CHAPTER-VI

CONCLUSION
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A rapid rate of growth may be achieved by opening up of the economy to integrate it with the world economy, privatizing it to let the market forces decide resource allocation and factor incomes, exercising fiscal prudence by raising more revenues, cutting down inessential expenditure, reducing fiscal deficit and setting up independent regulators to oversee the functioning of the market in different spheres to ensure fair competition. But such a strategy may not alone necessarily result in commensurate human development. A parallel approach and set of measures may need to be adopted for promoting human development and reducing poverty and unemployment. Hence the obsession with GDP growth rate has to go.

GDP growth rate is essentially a function of investment and productivity, which depends prominently on the technology used. But for human development we need larger investments in areas where most of the poor, illiterate, ill-fed, ill-housed, ill-treated, unemployed, underemployed and exploited people are living and working and the use of labor intensive technologies which provide them gainful employment and increase their productivity in the vocations in which they are engaged.

If higher GDP is generated by investment made mostly in ventures located away from areas where the poor are concentrated for producing goods and services of no relevance to the poor by using capital intensive
technologies which use more of scarce capital and economize on the use of labor thereby causing a net reduction in employment even in areas where such investments are made, and it would neither promote human development nor reduce poverty and unemployment.

Rapid GDP growth does not automatically translate itself into poverty reduction and employment generation or human development. GDP growth is not an end in itself but only a means of promoting human welfare. It is not so much the rate as the pattern and distribution of GDP growth, and the nature of the technology used, which determine the extent to which it would translate into income for the poor and jobs for the unemployed.

6 (I) OBSERVATIONS OF THE STUDY:

The growth pattern in India after 1991 has been such that the share of agriculture has been declining. Between the period 1991 and 2005, there had been four years when the primary sector growth was negative and another three years when the growth was less than even one percent. Alagh (2006) and Tripathy (2006) are of the view that without proper agricultural growth there cannot be any inclusive and sustained growth. This poor growth is the reason why rural poverty fared badly after 1991. If we take the period from 1973 to 1993-94 as pre-reform period and the period from 1993-94 to 2004-05 as post-reform period, we can say that reforms had no positive impact on poverty reduction, rather the decline in the rate of poverty reduction has been
slower during the reforms period. The annual average decline in rural poverty between 1973 to 1993-94 was 0.95% while the same figures for the period 1993-94 to 2004-05 was lower at 0.81%. This brings the fact that the decrease in the share of primary sector in overall GDP is not primarily because other sectors have outperformed but because this very sector has fared badly. Interestingly the first generation reforms didn’t say anything about the agricultural sector. The policy makers were so much concerned with other things that they rather neglected agriculture. This was the basic flaw in the reform process as Stiglitz (2002)\(^3\) talks about keeping the strategies and priorities right and what is off and what is on the agenda. Markets are driven purely by profit motive and it cannot be expected of the market that it would take care of each and every thing which in Sen(1995)\(^4\) view is that market does something and abstains from others.

Despite the reforms and the changes in the industrial policies as Mishra and Prusty (2001)\(^5\) had observed the secondary sector growth was not very impressive. The growth rate in nineties was lower at 5.75% than that of 6.98% in eighties. Ideally the sectoral contribution of industrial growth should increase but in India’s case the situation is quite opposite. The sectoral contribution of industries declined from 38% in the eighties to around 28% in the nineties and further declined to 27.65 in 2006-07.
Obviously when the contributions of agricultural and industrial sector contribution have decreased then the gap has to be filled by the service sector. As Joshi (2004)\textsuperscript{6} has also observed that there has been a growing tertiarisation of the Indian economy but the problem is that there are fears that without a strong industrial growth, this growth in the service sector will not be sustainable. Agreed that service sector growth has been impressive at more than 7%, but the over dependence on this sector which is now contributing more than fifty percent to the GDP is structurally flawed as it is not that the service sector has outperformed itself rather the other two sectors have under performed.

Thus with the policy changes during nineties there have been improvements but along a rider that all segments of the economy have not equally benefited. Datt and Sundharam (2001)\textsuperscript{7}, Parikh and Radhakrishna (2004)\textsuperscript{8} and Sury, Mathur, Bhasin (2006)\textsuperscript{9} have also towed the same line. When we compare the share of states in aggregate net state domestic product (%) ten years before the reforms and ten years after the reforms, then we find that there are three category of states: first which showed improvement in their ranks, second who maintained their ranks and third which experienced a worsening of their ranks, namely Bihar, Haryana, Madhya Pradesh, Manipur, Punjab and Tripura.

