and liberalisation. Ultimately in a market economy small scale units have to sustain themselves on their own competitive strength by successfully failing competition from large sector units including Multinationals.

Section—IV

Though conceptually sound, the NEP for SSI opens the flood gates for large Industries and foreign companies minimising the natural growth of entrepreneurship at grassroot level. More importantly its success depends to a great degree on the quality of the down stream action that is required. And, the merit of the policy depends on its implementation, as well as in plugging their loopholes. The policy is expected to provide fresh stimulus to growth and international competitiveness of the small sector if it is matched with timely technological upgradation, professional management, innovative ideas, entrepreneurial vision and well trained man power. The needs of the hour is an agenda for growth of small enterprises and industries in the tiny sector as a viable phenomenon. This part, developing entrepreneurship and promoting responsible and innovative management must be the guiding principle of the NEP for the small enterprises. It calls for a sincere attempt to foster development and growth.

Efficiency of the Small Scale Factory Sector in Orissa

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Planning for industrialisation was initiated during the First Plan with an objective to ensure self-reliance in the industrial front. The Industrial Development and Regulation Act of 1951 alongwith a protected trade regime not only controlled the entry and capacity utilisation in the industrial sector but also technology, input mix, import content, concentration of economic power and foreign investment. But these policies could not make much headway in creating a self reliant economy with a diversified industrial structure but resulted in gross misutilisation of productive resources and created an economy of subsidy and inefficiency. Admitting the lacunae in the existing setup, the industrial policy of 1991, implemented to ensure structural and functional transformation of the economy. That was the beginning of liberalisation or reforms, which along with other objectives emphasized an improvement of industrial efficiency by increasing competitiveness both within and outside the economy.

The present paper is an attempt to examine whether increased competitiveness has led to higher efficiency of the small industries in Orissa. Data relating to performance of the small scale factory sector are obtained from the Annual survey of industries over 15 years, categorised into a decade of pre-liberalisation and 5 years of post liberalisation. Deflated values of all financial parameters are considered for the purpose.

The number of small industries has increased substantially. The annual compound growth rate of the number of small scale industries is much higher (2.82%) during the post reforms period than the previous decade (-0.18%). This increase in number reflects increase in competition.

Assessing the performance of the small industries it was heartening to observe that the value of input, output as well as value added in this sector recorded a higher growth rate per annum during the post reforms years in comparison to the previous decade. Capital employment per unit has experienced a higher annual growth rate while labour employment per unit has recorded a lower growth rate during the post-reforms years, implying increased capital intensity of the small scale factory sector. Higher rate of growth in capital employment per unit of labour also validates the observation.

In order to examine the efficiency with which the sector is performing during the two sub periods, the concept of production frontier or the best practice is introduced. It is the maximum output obtainable from a given quantity of different inputs at the existing state of technology. The amount by which the actual output is less than the potential output or the estimated output is the level of technical inefficiency. A translog production function with two inputs (K,L) were estimated to obtain the maximum level of output. If during a period the actual output of the industry is equal to the observed output, the industry is said to be operating with optimum efficiency, on the production frontier. Productivity of each year is given an efficiency index, which is the ratio of actual to estimated output, the value being ≤ 1 . The empirical observation reveals that during the post reforms period, the average efficiency index is less than that during the previous period. In other words efficiency of small scale sector has declined during the latter years. Increased competition during the post reforms era has escalated the number of operating units. But many of them have entered into less productive sectors and hence are operating with less efficiency. A regression equation estimating the contribution of capital investment per unit of labour to total output has declined during the post reforms period confirming the above observation.

It seems creation of a competitive environment with an objective of efficiency improvement has not been upto the mark in the context of the small scale factory sector in Orissa. However, this unappreciable performance of this sector is not totally disheartening as the period under consideration is too short to ascertain the impact of liberalisation, particularly in an underdeveloped state like Orissa where different sectors are not readily responsive to changes and challenges.

Impact of New Industrial Policies on The Small Scale Industries of Rourkela

Dr. Anita Tripathy Lal

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ABSTRACT

"Industrial policies are all those procedures, principles, rules which have been formulated to shape the form of industrial activities. They include fiscal, monetary, labour policies, etc., for regulating the production taking place in the public and private sectors". (Dutt; 1991 : P. 133)

Although the first national industrial policy (IP) was framed in 1948, Orissa state launched its first IP in 1980, followed by IP-1986, and IP-1992 the latest being IP-1996. As one has to assess the pact of the liberalisation on small scale industries (SSI) particularly at Rourkela, it becomes imperative to look into the latest industrial policies, i.e., IP-92 and IP-96 of Orissa and their impact on small-scale industries of Rourkela.

