CHAPTER - I
1.1: The Concept of Rural Development:

Rural development has been described as a process of change from the traditional way of living of rural communities to progressive ways of living; as a method by which people can be assisted to develop themselves on their own capacity and resources; as a programme for accomplishing certain activities in field concerning the welfare of the rural people; and as a movement for progress with a certain ideological content.

In these approaches is to be found the different elements that constitutes the concept of community development. The objective is promotion of the all round development of rural communities: economic, social and cultural. When looked upon as a process the
emphasis is on the change that takes place in the people socially and psychologically; when viewed as a method that emphasis is on the ends to be achieved; when viewed as a programme the emphasis is on the activities in specific matters, such as, health, education, agriculture and when viewed as a movement the emphasis is on the emotional content or ideology behind the programme. But for a full understanding of community development it must be viewed as a whole, as a process of change and yet with clearly conceived objectives, as having its own special method or way of working but applying these to promote activities that may need to be taken up in any programme of rural development and finally as a programme capable of being developed into a movement with an emotional and ideological appeal.\(^1\)

The two essential elements in rural development are; participation by the people themselves in efforts to improve their level of living with as much reliance as possible on their own initiative, and the provision as technical and other services in ways which encourage initiatives, self help and mutual help and make these more effective.\(^2\)

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1. Ashok V. Bhuleshkar, Growth of Indian Economy in Socialism, p.61.
Rural development in the sense of local initiative and self help has existed in many ancient societies as well as in modern nations. Its new elements in the post-war world lie in its more comprehensive character, in its combination of voluntary efforts and technical skills, in its organisation as a part of national economic and social development programmes. Such comprehensive and organised rural development programmes are to be found only in underdeveloped countries.  

The reason for this is to be found in the conditions and situation commonly found in such countries to a greater or a lesser degree. To mention the principal features of this situation: poverty of the people and their Government; a very low level of production largely due to the employment of primitive methods of production; lack of resources for investment on development and a very low rate of capital formation; considerable unemployment and more under-employment; physical and cultural isolation of most rural communities that constitute the bulk of the population and their social and community life often in a state of disintegration and decay; a high percentage of illiteracy; and finally, the very low

capacity of the rural people to take advantage of science and technology because they have neither resources nor the knowledge. As a result of all these long prevailing conditions there is stagnation in the social and economic life of the community. These are the condition that rural development, as a programme of change planned and development by the political and administrative leaders of the under-developed countries, has to alter. At the same time they are the condition out of which the programmes have to be development. To add to the difficulty of the situation the under-developed countries have an educated elite at the top, few of whom have come from the rural areas or have a truly rural orientation, and administration and technical services not properly staffed and experienced to shoulder the responsibilities of rural development.

It is only by getting villagers involved in the process of improving themselves through their own efforts that we can develop their capacity and self reliance, a cooperative way of life in them and cohesion in the community. Thus it becomes essential that a rural development programme should not only have the sanction but the support and whole hearted participation of the million

of persons living in the hundreds of thousands of
village communities who from the vast bulk of the
population of the under-developed countries. It is they
who have to both accept and execute the programme for
their own improvements. This can be transformed, one
by one, the hundreds of thousands of villages from
stagnant liabilities to the nation into assets and brought
into the blood & stream of national development. This
is the true significance of people's participation in a
programme of rural development. People's participation
is not to be regarded as an expediency measure forced on
Governments by their meagre financial resources to which
therefore, the people are called upon to add through their
own contribution of money, material and labour. Nor
should it be regarded as a device to make people adopt/
Improved practices in agriculture, public health, village
industries etc. and execute the programme formulated by
Governmental authorities. It is important that people
should regard all aspects of community development as their
own concern and develop their capacity and faith in
themselves and in the efficacy of their own cooperative
action to solve their local problem.

This essential requirement of a rural development
programme that it should have the fullest participation of
the people and must fully involve them in the process of improving themselves through their own effort, determines very largely what programme of activities the communities should take up, how these should be initiated and developed and how the agencies of Government should assist the people in executing these programme. Local problems are the chief concern of the village people and the programme of rural development must deal with these problems. Some things the local people can do for others they need outside assistance. They can produce most of their food and clothing, can improve the village sanitation, build their own houses, organise their own recreation and can help in building their schools, health centres, feeder, roads and local communities can make for greater contribution than can action on any other organised level of society, to the task of raising the level of living of all the people in terms of their basic needs and desires, i.e. need and desire for food, clothing, shelters, health, education recreation and community life. But the local community do very often need technical assistance and guidance and sometimes they need financial assistance too. Since the purpose of outside assistance must always be to stimulate community self help efforts and must never result in its opposite, the form and manner in which assistance is given

and its guarantee and giving are all important. About these more will be said in a further points.

Rural development relying as it does on the potential capacity of the common man, which is seeks to build up to its maximum extent by educating him for a more progressive way of life, by promoting the solidarity of the community of which he is a member and by promoting in the community a cooperative way of life so that the energies, the effort and the ingenuity of the individual and the community are harnessed to the fullest and best advantage to the task of their own development and the progress if the country, has to be an essentially democratic process. Rural development must, therefore, have abiding faith in democracy, belief in the dignity of man, respect for the individual and for his freedom of choice, his right of free expression of opinion. It must have preference for the method of persuasion and not coercion and the conviction that progress attempted with the participation of the people⁶ of the communities is much more likely to be maintained and built upon than progress reached through benefits supplied from without.

⁶. D.P. Sharma, Rural Banking in India, p. 108.
Rural development must have faith in science and technology that these can contribute to the betterment of the rural people, and that accelerated economic and material progress is possible without producing any adverse effects. The impact of economic social and technological changes have not always brought benefit to the rural communities, it has often thrown out of balance their subsistence economy and impaired their social and cultural integrity. The rural areas can not be insolated from the impact of such changes; these changes will proceed even in under developed countries. No great programme of development and material improvement can be accomplished, whether for the urban or rural areas, except through the application of science and technology, of more advanced methods of production and dependence upon a market economy. Improvement of health and sanitation, communication and housing, irrigation and drainage soil fertility and conservation, water and fuel supply for the village these all repair the application of more advanced scientific and technological practices. But only skillful use of science and technology can help the rural people, their unwise use the any attempt to unduly force the pace will harm them. The rural people's capacity to take advantage of science and technology is very limited.
It is for the community development programme to provide the process and technique through which the rural people can take advantage of science and technology.  

A rural development programme must work in harmony with the culture of the people. As a feeling of commitment and of allegiance marks the sense of heritage, so a tone of tough-mindedness and curiosity and a readiness to change marks the pragmatic attitude.