The states like Bihar (which includes Jharkhand) and Madhya Pradesh (which includes Chattisgarh) were some of the top performers in increasing their per capita net state domestic product are still having
poverty rate of around 40 percent. India’s performance in terms of reducing poverty had been mixed with a slower rate of reduction of rural poverty and poor performance of some states. Jha and Sharma (2003)\textsuperscript{10}, Sundaram and Tendulkar (2003)\textsuperscript{11}, Radhakrishna, Rao, Ravi and Reddy (2004)\textsuperscript{12}and Parikh and Radhakrishna (2004)\textsuperscript{13} all have expressed this very view. One fourth of the total population is still below the poverty line and that too there are states that have more than 40 percent of their population below poverty line. More than 70 percent of the total poor are concentrated in the rural areas. Only six states, viz. Bihar, Madhya Pradesh, Orissa, Jharkhand, Chattisgarh and Uttrakhand contribute more than 40\% to the total poverty.

Mitra (2002)\textsuperscript{14}, Sankaran (2006)\textsuperscript{15}, Datt and Sundharam (2001)\textsuperscript{16} and Misra and Puri (2004)\textsuperscript{17} all are of the view that the employment situation has worsened during the nineties. The unemployment rates as per usual status unemployment rate has increased from 2.62 in 1993-94 to 3.06 in 2004-05. The public sector growth rate was negative in the nineties. On an average when the decade of nineties is compared to that of eighties we find that in the nineties the employment elasticities were lower and that except for few states the employment situation worsened for a majority of the states.

There is a huge difference between the constituents of growth and development. Gupta (2001)\textsuperscript{18}, Todaro (1997)\textsuperscript{19}, Thirwall (1999)\textsuperscript{20} all have brought out the difference between growth and development. If the
difference between the two is to be said in one line then it could be said that growth is least concerned with poverty, unemployment and development. In this study we see that GDP at factor cost has more than doubled between the period 1993-94 to 2004-05 from Rs. 781345 crores to Rs.1529408 crores but in terms of poverty and unemployment the situation has not improved much, Dwivedi (2005)21, Luthra (2005)22 and Maura (2004)23 are of the same view which this study holds, that is, no doubt there has been an increase in India’s economic growth after 1991, due to the reforms but this growth has not percolated to the poor and the unemployed and the correlation between growth – poverty and growth – unemployment is weak and this type of non inclusive growth is no key to economic development.

It is true that there are problems with the Indian economy, as the social sector particularly poverty and unemployment, which can be attributed to the ongoing process of privatization, liberalization and globalization, but this is where the role of government comes into play. If markets are not benefiting the poor and the unemployed, structurally it is neither wrong nor unexpected of markets as it works purely on profit motive. Moreover, it is not that India has voluntarily adopted for the privatization, liberalization and globalization; rather the bad performance of our economy prior to nineties have led India to a position that it had to call for help from World Bank, International Monetary Fund and developed nations which coerced India to tow the line of Washington
Consensus. The debate of reforms or no reforms is not relevant now. Whether India likes it or not, it can neither revert back the process of reforms nor stop it. The onus is now unto India to mould the nature of reforms and the growth process so as to make the growth process not only sustainable but also inclusive. And the phrase that the onus is with India means that the government will have to work for it. The difference between the approaches of government and market is that for governments each and every citizen has to be equally treated and equally looked after but markets deal with commodities, not citizens. Markets take masses merely as consumers of goods or suppliers of labor. As consumers, they appear if they have the purchasing power. The government has to look after as to how to inculcate purchasing power into masses. And as suppliers of labor, their value will be determined by the forces of supply and demand. Again here the government has to enable masses in such a way that they are accepted as workers in the economy. The role of government has become more dynamic and the interdependence between these two much more strategic and important.

As Sen (1995)²⁴ is of the view that it is not the failure of the market that the social sector has failed to develop, rather it is the failure of the policy making which is of the view that markets will take care of each and everything as market does certain things and abstains from others. Markets do create opportunities, and increase incomes and creates many avenues which can be harnessed for the larger good of society. But the
government has to ensure that the growth process is equitable and inclusive.

6 (II) SUGGESTIONS:

India’s strategy has to be two fold: markets must be allowed to flourish where they work best, namely in production of manufactured goods and services, but government resources must increasingly concentrate on areas that are typically ill-served by markets: mass education, public health, rural roads, irrigation and agricultural research. Neither a more vigorous embrace of market alone, nor a return to pre-1991 policies, will do the job.