As the national IP-91 was specifically designed for the growth of SSI, the state IP-92 also followed its footsteps by emphasising on the development of the SSI. To know how well the support systems were equipped with the various policy packages for SSI, one had to examine the functions of various support systems like DIC (District Industries Centre), OSFC (Orissa State Financial Corporation), OSIC (Orissa State Industrial Corporation), SBI (State Bank of India), REC (Regional Engineering College, Rourkela), SAIL (Steel Authority of India Limited, Rourkela) as well as the owners of small-scale enterprises.

The study carried out in 94-95 showed that although various benefits were announced in the IP-92, the same had not been put into effect like : the much wanted technical cell and single window scheme among many others which had not been then operational.

In spite of the not much effective policy packages and support systems, the growth of SSIs had been soaring. The main reason behind

this was the steel plant located in Rourkela. Moreover, the modernisation programme of the steel plant, which started from 1990, had not only given birth to many new small industries but also helped in the expansion and diversification of the existing small industries. State IP-96 seems to include all the objectives of IP-92 as well as gives extra emphasis to agro and food processing industries, electronics and software industries and broadly classifies the organisational procedural reforms. There is a slight change in the incentive packages, like inclusion of incentives for special class entrepreneurs, and SSI obtaining ISO certification mark.

While the functions of various support systems were examined recently, it was found that all of them seemed to carry on their activity more or less in a smooth manner. But surprisingly there is a steep decline in the number of successful SSIs and increase in the number of sick and closed units. This is because, with the modernisation programme of RSP coming to an end in 1996-97, the requirements from SSIs have become different now. Although RSP has gone out of the way to help the existing SSIs to diversify, yet it has not been very successful. Among the manufacturing industries it's mostly the chemical and a few steel and fabrication industries, which are doing well. Among the non-manufacturing industries only the service industries are fairing well. Thus the entrepreneurs through their entrepreneurial skills have to be innovative in locating new markets or going for new products to be successful.

Impact of New Industrial Policy on Small Scale Industries of Kanpur, Uttar Pradesh

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ABSTRACT

Realising the fact that India lives in villages and adhering to the Gandhian gospel of rural development through small scale and cottage industries, from the very inception of Five-Year plans in our country, the planners and policy-makers have accorded high priority to the development of small-scale industries (SSIs). The Government has given a thrust on SSIs in all its plans in order to boost rural employment and to improve the agrarian economy. Though the Government has been providing a

protective umbrella to the small-scale industries, but in the wake of liberalisation policy of 1991 it is feared that these industries may not be benefited much from such a policy. However, the Government claims that small-scale industries will get many more opportunities due to the structural reform policies. In view of these conflicting debates, in this paper an attempt has been made to empirically verify arguments by undertaking a case study of few SSI units of Kanpur.

Kanpur, being the industrial metropolis of Northern India, has promoted a number of industrial complexes in and around the city. Our study has covered 30 units of two industrial complexes, viz, Panki Industrial Estate located in the heart of the city and the Chaubepur Industrial Complex located in the out-skirt of the city. The units covered are engineering goods, chemical, food products, pharmaceutical and plastic units. In examining the impacts of liberalisation/new economic policy we have used the indexes like production, raw materials availability, employment, finance, market and net earnings of those units.

Our study has established that most if the units covered have increased their production over the last eight years and more than 50% have increased their level of employment. As regards to the financial availability we have noted that about 70% have improved their capital investment due to liberalisation in the financial market. Furthermore, more than 80% have increased their marketing facilities and more than two thirds of the units have experienced rise in their earnings and income. Though around 70% of the proprietors feel that they have not been benefited by the liberalisation in the general terms, our empirical results mentioned above have negated those feelings. In fact, a large number of them have gained due to the new economic policy. Hence, our study has established that the Small Scale Units have been benefited to a large extent due to the liberalisation policy of the Government of India, which was initiated in 1991.

ABSTRACT

Realising the fact that India is a developing country, the Government has given a thrust to small-scale industries (SSIs). The Government has given a thrust to SSIs in all its plans in order to boost rural employment and to improve the agrarian economy. Though the Government has been providing a

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