1.2: Need of Developing the Rural Areas:

We have seen the importance of developing the small rural people, that today in the under-developed countries are culturally isolated from the main stream of national progress, in the development of the nation and even for the growth and continuance of cultural heritage of the human race. Rural development recognizes the true and vital place of rural reconstruction in the total development of a country. It has deep concern over the fact that the masses of people who dwell in the rural areas are living in conditions of extreme poverty ill-health and illiteracy, are ill-organised for effectively participating in programmes of their own betterment and lack of the knowledge and resources for improving those

8. C. Arputtiraj, Indian Agricultural Economy, p. 59.
conditions. Rural development focusses attention on the fact that the country as a whole will not progress, no matter how fast is the progress in the fields of industry, transportation, railways, shipping etc, unless the rural areas progress in the same measures and with equal speed. It knows that promoting the economic development and social welfare of the rural communities will present the most challenging problems. It must promise to secure the basic economic development for the rural people in all the under-developed countries of the world today. It recognizes that the welfare of the peasant must be the first consideration of all democarat governments, and though industrial development may be given high priority free stable villages are essential for a free stable society and must receive first attention; they must not become only agricultural appendages of the growing industrial areas.

Rural development must have faith in social justice. It must help all classes of rural society, otherwise community solidarity and cooperative action can not be achieved. Just as there is danger that when the cultural isolation of village communities is gradually

9. Campbell, Robert D. and V. Nath, Regional Planning for India, p. 89-95.
branched their productivity rises and subsistence economy moves towards a market economy, the village producers may be exploited by the manufactures and those who control the market, there is also the danger of similae exploitation within the village community of the weaker sections of the society by the more advanced and sophisticated. Rural development must approach the community as a whole and must pay particular attention to its weaker sections. This has important implication in terms of basic national policies of development in the formulation of the local programmes and in the choice of methods of their implementation. A policy of agrarian reforms to meet the ends of social justion is an essential requisite for community development in many an under-developed country. Rural development seeks to harmonise the conflicting interests in society and to use the village community as a vital agency for reconstruction and social change, and in doing as promotes cohesion in the community. It is the democratic methods that broadens and consolidates the freedom and dignity of the individual and allies his interests with those of the community. It discards the other methods of securing progress, that of promoting class conflicts and encouraging sectional interest to

10. Iyengar, S.K., fifteen years of Democratic Planning 112 - 120.
fight for their rights, which to the totalitarian approach. The two are such diametrically opposite ideologies and follow such different paths and methods that it is misleading to compare the pace of progress achieved under community development with that under a totalitarian system, a comparison that some make either to justify their disappointment with the results of rural development or will fully to discredit it.

1.3: Farm Sector of the Rural Economy:

The farm sector will continue to demand attention from the entire society both on account of its strengths as well as its weakness. The strengths of be the sector emerge from the role that the sector plays in the total economy. The role is specified by the functions that the sector performed in the past, is performing at present and is going to perform in future. The exact nature of the functions differ according to different stages of development of the total economy. The weaknesses of the sector owe their existence to the special characteristics of the farm sector. These characteristics are peculiar to the products of the sector, the process of production pursued in the sector and to the producer-entrepreneur who has to take decisions about the entire production.
system. The forces that help and/or hinder the
decision making very very widely at different stages
of the development of the economy. At different stage
the decision-making capacity is surcharged with so
many constraints that the actions and activities of the
decision-maker seem to be forced actions. When this
happens on a large scale and covers a larger part of
the sector for a sufficiently longer time, an impre-
sion is gathered that the farmer is not capable of tak-
ing decisions. Once the decision making function is
separated from the farmer or the pursuer of the activity,
his behaviour is explained more in terms of disciplines
other than economics. At an extreme situation, the
entire behaviour of the farmer is looked upon as
irrational behaviour. Once this idea gets rooted in
the minds of the policy makers, and the executives and
administrators they start taking decision for the
farmer. The farmer is expected only to fill in the gaps
by his actions. The sluggishness in his response to the
actions implied in the programme is cited as an excellent
example of the farmer's lack of decision making ability
as a result, the programme is dropped, out of frustration

11. Patel, K.V., Shah A.C., and D'Mello, Rural
Economics, Bombay. Himalaya Publishing House,
with an administrative note that the people are not interested, with an administrative note that the people are not interested in their development. Alternatively, a more complicated programme is launched and the process continues which enhances the gap between the understanding of the policy maker and the executive, on the one side, and the projected beneficiary, on the other. For avoiding such a confusion clear understanding about the role and functions of the farm sector, special characteristics of the farm sector and stages of development of the farm sector needs to be developed. The same has been tried in this attention in three sections.

1.4 : Role and Functions of the Farm Sector:

For discussing the role and functions of the farm sector in a particular economy, the interaction between three different sectors becomes relevant viz. (a) the farm sector under discussion; (b) non-farm sector within the same economy; and (c) the outside world. These sectors interact between them through three types of relationships other:

(i) supply of products to each other;
(ii) demand which the members of one sector have for the goods and services from the other sector; and
(iii) transfer of resources between the sectors.
Looking from the angle of the farm sector, its relationship with other sectors could be expressed in five types of functions discussed below:

Firstly, the farm sector is the producer of the basic requirement of human being, viz. cereals, pulses, vegetables, condiments spices, sugar, tea, coffee, milk, meat, eggs etc. Thus, the farm sector produces and supplies foods to the members of the farm sector as well as to the non-farm sector. The extent to which the farm sector of any particular country will be an important source supply of food material will depend primarily upon the productivity of the farm sector, the share of farm sector in total population and the marketable surplus which is generated by the producers in the farm sector. The form in which this food is supplied depends upon the development stage of the economy and its different constituents. In a primitive society, for instance, the cereals, milk meat, vegetable, etc., are mostly consumed by the producers themselves. Even when they are consumed by the others, there is not much difference in the form in which they are produced and they are consumed. Not much utility is added by the change in the form, space and time. In a developed economy, on the other hand,

12. Ibid p. 16.
the share in the total utility contributed by changes in the form, space and time are quite substantial.\textsuperscript{13}

In under-developed economics where most of the people do not get enough food, the income elasticity of demand for food is very high in its upward trend. The largest impact of rise in incomes is felt on the primary products of the farm sector. In the initial period the stress on primary products like foodgrains comes from two opposite forces. On the one hand, the rise in income raise demand for foodgrains from the people who want to eat more because not only they need them but also they can afford. Therefore, the demand goes up. A large part of low income and under nourished or underfed people in a poor country are in the farm sector itself. To the extent the real income of such people in the farm sector rises, their internal demand for food also goes up. This results in the restriction in the supply of food. Thus, the pressure on the farm sector for supply of food is felt from both sides, i.e. increased demand and restricted supply. The net effect of this process on the supply of food grains in the market will depend upon the productivity of the crops and

\textsuperscript{13} Op. Cit. P. 16-17.