The access of the poor and the unemployed to the social and physical infrastructure has to expand by creating opportunities, improving the quality of life and empowering the poor to be a part of the growth process. We need to create opportunities for the poor. Creating opportunities leads to developing a broad-based growth. For this we need to increase the asset base of the poor by say, investment in projects that secure access to quality education and health services such as targeted Human Development Programmes that help poor families keep their children in school and provide them with regular health care. We must promote the creation and development of markets also by improving access to geographically inaccessible areas through investment in physical infrastructure, increasing the linkages between the rural economy and the industrial sector through support of micro enterprises.
and ensuring a positive cooperation between the local and multinational enterprise so that growth doesn't happen by cutting throat of others but by spreading more branches.

This requires a suitable macroeconomic framework with policies that support reasonable fiscal deficits, realistic and stable exchange rates, low inflation along with investments in human and social assets like proper schooling, secured nutrition, proper health care and sanitation, rural credit, rural infrastructure and many others. By providing social protection like targeted subsidies to the poor, food for work programmes, unemployment relief we can minimize the vulnerability of the poor. Also the poor have to be involved in the decision making process and its implementation through community participation. This transparency and accountability will lead to better policies with wider public support as in this case the public expenditures could be better managed and could be a cross check for social and economic inequality and corruption. There is also need to advance the reform of institutions for the delivery of health, education and judicial services and to improve the management capacities of government to enhance their accountability and make them more responsive to the needs of the poor. Further, acceleration in economic growth and reduction of poverty will need greater investment and employment growth along with enhancement of productivity. For such acceleration to take place we will need a significant enhancement of growth in capacity
building and in the availability of public services that the private sector cannot provide.

I, therefore, believe that just as the first generation of reforms empowered the private sector to perform as it can to the limits of its abilities, the second generation of economic reforms must focus on a similar empowerment of the public sector to deliver public goods and services for the benefit of all segments of the private sector, corporate entities and the public alike. I would like to take up seven areas, by way of illustration, where we need to give focus attention and which I believe can mainly be done by the public sector, even if some of it is to be delivered through public private partnership.

The seven areas that I propose to address are: agricultural development, human resource development particularly education, management of public services, local governments, non-government organizations, state reforms and good governance.

(i) *Agricultural Development:*

One of the most disturbing features of the recent growth experience has been that of the deceleration in agriculture growth. With more than fifty per cent of the population still largely dependent on agriculture, this deceleration has clearly had a significant impact on slower reduction in poverty levels than otherwise would have been the case. Moreover, for aggregate annual GDP growth to be a double digit growth on a sustainable basis it will be difficult if agricultural growth
itself does not exceed 4 per cent annual growth. Higher agriculture growth will also lead to faster increases in rural household incomes giving rise to greater demand for goods and services in rural and urban areas alike, which would be employment promoting.

The need now is for a corresponding second agricultural revolution, but one that will have to be much more heterogeneous and this revolution has to focus on the rain fed area particularly. With the increasing diversification of the Indian diet, there is great potential for acceleration of growth in the production of all non-cereal foods, though in varying degrees. There is need for a new agricultural revolution in all areas such as: dairying, horticulture, aquaculture and pisciculture, poultry, meat, and even wineries. The potential in all these areas is massive for income and employment generation on a well distributed basis; for generation of a host of new activities; and for widespread innovation.

This could be done through decentralized packages for many activities that will have to be regionally disaggregated and each package will need to make simultaneous provision for technology inputs, infrastructure, supply of inputs and associated credit delivery. Whereas the packages will need to be diverse and decentralized, it is unlikely that they will be developed without the initiation of a nationwide coordinated programme on a mission basis. Such a programme could form expert teams for each activity and location. It will be essential to bring together
is in this context that I have talked about the empowerment of the public sector in all its aspects, but particularly related to competence.

(ii) Improving Education:

If India is to compete in the world, its labour force also will have to be better educated and technically trained. The future will essentially need a skilled labour force. It is now well known that there has been noted deterioration in the public education systems in most parts of India. The performance of public primary schools has been widely brought into question. What needs equal attention, however, is the quality of education, which would emerge if there is greater local accountability of the school system and greater local involvement in general. Teachers need to be incentivised and better trained; and teaching materials have to be provided and improved. Clearly, these problems are the most pronounced in the poorest parts of the country that are also underserved in terms of basic infrastructure like power, rural roads and communications. A great deal of innovation and experimentation is going on but much remains to be done. Whereas there should be no doubt that the state retains primary responsibility for ensuring primary education to all, there can be many different ways of delivering it, including the involvement of non-government schools of different descriptions. In the field of higher education India has made rapid progress with the private sector initializing many a new centers of excellence. But the success of a few elite institutions such as Indian
Institutes of Technology (IITs) and Indian Institutes of Management (IIMs) have overshadowed the general lack of quality in Indian higher education. We must recognize urgently that there is great need to improve the quality of our colleges as well as universities in terms of facilities, laboratories, libraries, and most importantly, faculty - along with significant expansion of quantity. Side by side India has to evolve an organized approach that makes vocational training respectable, demand oriented and with great local involvement and accountability. The effort will have to involve extensive industry participation at the local level so that the training imparted is seen as relevant by prospective employers. As with the new requirements for agricultural extension systems, the systems for vocational training will need to have great heterogeneity in both the kind of training to be imparted but also how the training to be organized, accordingly to the different needs in the widely disparate regions of India. We also need to recognize that service occupations need organized training as well. One can illustrate this by the long time recognition of training needs in the hotel industry and how the private sector itself has set up a large number of excellent training institutions. Similar has been the case in information technology where many private sector training institutions emerged as demand started rising. Hence, this is clearly an area that is most well suited for public private partnerships. Once again, however, the organization of public private partnerships also involves a great deal of organizational capacity in the
public sector, which designs delivery systems in a way that they spawn efficiency, productivity and innovation.

Overall, there is no way by which we can attain and sustain a two digit growth unless the whole education system, primary, secondary, vocational and higher is revamped. The State must bear the responsibility for ensuring that this happens, but must organize it in such a way that the best entrepreneurial energies that are now manifesting in the country are also harnessed towards the cause of education.

(iii) Delivery of Services:

We find highly modern convent schools with school going children carrying laptops along with their bags but no body cares about the poor municipal school which doesn’t even have one computer. Underground metros and flyovers are being constructed but no one cares about the shattered bus that goes to the nearby village. Cell phones are in many hands but what about the old landline going to a slum area. Big chains of hospitals are there but what about the government hospital. Its not that India doesn’t have schools or it doesn’t have roads or it doesn’t have water taps or it doesn’t have electricity. The problem is that classes are not held, the roads direly need repairs, there is no water supply and there is a lot of load shedding. Education systems, health systems, hospitals, water supply systems, sewerage systems, public lighting and public transportation all are in a dire need of efficient and innovative
management. The key issue is that of efficient delivery of public services, and in India particularly, at affordable prices.

This problem has to be tackled on various aspects. For example, in case of electricity, the government has to ensure that there is an adequate supply of electricity, where ever needed dams have to be constructed, the dam has to be technically sound and the displaced properly rehabilitated and the common man has to ensure that electricity is properly used and user charges paid. Another related factor is the management of these institutions. Ironically although India at the moment home to a huge population of engineers and management graduates still no one wishes to work for government. The reason being, if you pay peanuts, you get monkeys. It could be argued that the government doesn’t have enough money but India would be much wealthier if it cuts on the expenditure of politicians and bureaucrats or cutting down on the irrational subsidies. We need to make public service prestigious again: not for the exercise of power and authority, but for tackling challenges for efficient public service delivery. Another way out is to have public private partnerships. The challenge is to design appropriate incentive systems so that the ultimate objective gets aligned. Different sectors will need different forms of partnerships. In education, for example, the partners could well be non-profit non-governmental organizations. In ports and airports, the partners could clearly be profit seeking private companies.
(iv) Local Governments and Decentralization:

The process of centralized planning has led to the perpetuation of dependence to the lowest level and inhibited their capacity building. The Planning Commission would do well to train local officials in financial planning and management, project choice and evaluation techniques and let local officials make informed decisions about spending to benefit their communities. Overtime local officials should replace state government employees for many a governmental tasks which are devolved to local level. The reallocation of public sector staff at the local level should also be used as an opportunity restructure the person system that it provides better incentives to those who deliver services, reward good performance, punish fraud and make information available that lets consumers and voters make better choice. Local governments should be given block grants, and the freedom to decide how to spend them, but with monitorable outcome targets. This is totally in contrast to the current approach, which reduces local governments to agencies of the governments. If the Planning Commission really wants changes to happen then it has to work with the Finance Commission to build local government’s capacity for budgeting, accounting and bench marking. Note that equity concerns can be met by making per capita grants inversely related to the backwardness of the area. The need to meet outcome targets will presumably act as a check on the incentive to remain backward.
Overall, job creation particularly rural employment is an essential need. Simply making sure that people are looked after when in dire straits or brought up to basic literacy, is hardly a recipe of inclusive growth. The masses need to be given income earning skills and the opportunities to use them. There is a systematic failure, due to lack of vision and implementation. Much of the required training has to come from the private sector. The government is simply not financially or administratively equipped to fulfill this role, but it constraints the private sector needlessly. Allowing local governments to pursue partnerships with the private enterprise for expanded education opportunities will help here. The role for the government and the Planning Commission would be in providing simple guidelines, certification mechanisms and quality rankings.