\textsuperscript{14} For detailed discussion of Elasticity of demand for food stuffs in relation to income, refer to L Molassis, Agriculture and the Development Process, The Unesco Press, Unesco, 1975, Part-II Chapter 4.
contribution of food crops to the total income of the farm sector. With the development of the economy further, the demand shifts from crude items like foodgrains in general to high value foodgrains, pulses, milk meat and eggs. The coarse cereals and foodgrains, instead of being directly consumed by human being a large part of it is used for feeding the animals. The human being prefer to consume animal products. This is a stage of natural processing. Besides, the extent of processing is taken up further and further in the case of other products as well. Instead of wheat, rice and maize entering the kitchens of the people straightway. The consumers get bakery products and factory products where wheat, rice and maize are used as raw materials. All these facts indicate that the role of the farm sector as a supplier of basic materials for food is not going to be reduced unless there is a change in the basic requirement of human body and its digestive system. What changes is the extent of participation by non-farm activities and processes in the satisfaction of human needs for food.

To the extent the internal farm sector is in a position to meet the growing and changing needs for basic food materials, the economy gets the basic strength in
more than one respects, viz.,

(i) experience has shown that dependence on other countries for food requirements is not desirable for a country's political stability and also is not compatible with national pride;

(ii) import of food directly competes with the import of other items which would be required for the development of the economy; and

(iii) if the sector can generate surplus for exports, this could be utilised for financing the inputs needed for the development of different sectors in the economy, including the farm sector.

Secondly, the farm sector also is the primary source of the materials which are required by human being in satisfying their needs in addition to that of food. These are related to needs like clothing shelter, non-essential consumer goods and drugs etc. The basic materials need to undergo processing before they are made suitable for consumption/use by human being and also could be put to other uses. The farm sector in this respect works as the supplier of raw materials for the processing units and industries. The raw materials are in a variety of farm such as raw food for processing, fibres, leather, rubber, timber etc. These raw materials
support of agro-based industries and service units such as rice mills, oil mills, processing units, distilleries, gur, khandsari and sugar factories, dairies, and milk processing units, slaughter houses, food processing units (using raw fruits as materials), jute, cotton, silk, woolen mills (using natural fibre as raw materials), canning, shoe-making, leather buckets and hide ropes, leather fashion goods (using leather as raw materials), rubber factories (using rubber as raw materials), drugs and medicines manufacturing units (using medicinal plants as raw material), timber industries, saw mills, wooden furniture (using timber and wood as raw materials) and a host of other industries ranging from cottage industry to the multinationals.

These two functions establish a relationship between the farm and the non-farm sector, domestic and external, through the demand and supply of finished, semi-finished goods and raw materials. They retain the factors of production within themselves. However, once this kind of relationship starts between sectors, it does not confine itself to the supply and demand of products and raw materials only. Moreover, these two functions indicate the position of farm sector as supplier and the other sector as user/consumer. Unless the farm sector is working
under the complete control of the non-farm sector, this system of one-way traffic cannot continue. A reverse flow also has to be there. Moreover, if the non-farm sector has to be sustained and expanded, it has also to mobilise the factors of production to the farm sector both for filling in the resource gap and also for sustaining the sector. The supply of factors of production and inputs from non-farm to farm sector enables the farm sector to adjust to the changes warranted by changing demand and supply of farm products. This process leads to be third important function performed by the farm sector as discussed in the succeeding pages.\textsuperscript{15}

Thirdly, the farm sector being the primary sector in the economy, it has an important role in the transfer of resources to the non-farm sector. This is reflected in the declining share of the farm sector in the employment of the production factors. The role of the farm sector in the supply of different production factors is determined by a member of conditions such as the nature of factors production involved in the transfer, the mechanism through which such transfer is implemented and the stage of development of the economy.

With the expansion of the non-farm sector, the land moves from the farm sector to the other sectors, the secondary as well as service sectors. Though the share of land as a factor of production in non-farm sector is quite low as compared to the farm sector, the establishment of factories and construction of roads, etc. disturb the farm economy to a substantial extent.

The change in the use of land is one source of transfer of labour from the farm to the non-farm sector. This is a kind of a forced transfer of labout. However, the farm sector also is a permanent source of supply of labour for the other sector in a number of ways. On account of rising population many times at a faster rate in the farm sector than the non-farm sector, unemployment prevails in the farm sector in various visible and non visible farms. Besides, the income/wage difference between the farm and non-farm sectors also induce some labour to look for transfer from the farm sector. Sometimes, there is a fairly regular transfer of labour on a seasonal basis from the farm to the non-farm sector. For instance, in areas where there is only one season farming particularly in tribal areas, there is a seasonal transfer of labour for temporary jobs such as digging work, domestic services and some semi-skilled jobs in construction activities.
With the expansion in educational facilities in the rural areas, many of the young sons and daughters of the farmers also shift to the service sector requiring general as well as technical qualifications. This factor also leads to the diversification of the farm economy. Normally, a person engaged in such a service sector tries to accommodate some people from his/her family in the non-farm sector and a diversification starts which in turn causes a further transfer of labour thus, by and large, takes place only in one direction, viz. from the farm to the non-farm sector. Well-thought out policies could help in smoothening such process. On the face of it, the income levels and savings potential of the farm sector donot reflect any direct possibilities of transfer of capital for the non-farm sector. Many a time, institutional changes have diverted some capital from the farm sector to the non-farm sector. Wherever, land reforms resulted in a lot of funds in the hands of erstwhile landlords, they have either voluntarily or in some cases through induced policies diverted these funds for industrial purposes. Institutional reforms and legislation regarding money-lending have indirectly helped diversion of such funds. Initially, the erstwhile money-lenders shifted to semi-urban and urban areas and started working as traders commission agents, etc., many of them have also diversified their activities by taking to
industrial activities. All this transfer of capital has also moved along with the transfer of entrepreneurship from the farm to the non-farm sector.\textsuperscript{18}

Another factor which has been added to the factors of production is the improvement in technology. So far as the movement of technology is concerned, the movement has been largely from the non-farm sector to the farm sector. The transfer is largely managed by the special agencies created for the development of the farm sector. Another factor which has moved along with the technology is the extension service with an objective of strengthening the managerial abilities of the farmer and in this respect also a large part of the movement is from non-farm to the farm sector. Of late, however, the movement is so regulated that as far as possible the knowledge and managerial training moves within the farm sector.\textsuperscript{15} The son of the farmer is selected for training and education for farm sciences and later on he goes back to the farming community with his enhanced knowledge and information.\textsuperscript{16}

Fourthly, the farm sector plays a very important role in Foreign trade. The developing economy historically
has been the farm economy. The diversification of such economy needs capital, technology, raw materials and other services. The payment for all these have been made through the exports of the farm products.

In India, the value\textsuperscript{17} of the agricultural (farm) commodities exported in 1979-80 amounted Rs. 2,269 crores of rupees which constituted 35.2 percent of the total exports of the country during the year. During the same year, the country imported agricultural commodities worth Rs. 1,302 crores which constituted 14.4 percent of its total imports. As against the country's net balance of trade which was negative by Rs. 2,563 crores, the farm sector generated a net surplus of Rs. 967 crores during the year. The farm sector in addition to paying for the inputs made for its requirements is assisting the non-farm sector by paying for its imports. There has been a perceptible change in the nature of export and import items over the last three decades. This is an indication of the changing nature of the farm sector, in particular and the total economy, in general.

\textsuperscript{17} Indian Agriculture in brief, Nineteenth Edition, Ministry of Agricultural Government of India, 1982.
Fifthly, the farm sector works as a market for the goods and services produced by the non-farm sector. It provides market for consumers' goods as well as producer's goods. The ultimate impact of the farm sector as market will be determined by three factors in respect of which the farm sector has special features as compared with other sectors. These factors are related to (a) size, (b) need and (c) income/purchasing power. In a developing country, the farm sector being demographically predominant, it has a very positive strength of numbers. Even a small change in per capita demand/use/purchase can create a huge aggregate demand for the sector as a whole. More than a half or three-fourths of the people in many developing countries belong to the farm sector and a slight increase in demand by this sector makes a decisive impact on the total demand of certain industries. For instance, there has been a sizeable upward trend in demand for textiles, utensils and even non-traditional items such as teaching and learning material bicycles, radio, torch lights, wrist watches etc. in the rural India. Some of these items have become a part of social customs such as dowry.¹⁸

Changes in income levels in the farm sector has a direct impact on the demand for consumer's goods.

During scarcity, the markets for some non-essential consumer goods are the worst-hit because the farmers lack purchasing power. The demand for producer's goods such as farm inputs, implements and machinery depends upon the level of development and the direction which it intends to take.

To what extent this relationship and interdependence development within the rural area is also indicative of the level of economic development. At the very primitive stage when the economy is insulated, interdependence among the farm sector, people is very high. As the economy develops, some specific policies are followed so that the diversification of rural economy takes place at a highly specialised level of each sector in the rural area.

During the period of famines caused by draught, the demand for consumer's and producer's goods supplied by the non-farm sector pull in different directions for certain items in different areas. Wherever, irrigation potential exists, during the draught period, demand for oil engines, electric motors and their accessories, cement for construction of wells, fuel and electricity positively goes up. The demand for consumer goods supplied by the non-farm sector is at a very low level. On the one side,
the demand for cement and steel for construction of wells and tubewells goes up while the demand for such items for construction of houses goes down. The net effect of the farm sector as a market for the non-farm sector will be the result of all these complex forces.18

1.5: Non-farm sector of the Rural Economy:

Traditionally an Indian village enjoyed almost complete economic autonomy and self-sufficiency. The manufactures and services of the artisans, though on the lowest rung of the society, was an integral part of the closely knit economic and social rural organisation. This pattern and the institution of joint family provided him workable social insurance. However, the gradually increasing inflow of machine make cheap consumers' goods made a dent restricting manual industries and creating unemployment. Agricultural having little capacity to absorb surplus labour, the rural population began to migrate to urban areas, creating numerous social economic and health hazards. The trend increased with the rapid growth of population and subsequent quick expansion in the availability of machine made manufactures.

This created, apart from the aforesaid problems in such more intensity in the cities, regional and economic and social injustice between men, societies and regions. Obviously, the disproportionately large availability of labour force in the country, as compared to its physical, capital and entrepreneurial resources and the severe disadvantage of labour clamped the compulsion of giving foremost priority to the development of labour intensive industries, widely dispersed all over the rural areas of the entire land.

Rural industrialisation was also essential because agriculture, as compared to the magnitude of our population and its rapid growth and considering the inadequacy of arable land, could be expanded and intensified within narrow limits too short of what was required for a prosperous and vibrant economy. However, whereas agriculture provided basic necessities and important raw materials for industrialisation real prosperity always and everywhere had result out of industrialisation.

**Gandhian Approach:**

Gandhiji had realised the dent made in the rural society and its economy by the machine economy, when he advocated Khadi and village industries and self-sufficiency of the village. He worked for the removal of the stigma of
untouchability and low status of the artisan, so that the artisan could get his due place and share in the rural society, economy and their development. These ideals culminated in the "Sarvodaya" concept.

**Government's Approach**

The Government of India, committed as it had been to the welfare of all alike, also recognised in its industrial policy resolution of 1956, the need for the dispersal and decentralisation of industries and securing a balance and coordinated development of industrial and agricultural economy in each region. It was accepted that disparities in the development of different regions should be progressively reduced and the national planning should ensure that facilities were steadily made available in the areas lagging behind industrially or where the need for providing employment opportunities was more imperative, provided the locations were otherwise suitable.

This aspect of development has been increasingly emphasised ever since. Apparently there is no other way of providing gainful employment to the maximum number of our teeming millions and warding off economic, social and political discontentment and upheaval which might follow if employment and development opportunities are not provided
in manner mitigating regional imbalances and ensuring maximum possible employment of different factor of production, particularly labour, for the welfare of whom all the planning and developmental activities are meant.

1.6: Rural Industrialisation - Implication, Extent & Requirements

Implications:

Rural industrialisation aim at the maximum productive employment of local resources\textsuperscript{20} revival\textsuperscript{21} and development\textsuperscript{22} of traditional industries and skills, establishment of new units and integration of agricultural and industrial development in rural areas, where 80 percent of the total population of the people, add to local prosperity steadily narrow down the disparities between urban and rural incomes, prevent migration of rural population and as a corollary save urban areas from further deterioration of economic, social and health problems arising out of such immigration. This, considering the vast and dispersed expansion of rural areas throughout the length and breadth of this country, implied a very difficult and stupendous task which would take decades to complete and the nature of which necessitated a thorough

\begin{footnotesize}
\begin{enumerate}
\item J.K. Mehta, Economics of Growth, p. 109.
\item Ibid
\item Ibid
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scanning of the area, collection of information and data preparation of very selective and priority bound plans of development, education, training and motivation of local people, pooling of all the resources and coordinated implementation of different programmes of various agencies.