If India’s young people can be given good vocational or practical training on a much larger scale, then an important question arises as to where will these people be placed. Definitely, new businesses have to grow to hire these people. At present, setting up and running a business in India is needlessly difficult and costly. In addition, financing is difficult. Local governments, at the level of small towns and above need to be given the policy tools to compete in new businesses. This will require decentralization of land use and licensing decisions from the state level, just as earlier reforms saw the decentralization from the centre to the states. If the traditional banking sector is unable to make
loans effectively, new private sector entrants must be encouraged. Administrative process for regulating business must be streamlined. The Planning Commission can develop guidelines here, and even fund local capacity building that will help localities to shape policies for job creating economic environment.

(v) State Level Reforms:

During these days when privatization, liberalization and globalization are a reality the most crucial area where the state policy can help to catalyze development is to provide basic economic and social infrastructure. The reason why the backward states are backward is basically due to lack of infrastructure facilities. Because of the constitutional division of powers between the Centre and the States, some of the infrastructure needs fall exclusively in the area of the central government e.g. railways, national highways, telecommunications, major ports and airports. Infrastructure needs in these sectors must be met either directly through increased central public investment or when private investment is also feasible, by a combination of public and private investments. However, a large part of what is needed by way of infrastructure in individual states either falls in the exclusive area of responsibility of the state government like irrigation or in what is described in the Constitution as the concurrent list as is the case for education and electric power. Both the Centre and the states can legislate in these areas and state laws must be consistent with Central
laws, but the delivery system in practice is generally in the hands of the state government.

State governments are also responsible for many of the critical infrastructure requirements of industrial and commercial development. The availability of power at an appropriate price and of acceptable quality is a critical requirement for industrial and commercial development and this is also a state government responsibility. The generation transmission and distribution of power in all the major states is a state monopoly operated by the State Electricity Boards (SEBs). The financial position of the SEBs has deteriorated massively over time because of a combination of operational inefficiency and irrational electricity pricing, with very low electricity tariffs for farmers and household consumers which are cross subsidized by very high electricity tariffs on industrial and commercial users. Operational inefficiencies are particularly marked in distribution where corruption is widespread leading to under-billing for electricity consumed. The resulting financial difficulties of SEBs have led to inadequate investment in both generation and distribution, leading in turn to power shortages, erratic voltage and unreliable supply. Major reforms in the power sector are desperately needed in all states to bring about rational tariff fixation and create stronger incentives to improve efficiencies at all levels.

Urban infrastructure is also an important pre-condition for attracting private investment especially foreign investment. This too is
entirely a state government responsibility and the slow growing states suffer from a severe competitive handicap in this area. Improvements in urban infrastructure must therefore be an area of priority attention for state governments wishing to attract private investment.

The total resources devolved from the Centre to the states in the form of the statutory devolution of the states share of central taxes and special grants recommended by the Finance Commission, together with the flow of central assistance in support of state plans through the Planning Commission, already add up to a substantial amount and the central government's fiscal position does not allow any significant expansion in these flows. Given the central government's evident compulsion to reduce its own fiscal deficit, there is obviously little scope for increasing the total flow of resources to the states. However, there is room to re-orient the expenditure undertaken by the centre in a manner that provides greater developmental support to the states, especially the poorer states. At present, a very large volume of resources under the direct or indirect control of the Central government is devoted to various types of poverty alleviation programmes and other programmes involve under-pricing of certain goods and services based on cross-subsidization from other parts of the system e.g. a subsidy on kerosene which is financed by overpricing petrol or subsidy to railway passengers financed by overcharging freight. Although these amounts are cross-subsidized by other parts of the system they can become available as additional
resources if user charges are raised to eliminate the need for cross-subsidy, and the resources thus released are mopped up through taxation. The total amount involved in these subsidies exceeds the total central assistance provided by the central government to the states in support of their plans. If these programmes could be reduced in scale by even half, the resources so released could be used to expand central assistance to the states to be used for infrastructure development. Eliminating subsidy programmes is not easy, but all the available evidence suggests that the effectiveness of the existing programmes is extremely limited and the same resources would be much better spent in building infrastructure. There is little doubt that such a reallocation would strengthen the development prospect of the poorer states, and make a much bigger contribution to poverty reduction in the country.