Extent:

The difficulties of the task were accentuated manyfolds by the widely varying degree of approachability, resources and infra-structure availability, market facilities and levels of growth of different areas in a state and as between different state in the country. Education, skills and entrepreneurship availability was more or less related to the extent the aforesaid advantages were available in an area. Mostly, easy approachibility and extent of infra-structure availability regulated other advantages. Thus, resources for development being limited over a period of time, priorities of rural development had to be related to the extent the aforesaid advantages were available, the best receiving the first priority, to ensure maximum immediate results and ultimate returns in the form of operation of model, for other areas to follow and to gain time till infra-structure and various advantages in other areas come up. This trend of thinking gave birth to the concepts of "Growth Areas" and decentralised concentration of efforts. The limited availability of resources for
development also necessitated restrictions of efforts for rural industrialisation to areas with less than a prescribed population limit, which at present stands at 25,000 persons in an area (village or town).

Requirements:

Rural industrialisation through decentralised concentration of efforts for developing a hierarchy of growth centre envisaged a multi-dictorial development of resources, services and infra-structure which formed the base for a coordinated agro-industrial development. It required an all round development of transport, communications, power, agriculture, irrigation services, markets etc. The programme also required correct appraisal of problems, all prevailing planning with continuity and consistency, intensification and coordination of the efforts of various industrial and other developmental agencies at different levels, education and training of the villagers (particularly the artisan) and his motivation, development orientation of rural banking, extension of appropriate technology and relevant research, tenacity and consistency in implementation and placement.
of knowledge, dynamic and dedicated officers and staff at various levels and their encouragement by recognizing and rewarding length of satisfactory performance. Lastly, this extremely complicated, difficult and phenomenal task\textsuperscript{27}, required considerable time to yield the desired results.\textsuperscript{28}

Implementation (Performance and Experience):

Performance:

However, the efforts toward rural industrialisation remained confined to the development of small scale and village industries. It was assumed that large scale industries would come up in rural areas through industrial licensing, location of public sector undertaking and provision of suitable infrastructure.

We know, the financial provisions were not commensurate with the magnitude of the work and whatever was provided could not fully utilised. The expenditure on small scale industries, industrial estates, handicrafts, powerloom and handloom was incurred in varying degrees in urban areas also. The rural industrialisation programmes implemented during the period and experiences gained are summerised as follows :-

\textsuperscript{27} Barna, Jamshed J, Industrial Entrepreneurship in Madras state, p. 167.

\textsuperscript{28} Ibid
A. Community Development Blocks: The community Development Blocks since their inception in the first five year plan, had the programmes for improving 17 skills through training, posting extension staff, providing subsidised improved tools, advancing loans and granting subsidies for machine improved tools and workshops and organising industrial cooperatives. Clusters of industrial training centres were established in about 200 places and common facility centres for rural workshops in nearly 1300 places. The State Governments were advised in 1961 to utilize 75 percent of the allocations for village and small industries in rural areas with greater emphasis on villages with upto 5,000 population. Numerous industrial estates were also to be established in rural and semi-urban areas.

The programmes had maiden beginning and the task was enormous and difficult. Thus, the tangible results fell short of expectations. The International Perspective Planning Team felt that results could be best achieved by promoting industries in middle sized urban areas, having infra-structure, by developing production linkages between villages and towns and thereby establishing a heirarchy of growth centres.
This would not only provide close proximity of these growth centres to smaller villages but would also ensure external economies. 29

B. Rural Industries Projects: Another experiment was launched in 1962 when Rural Industries Projects were started in 49 project areas covering 4/5 development blocks each. Four areas near public sector undertakings in Bhilai, Durgapur, Ranchi and Chadravati were taken up in 1985. The necessity of requisite social and economic overheads and all round progress in industrial development, was recognised while starting this pilot programmes under area development approach. A review of the achievements in 1970 indicated the effectiveness of the programme in dispersal of industries, employment and production and in December, 1970 an expansion of the programme to cover the entire country in the next two decades was decided. In 1971 the areas of the existing projects were extended to the whole of the districts where these were located and new projects in five additional districts were started. Fifty-seven more districts have been covered under the programme since then. There are 111 rural industries projects in the country at present. Out of these 91 projects are located in
districts declared industrially backward. In fact it was decided in 1971 to locate all the new projects in backward districts. Towns having a population of 25,000 persons each are beyond the purview of the programme.

The programme had been initiated for the development of artisans as well as for the expansion of growth of small scale industries based on local resources and demand. It had been the intention to identify various problems arising out of different conditions for working out solutions, gain experience and evolve methods and techniques for rural industrialisation under those different conditions. Growth of modern small industries had been emphasised ever since the beginning. Experience showed that where nothing else grew small industries could not grow and that modern small scale units required certain minimum infra-structure facilities. Thus, while locating new projects in 1972 areas under rural works programmes like IADP, SFDA, and MFDA were preferred the population of towns for inclusion in the programme was raised to 25,000 persons. Yet another experience was that even such small scale industrial units as were working in a good growth centre, faced competition
from large scale units and suffered because of established brand names of the products and heavy advertisement and sales promotion expenditure of the latter units.

The multi-directional approach and facilities initiated in community development blocks were mostly continued in Rural Industries Projects for a decade and then came the severe slashing of central assistance to the RIP programme. The financial gap was intended to be filled by the newly nationalised banks which were being given development orientation. Many common facility centres were closed down, block level extension staff with drawn and training programmes discontinued. The Banks, under the pretext of insufficient recoveries, lagged behind the expectations.

Approximately 16,000 small scale units were established in the country during the first decade of the working of the programme (period ending on March, 31, 1972). The experience of the Khozikoda R.I.P showed that for a rapid development in Rural areas promotion of properly integrated resources based industries as well as the action of these groups as pace setters for further industrialisation with significant linkage effect were essential.
C. Backward Areas Scheme: The Government since 1968 have been specially trying to stimulate the industrialisation of backward areas. The central level Pande and Wanchoo Committee laid down criteria for the identification of backward areas/districts and suggested incentives to entrepreneurs in backward areas. Thus, 246 backward districts covering over 65 percent of the land area and 60 percent of the population of the country have been identified.

As many as 298 licenses were issued in 1974 for setting up industries in backward areas as against 127 in 1973. The reimbursement of Rs. 11.76 lakhs of subsidy in 1972-73 went only to Karnataka, Manipur and Rajasthan and in 1973-74 the largest percentage of reimbursement of Rs. 58.9 lakh was given to Maharashtra. This state again was the top beneficiary in 1974-75 and Andhra Pradesh followed. In the year 1974-75 twelve backward states had 43 percent of the total subsidy. The performance have not been uniform or equitable. The central Government is to disburse Rs. 10 crore of subsidy in 1976-77. It is hoped that a fairly equitable distribution would be between this year.
D. Other Steps: The Government of India also established many agencies like All India Khadi and village industries commission, All India Boards for Handicrafts, Handlooms, Silk and Coir industries and financial and industrial development corporations and institutions which in varying degrees, have been and are expected to be more and more instrumental in rural industrialisation. These agencies have been working through similar correlated state level agencies.

The commission promotes almost every type of village industry through cooperatives and institutions and its programmes can be implemented in most of the village. However, considering its limited resources and magnitude of the task it would be worthwhile if its efforts also are concentrated in the growth centres so as to help in achieving an integrated area development. It is a matter of satisfaction that the commission has now accepted the vital role of appropriate technology in the promotion of its industries and is willing to introduce such appropriate machines as increase the efficiency and wages of the artisans but do not replace labour. It has also started schemes for the individual educated and technical unemployed.
The role of extension of technology to rural India, since recently, is also being increasingly emphasised. An all India Seminar on the subject, supplemented with an exhibition, was held in New Delhi in the second fortnight of July, 1976. The council for Application & extension of technology to rural India have decided to take up 50 to 60 units in each backward district of the country for free of charge extension of technology. The decision would cost Rs. 8 lacs per district and Rs. 12 lacs would be spent on central agency.

The central Government is also alive to the financial and marketing difficulties of the rural entrepreneur. A Committee headed by the Development Commissioner, small scale industries has been set up to suggest measures to coordinated channeling of financial assistance to industrial units particularly in backward areas. The industrial Development Bank of India will now give priority assistance to the small scale industries, new or technician entrepreneurs projects in backward areas and those using indigenous technology. Similarly, to evolve a suitable system and village industries, an all India survey has been started with the Rural Industries project, Sharnpur, Uttar Pradesh.
Experience:

The experience of rural industrialisation have been numerous. Some of those were discussed earlier. The remaining are summarised as follows:

1. In spite of multi-pronged efforts, industrialisation and the uplift of the rural artisan have not been up to the expectations. Numerous artisans have no training in new methods, majority of the artisans have yet to adopt improved tools and practices, many of the few artisans receiving institutional finance have not been able to repay. (owing to various reasons), the status of the trained artisans has not improve much. The common artisan is not in a position to pay for improved tools, the banks are not financing the artisans as expected and supply of proper raw materials at right price and marketing of manufactures and great problems.

2. The rural small scale entrepreneur or village industries artisans is basically very weak. Units have thrived in optimum conditions provided the owners are right type of entrepreneurs having initiative, derive tenacity and tact. Personal factors count much. In comparatively less suitable areas such entrepreneurs are difficult to find. Thus, special incentive remain unutilized to a considerable extent.
3. The rural entrepreneur, because of this weakness and various limitations, require all the guidance, power, financial, raw material, market etc. facilities in a package promptly at the spot. This is not feasible because in spite of the considerable functional decentralisation (of the activities promoting industrialisation) at the central and state levels, regional decentralisation of functions and powers in different agencies in most of the states has made little headway. Functional decentralisation has introduced many agencies and in the absence of any accredited coordinating authority with power at the district and block levels, the rural entrepreneur has to tackle many agencies some of which are located at Zonal and State level (for finalisation).

1.7 : Marketing of the Rural Products :

How farmers dispose of their produce :

There are a number of ways in which agriculturists sell their produce at present.

The agriculturist sells his surplus produce in the village itself to the merchant-cum-moneylender-cum-landlord (from whom he may have borrowed loans and committed to sell his produce to him).
Or the agriculturist may sell his surplus produce at the bi-weekly or weekly bazar either in the village itself or in a nearby village.

The third way is that an agent of a whole sale merchant in nearby or distant city may approach the agriculturist and the surplus may be sold to the city-merchant through his agent or dalal.

The present condition of agricultural marketing:

On the whole, though some improvement are taking place in agricultural marketing arrangement, it must be realised that there are lakhs of farmers living in thousand of distant or isolated villages who face all types of difficulties in marketing their surplus produce.

In the first place, a majority of agriculturists are illiterate, poor without much holding power, without proper storing facilities, and without any or much knowledge of market conditions. For example, storing facilities in the case of most small farmers are so poor that nearly 5 to 10 percent of stored gain or even more is likely to be eaten away by insects or rats.

Secondly, transport conditions in the case of majority of villages even today are so deplorable, that
only big farmers who have sufficient surplus to sell may be interested or can afford the journey and go to the town-market for disposing of their surplus produce. Small farmers have neither transport facility like bullock-cart nor capacity to bear the cost involved. Hence, they may prefer to sell their produce in the village itself to the village merchant-cum-moneylender. Naturally, due to their weak bargaining position, they are not likely to get a reasonable price for their agricultural produce in the village from the merchant.

The average farmer generally has not much waiting or holding capacity as he wants to collect as much cash as he can because he is pressed by the moneylender for repayment of the loan or interest due, or may be pressed by the landlord for payment of rent or is himself hardpressed for cash to meet his urgent needs. Naturally, he can not wait for better prices in the village market, nor in the nearby town market.

If an agriculturist does decide to sell his produce in the town-market or 'Mandi', and he takes his surplus produce to sell there, he faces a number of difficulties in disposing of his agricultural produce.
The transaction is going to take sometime—may be two or three days—but the agriculturist has no housing facilities available there. He has to keep corn in the open bullock-cart and it may be spoilt by rain or storm.

Generally, the farmer has to take the help of the services of a 'Dalal' who acts as an inter-mediary between the wholesale merchant and the farmer. The dalal charges his commission for helping him to carry on the sale transaction. Generally, these would so manipulate the sale transaction that the poor, illiterate, and needy farmer gets not the maximum which the wholesale merchant can afford to give or must give but the minimum. 30

In the mandi, there are a number of deductions, such as hiring charges, contribution to some religious functions, or for the construction of a school building or a hospital etc. These are all unauthorised deductions; but the needy farmer can not help meeting all these demands if he wants the sale transaction to take place. Also, the illiterate and simple farmer is often cheated through use

of false weights and measures and he may lose considerably by short weighing or the dalal will find fault that the produce is of inferior quality or there is not much demand for the produce at present and on that ground compel him to sell his produce at a lower than market price. Finally, it so happens that the majority of farmers in small villages do not have much information about market conditions or about ruling prices for different varieties of their produce; and the number of intermediaries between farmers and final consumers being often very large, the farmers get just a small percentage of the price which the final consumers pay for their produce.

This was the state of marketing of agricultural produce and in the case of majority of farmers in thousands of small and isolated villages and regions in hilly tracks, the above condition of marketing and agricultural produce continue to be so ever at present.

Policy measures meant to improve marketing of agricultural produce must take note of all the above and many more major and minor defects that afflict agricultural marketing in India at present.31

31. Ibid.
Government has been taking various steps to improve agricultural marketing. The ultimate objective of improving agricultural marketing is to see that there is as little margin or difference between what the final consumer pays and what the farmer gets for his produce. Attempts are being made to ensure that numerous intermediaries between the final consumer and the farmer get eliminated and that the maximum amount of what the consumer pays - the ideal would be 100 percent goes to the farmer, the primary producer of agricultural commodities. While some of these steps will be discussed in detail, an outline of the measures being taken for the improvement of agricultural marketing would provide proper perspective in this regard.