A related issue, which has not received the attention it deserves, is the scope for improving the development effectiveness of Central assistance to the states by linking it to performance. At present, most of the central assistance provided to support state plans is not subject to specific performance criteria or conditionality. It can be argued that such assistance would be more effective if it is linked to policy reforms and other specific performance criteria that would be designed to address the factors that constrain the growth performance of the states. Advocates of federal autonomy and decentralization will no doubt object to the suggestion on the grounds that resources should be provided on the
basis of an entitlement criterion and accountability for the use of these resources should be left to the normal political process at state level. However, this approach also implies that the Centre can have no particular responsibility to ensure that the specific constraints to growth at the state level are effectively addressed. Microfinance can be very important in this respect.

(vi) Non Governmental Organizations:

With the failure of the state and the markets these organizations assume huge importance as these can be instrumental in furthering proper inclusive growth. These organizations stimulate voluntary action among the served community and progressively involve enlightened individuals belonging to the served community in the higher echelons of its decision making machinery. Working on no profit and no loss basis and keeping in view simple charity, it supplements the welfare function of the state. It particularly increases the awareness and encourages people’s participation for the benefits of the society. The beauty of it is that it involves people in programme planning, raises resources, implements activities and finally shares the fruits of development. The NGOs at present adopt a target group approach, but aim at the self-reliance of the people they are serving. Once they have been able to assist a target group to become reasonably autonomous in their socio-economic status they move on to another target group suffering from
backwardness. This enables them to serve a large segment of the community. Of late NGOs have started specializing in particular services.

The main characteristic of NGO is 'human touch' which is a quality innate in a human being and cannot be developed with any amount of training or incentive. But this particular quality is getting gradually eroded with the introduction of professionalism which is replacing volunteerism. Still these organizations are open, non-bureaucratic and more importantly close to the community where it works. The idea behind is to think globally but to act locally. NGOs are and could be further helpful in education, health and medical services, population control and family welfare, disaster relief and rehabilitation and for furthering the welfare of slum children, women, handicapped, SCs and STs. It can also play vital role in consumer protection, agricultural extension services, environment, training and legal aid etc. but all is good till when these NGOs are not influenced by vested interests other than welfare.

(vii) Governance:

Good governance affects growth in several ways. First, it has a direct impact on the effectiveness with which public sector developmental programmes in the state are implemented. Poor administration and corruption, which are in fact related to one another, are now widely recognised as major problems reducing the effectiveness of many government programmes. Since additional public investment in the
infrastructure and social sectors is an important part of the growth acceleration strategy for poorer states, it follows that parallel improvements in governance at the state level are needed to ensure that the resources provided for this purpose are well spent. In many cases, improving the effectiveness of public expenditure requires decentralized control over the programmes with much greater people's participation. There are many successful examples of decentralization in states such as Kerala, Karnataka, Andhra Pradesh and Madhya Pradesh. These experiments need to be replicated in the slower growing states such as Uttar Pradesh, Bihar and Orissa.

Another channel through which the quality of governance at the state level can stimulate growth is by making the policy environment more business friendly. While the economic reforms have reduced the burden of Central government controls on investment activity, there is need to introduce similar liberalization at the state level. Entrepreneurs setting up an industrial unit typically need several separate permissions from various state government departments responsible for state level clearances, e.g. those related to environment regulations, labour welfare regulation, utilities, health, sanitary and safety inspection, sales tax, etc. Each interface with a separate part of the bureaucracy subjects the entrepreneur to the triple vicissitudes of harassment, delay and corruption. The high transactions costs are particularly onerous for small business, which is precisely the group which most state
governments are otherwise keen to promote. One of the positive
developments in recent times is that many states have taken initiatives
in this area and have introduced simplified procedures and one-window
arrangements to improve the business climate. However, these
experiments are relatively recent and the lead has been taken by the
better performing states. The poorer performing states have generally
lagged far behind the others in this dimension. Sweeping reform of these
regulatory systems at the state level is needed.

The law and order situation is another aspect of governance at the
state level that is relevant for creating an environment conducive to
investment. There are no objective measures to assess performance in
this dimension, but impassionate evaluations suggest that the slower
growing states suffer from more than the usual problems in this
dimension. Tensions associated with economic and caste stratification in
parts of the country especially in rural areas have created disturbed
conditions in some of the slow growing states which is bound to have an
impact on developmental activity. It is difficult to imagine any significant
acceleration in economic growth without a significant improvement in
this aspect of governance.

For the governance to be successful among all other things the
most important is transparency. In view of this the recent Right to
Information Act is a positive step. Their basic remedy is the separation of
economics and politics. The culture in India is such that if the Central
government raises the prices of petrol in light of increasing international prices, the very next day there would be an all India strike. The state government which dares to cut the subsidies on power, which economically is a highly rational decision, will never come to power again. The remedy for this is that the government should be made accountable. There is no dearth of development programmes and benefit measures for poor are regularly announced, but there is no one to question about the proper implementation of the programme. The government and the institution is least threatened by the improper implementation as its success depends on vote bank politics which banks on caste, religion and regional politics. The way to achieve this is to separate bureaucracy from politics. There should be a check on policy making and its implementation. The idealistic view is that the common man should be empowered enough to raise their voices against failure of state. As illiteracy and vote bank politics has failed in choosing and checking governments the bureaucracy should be made strong and independent enough to rationally facilitate the development process. This is indeed a strong step but is surely the shortest route to success.

6 (III) A TEN POINT PROGRAMME:

What ever that has been discussed above, has been suggested from time to time by many researchers and analysts. But the problem is that the problem remains. It seems that a vicious circle of underdevelopment is operating in the economy. Poverty is leading to lack of capability to
learn and unemployment; unemployment is leading to poverty; poverty, illiteracy and lack of avenues is leading to frictions and hopelessness in the society, which is being exploited by the politicians for the vested interests of the rich and the influential and when vested interests are working the cause of the poor and underprivileged are bound to suffer. In view of the above discussion, this study recommends a ten point approach:

i. Public-private partnerships

ii. Rain fed area agriculture

iii. Micro finance

iv. Vocationalisation of education

v. Improving delivery of services and infrastructure

vi. Strengthening accountability of institutions and governments.

vii. Attracting physical and human capital to public sector

viii. Increasing self sustaining decentralization

ix. Cutting on uneconomical subsidies and other populist measures

x. Separating politics and bureaucracy and improving governance.

6 (IV) RELEVANCE OF PLANNING IN THE PRESENT SCENARIO:

It is rather ironical that a country which launched its development programme in the framework of planning would have now reached a state where the relevance of planning itself is being questioned. If the role of government is to take decisions at the centre for allocation of
learn and unemployment; unemployment is leading to poverty; poverty, illiteracy and lack of avenues is leading to frictions and hopelessness in the society, which is being exploited by the politicians for the vested interests of the rich and the influential and when vested interests are working the cause of the poor and underprivileged are bound to suffer. In view of the above discussion, this study recommends a ten point approach:

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x. Separating politics and bureaucracy and improving governance.

6 (IV) RELEVANCE OF PLANNING IN THE PRESENT SCENARIO:

It is rather ironical that a country which launched its development programme in the framework of planning would have now reached a state where the relevance of planning itself is being questioned. If the role of government is to take decisions at the centre for allocation of
resources and distribution of this package of decisions to the various implementing agencies both at the micro level and at the macro level, then the role of government is certainly going to change in the changed economic environment. India started with planning in a mixed economy framework which was an innovative mixture of the public sector and the private sector, market and the state, private profits and social welfare, physical controls and fiscal incentives. This heterogeneous feature changed over time, as the State along with the public sector and the bureaucracy increased in a disproportionately more authoritative manner and thereby destroyed the true nature of dualism in decision making. Gradually the need and the desire to perform disappeared and finally it so happened that the economy lost its dynamism and it became a symbol of inefficiency, indifference and in-competitiveness. To make matters worse the growing nexus of the policy makers and the vested interests, created a rigid institutional framework for policy implementation leading to an increase in the tendencies of excessive dependence on the State which ultimately led to a loop sided and non inclusive growth and the role of government as a catalyst and stimulator for inducing development deteriorated.

With growing integration of the national economies with the international process the need for analytical studies aimed at identifying the strategies for fostering national interests have increased significantly. This need is being increasingly felt in the context of our negotiations with
the WTO and also at different international levels. With increasing globalization and liberalization, the compulsions of examining the implications of the different policy options for the national economy have significantly increased. The government must play an effective role in not only providing technical study base and analytical support to the different economic ministries of government but also in bringing about more effective coordination of the policies and perceptions of the different ministries of the government. The government must play the role of synergizing these different approaches and perceptions for evolving a coordinated national strategy and strictly look into the fact that different ministries and departments have a coordinated approach to the different issues of development, be it at national level or at international level.

One of the problems of the process of development in our economy has been the inadequacy of sectoral growth balances. The government should look into the fact that proper consistency models are prepared to work out a profile of growth rate for the different sectors. Since the process of implementation of the programmes by the different ministries and also in the private sector did not conform to these inter-sectoral consistencies of the country landed up in a situation of bottlenecks and inadequacies of infrastructure and other services. The government will have to undertake specific analytical studies and monitor the profile of inter-sectoral consistency in the economy, including the crucial but often neglected, problem of fostering consistency between the profiles of growth
of the real sector and financial sectors of the economy, the tasks of balancing the revenue and expenditure etc.