The earliest step was the starting of cooperative credit societies with a view to providing cheap credit facilities to needy borrowers so that farmers are not forced to sell their produce against their will and during unfavourable times to either the village moneylender-cum-merchant or to touring dalals of wholesale merchants from nearby towns.

Attempts are being made to encourage cooperative marketing. Under this arrangement, a number of small farmers who can not independently sell their produce in nearby towns during favourable times, join hands for selling their produce in cooperation with one another.
The government has been taking steps to build warehousing facilities for helping farmers to store grains scientifically, and also encouraging private bodies to build and provide storing facilities to farmers. Government has nationalised the system of weights and measures to replace the antiquated and confusing system made up of more than a dozen or even two dozen system of weights and measures. Government has been evolving the system of scientific classification of agricultural produce (and providing trademark-AGMARK) to facilitate their easy marketing. Government has been taking steps to spread marketing information and daily provide prices of important agricultural commodities on radio and T.V., which are making their appearance even in beggar village.

The government has been taking steps to establish 'Regulated Markets' at convenient places where all the marketing facilities are provided and where farmers can directly sell their produce without intermediaries at prevailing prices for a small fee charged for providing these marketing facilities. And finally, government has established the Agricultural Price Commission, which declared from time to time procurement and support prices to reduce price fluctuations of
agricultural commodities and to ensure that farmers get reasonable prices for their produce. For this government has established the Food Corporation of India, which through its agents makes purchases of various agricultural commodities like wheat, rice, jawar etc. at procurement prices. To eliminate to the maximum possible extent agricultural price fluctuations, government has taken steps to build 'buffer stock' of various agricultural commodities.32

1.8 : Financing the Rural Development :

Introduction : As regards policy in the sphere of agriculture finance or credit and facilities for meeting the credit needs of agricultural sector and rural artisans, post-independence years may broadly be divided into two periods, namely (i) Since independence up to roughly 1970, and (ii) since 1970 onwards.

Upto 1970 the emphasis was on the cooperative movement and cooperative societies for meeting financial or credit needs of Indian agriculture-cooperative credit societies for short-term loans and land development banks for meeting long-term credit needs of agriculture.

Though since 1956 the State Bank of India had been taking some steps to provide finance to agriculture in fast, it was for this purpose that the old Imperial Bank was covered into the State Bank of India yet as the RBI report writes, commercial banks trying to provide agricultural finance was generally looked upon with disfavour.

Till 1970, the government made deliberate efforts to establish cooperative societies and to nurture the movement by giving it various concessions such as state contribution to share capital of cooperative credit societies, subscription to debentures of LDBS, exemption from stamp duly, concessional finance by the Reserve Bank of India and so on.

But inspite of efforts by government to spread the cooperative credit societies right from 1904 onwards and even after independence, by 1951 cooperative societies could provide only about 3.1% of the total borrowings by agriculture.\textsuperscript{33}

A number of attempts were made to reorganize and strengthen the cooperative movement.

Thus, the All India Rural Credit Survey (1954) recommended reorganisation of cooperative credit societies. They were to cover a larger area and also activities of a larger number of people (rather than one cooperative society for one village) so that the cooperative societies could become economically viable and administratively efficient.

The National Development Council in 1958 also emphasised that the responsibility of economic and social development at the village level should be the responsibility of cooperatives. For this purpose, it was recommended that cooperative societies should become multi-purpose—instead of single purpose—cooperative societies covering various agricultural operations such as providing loans for various agricultural inputs like seeds and manures, and storing and marketing of agricultural produce. Thus it was emphasised that multiple cooperative societies covering various aspects of an agriculturist's operations should be an effective instrument of agricultural and rural reconstruction.

In 1966, the All India Rural Credit Review Committee (under the chairmanship of B. Venkasubbiah) thoroughly examined the working of cooperative credit societies and found various inadequacies in their functioning.
It was observed that cooperative societies had failed to mobilise financial resources; they were generally unable to provide adequate loans to agriculturists, and in time and in a dependable way; they could not meet fully the financial needs of all agricultural borrowers; most PACs and many DCCs had become stagnant; a large number of societies were not viable and therefore, on the whole, the cooperative movement was an inadequate and unsatisfactory institution for providing agricultural credit.\textsuperscript{34}

During the late 1960s and early 1970s, some developments were taking place that were to greatly influence the subject of agricultural finance and credit in future.

(i) There was increasing realisation that a single-agency approach through cooperative societies will not be in a position to provide all the finance necessary to successfully carry on agricultural operations in the country and bring about rehabilitation of rural economy.

\textsuperscript{34} Ibid, p. 206-207.
(ii) There was taking place in many parts of the country what later come to be known as Green Revolution based on improved seeds, chemical fertilizers, pesticides, and agricultural machinery like - diesel engines, pumpsets and tractors, etc. Instead of agricultural operations being carried on in the conventional and traditional way a pair of bullocks, wooden implements, etc. advanced methods based on science and modern technology began to gradually replace the traditional system of agriculture.

The use of modern agricultural inputs require larger funds and investment in land. This naturally meant that the amount of agricultural credit needed to modernise agriculture would be much more than required by conventional type of agriculture. This again meant that dependence only on a single agency, namely - cooperative societies, would be thoroughly inadequate to fully and satisfactorily meet the financial needs of the agricultural sector.

(iii) With a view to establish a socialist pattern of society by reducing extreme inequalities of income and wealth in the country, the public sector was being gradually expanded. It was, therefore, unthinkable that financial institutions like -
commercial banks will be or should be left to private management. And, therefore, "Social control" over commercial banks came to be imposed in 1967. But it was felt that social control was not adequate for making the most efficient use of financial resources of commercial banks. And, therefore, in July 1969, 14 major commercial banks (and in 1980 another 6 commercial banks) came to be nationalised. The state thus came to have control over 90 to 95 percent of banking business in the country. The way was thus open for commercial banks to enter the sphere of agricultural finance. 35

Before 1950 the private village moneylender was in a monopolistic position and ruled supreme in the sphere of agricultural finance, institutional finance (Government, cooperative societies and commercial banks) then accounting for not more than 7.3 percent of total agricultural borrowing.

But from 1950 onwards, institutional financing of the agricultural sector has been making fairly rapid

progress. By 1980-81, of the total agricultural credit of Rs. 4,500 crores, nearly 80 percent of short term and medium term agricultural credit was provided by institutional agencies; cooperatives (Rs. 1,910 crores); commercial banks (Rs. 1,435 crores), Government and Regional Rural Banks (Rs. 1,155 crores).