Although in the present scenario market mechanism has to be used to promote optimum utilization of resources, but there are areas where planning has to assume direct responsibility. Planning is needed for creating social infrastructure and for human development in the sphere of education, health and scientific research. The private sector is not yet capable of taking care of the entire needs of the society, particularly the poor and the weak. The market mechanism may be able to bring equilibrium between demand and supply, but it will not be able to bring forth a balance between need and supply. Planning is necessary to take care of the poor and weak who have little or no asset endowment to benefit from growth as there is every danger that in the market determined environment the social aspects would be marginalized.

6 (V) CONCLUDING REMARKS:

Reducing poverty and unemployment calls for a three pronged approach: promoting pro-poor growth, securing social development and ensuring good governance. Interestingly, all these are interrelated as pro-poor growth stimulates employment and other economic opportunities and generates revenues which can be directed through good governance at providing services needed by the poor and vulnerable groups.

Economic growth needs to be broad based and labor absorbing, providing jobs and economic opportunities for self employment- a
challenging task, because industries need to be internationally competitive as well. This requires diversified industrial and service sectors and the networking of international and local enterprises of different sizes to enhance synergism between different economic segments, a supportive policy framework needs to be complemented by investments in human, physical and financial capital, particularly of the poor, to aid their integration into the main stream of social and economic development. These measures need to be chosen and designed with greater involvement of the public at large and the poor in particular, to ensure their effectiveness and sustainability.

Government also has its own role to play. It needs to create an environment that stimulates growth and private sector development ensures efficient public resource management and delivers basic services and infrastructure. They also need in cooperation with the society and the business community to strengthen social cohesion as the more affluent increasingly tends to have an international outlook and less in common with the poorer parts of their own countries. However, shifting the role of government overtime, from producer cum regulator to facilitator cum regulator is a complex understanding. Introducing concepts of participation and inclusive development requires responsive governments, as well as citizens able to contribute constructively to public debate and the decision making process.
The economic reforms process carried out in India since 1991 has brought forth a burst of new entrepreneurial energies in almost all sectors. As a consequence, the country is now recording substantial economic growth in excess of 8 per cent. This growth could possibly be constrained by the lack of both quality and quantity of public services supplied by the Government and its various authorities. Hence there has to be all-round improvement in investment and delivery of public services. While privatization, liberalization and globalization may alleviate poverty and unemployment in those societies which have done their homework well and have completed the prerequisites of sustaining and spreading growth, it leads to marginalization and unequal growth in others. It can be hardly denied that economic benefits of these policies remain highly concentrated in the industrialized countries while others particularly the developing countries turn up at the losers end. Globalization particularly might lead to increased income and technology gaps as all nations are not equally likely to benefit from it. It ultimately leads to social fragmentation by creating high-income opportunities for the fully integrated and rich groups while the losers are the working poor who don’t have access to these opportunities. Now our priorities should be to manage this social dualism between the integrated and excluded ones. The problem entirely doesn’t lie with the reforms; rather the problem is with the approach of taking these reforms as the end rather as the means to a broader end. Reforms, only for the sake of reforms is
not wanted rather reforms are needed for growth cum development. India’s development strategy during the reform period is based on a rather updated version of the age old trickle down hypothesis which concentrates only on the core policies of simulating growth and strengthening market forces and the biggest lacking of it are non-inclusiveness and non-participation. These policies could be beneficial from a broad social viewpoint given the structural reforms have been designed in such a way that the fruits of growth spread out to all parts and percolates to all layers of the society. In other words, social targeting policies could aid in further economic growth. This can be summarized as a development–growth-development spiral. Also, participation is important as it gives a sense of ownership of a successful economic transformation as it reduces resistance, facilitates consensus building and gives the strength to bear the pain of transition. The new focus of economic reforms has to be the empowerment of the public sector to do what it is supposed to do, that is, public services. In addition to the call for real decentralization the Planning Commission has to play the role of a provider of expertise and not that of a pure decision maker. It is as if the reform processes itself needs to be reformed. To summarize it in the words of Nobel laureate Amartya Sen “We must not make the mistake common in some circles-of taking the growth rate of GNP to be the ultimate test of success, and of treating the removal of illiteracy, ill health etc., as- at best-possible means to that hallowed end............
this sense, it is perhaps a mistake to see the development of education, health care, and other basic achievements, only or primarily an expansion of human resources—the accumulation of "human capital"—as if people were just the means of production and not its ultimate end."25
REFERENCES:


25. ibid