Thus the monopolistic position of village money-lender is substantially undermined, though he still continues to hold his own in a vast number of small isolated villages peopled by lakhs of petty cultivators in areas where modern financial institutions have not yet been established (and it would still take a very long time for these institutions to reach all the 5.6 lakh villages, if ever that can happen).

But the unfortunate aspect is that in spite of the establishment of a number of financial institutions, some with special emphasis on rendering financial assistance to small and marginal farmers as also to landless agricultural labourers and poor rural artisans, these financial institution have failed to make arms worth while or any noticeable impact on the living standard of 70 percent of India's population living in the rural areas.
It is noticed that a major portion of all the financial facilities provided by the old as well as newly established financial institutions has gone to the affluent farmers and cultivators belonging to the middle class owning some productive assets. It is common knowledge that even financial provision of these institutions, specially earmarked for small and marginal agriculturists, has been misappropriated by rich farmers in collusion with government officials and political leaders.

Institutional finance has left practically untouched the class of landless agricultural labourers and poorer section of the rural community constituting about 40 percent of the rural population. The vast network of public financial institutions and crores and crores being annually provided to the agricultural sector and allied activities have for all practical purposes left the above mentioned classes of people high and dry as before.

1.9: Rural Development Strategy:

Successive five year plans have been trying to deal with the problem of rural (and therefore, agricultural) development.
The agricultural and rural development strategy may be said to have begun in 1952 with the Community Development Programme. The Community Development Programme helped establish "a network of basic extension and development services in villages, thereby creating awareness in the rural communities of the means of development which made quicker adoption of major technological advances later in the mid-1960s in agriculture possible, reinforced with abolition of landlordism and reforms of land tenure system". Investments in successive five year plans have led to the creation of essential physical and institutional infrastructure of socio-economic development in many rural areas.

It came to be later realised the benefits of community development programme were mainly enjoyed by those rural people who were better endowed with land resources.

And, therefore, in the early 1970s, programmes specifically designed for the upliftment of small and marginal farmers and landless agricultural labourers were taken up.

The Drought-Prone Area Programme (DPAP) was introduced in the mid 1970s; the desert development
programme came to be introduced in late 1970s.
A programme of "food for work" came to be launched in 1977 with a view to provide opportunities of work for the rural poor, particularly in the stock period of the year which would, at the same time, create durable productive community assets.

With a view to remove regional disparities, particularly in unfavourably endowed and disadvantaged regions of the country like the hilly and tribal areas, special sub-plans of development have been introduced.

Special financial and fiscal concessions, giving of soft-term credit and subsidies have been made available to backward areas with a view to encourage establishment of industries in such backward areas.

A 'Minimum Needs Programme' has been designed to secure to the rural areas within a reasonable time frame certain basic amenities like drinking water, food-grains, health, education, house-sites, electrification and roads. 36.

1.10: **Panchayati Raj as a Strategy for Development**:

Democratic decentralisation symbolised by the establishment of Panchayati Raj institutions at the village, block and district levels (in the wake of the Balwant Rai Mehta Committee Report published in 1958) happens to be the extension of the philosophy and practice of democracy at the lower levels, of administrative units.

Since India has accepted democratic planning and the objective of a socialist pattern of society "transfer of authority to and sharing of the state functions and responsibilities with the local communities and geographical units was considered crucial in the whole process and meaning of development.

It is obvious that besides having a better appreciation of local needs and capability of eliciting local participation in the formulation and implementation of their plans of development, these institutions are expected to act as nurseries and training ground for leadership. This called for a new administrative culture and a faith in the capacity of the people to take decision and execute them and to consider decentralisation of state power and functions to these institutions not only as a means of development but also as an end in itself.
Because of the acceptance of the above philosophy, most of the states in India have enacted laws establishing Panchayati Raj institutions at the village, block and district levels. These institutions have been entrusted with financial and developmental powers and responsibilities for their areas.

It is observed that in the states of Maharashtra, Gujrat, Andhra Pradesh and Rajasthan, these local democratic institutions are quite strong and in their cases devolution of functions is quite significant.

There is no doubt that these Panchayati Raj institutions participating in the formulation and implementation of their area plans as part of the country's Five year Plan can become a very powerful strategy for economic, social and political development in the country.

But, unfortunately these Panchayati Raj institutions have become mostly faction-ridden; elected members often being divided on national party lines and local problems and issues rarely considered on their merit.

There is considerable erosion in the powers and functions of these institutions in many states. They are
seldom consulted in the selection of projects in their areas to be included in the Five Year Plans. Adequate financial support has generally been denied to these institutions which are also in the habit of wasting their own financial resources. Often these institutions themselves have shown little inclination to raise additional resources of their own; they have come to depend to a great extent on grants from state and Central Government. Also, there is generally great apathy at the higher levels in strengthening these Panchayat Raj institutions. Elections to these bodies get continually postponed on one pretext or the other and government-appointed administrators manage the local affairs consequent on the suppression of municipalities and corporations as such an arrangement suits the political party in power at the state or central level.

And thus, an institutional set up that could have been a powerful strategy for the all-round development of distinct areas and for effective formulation and implementation of the country's Five Year Plans lies dormant, apathetic or indifferent to its role and functions in many states.
A committee was appointed in 1977 under the chairmanship of Ashoka Mehta to review the status and working and to consider the restructuring of the Panchayati Raj institutions with a view to secure their close involvement in the formulation and implementation of Five Year Plans and for rural development.

The committee in its report recommended -
(i) larger devolution of funds and functions;
(ii) making Zilla Parishad the principal executive organ of the Panchayati Raj; (iii) block Panchayat Samiti to be only a block level committee of Zilla Parishad; and (iv) in regard to the lowest level, the Panchayat according to the committee's recommendation, these were to be Mandal Panchayats, each Mandal comprising of 15,000 to 20000 population covering 10 to 15 adjacent villages.

These recommendations were considered in the Chief Ministers' conference, but particularly nothing came out of the committee's recommendation.

1.11: **Strategy of the Sixth Plan**

The sixth plan proposed to strengthen the process of democratic decentralisation. Irrespective of whatever structural pattern the institutions of Panchayati Raj may take, "efforts will be made to devolve on these institutions all such functions appropriate to each level, which are capable of being planned and implemented at that level. These institutions will be particularly involved in the planning and execution of Intrigued Rural Development Programme and the National Rural Employment Programme. They will also have a prominent role in district and block level planning and in the planning of Minimum Needs Programme for their area of operation."

According to the Sixth Plan "The Block agency is, and will continue to be, the main agency for implementating or assisting in the implementation of various programmes of rural development." The Block agency will be strengthened with a compact multi-disciplinary apparatus at each block level which will be able to effectively service. The needs of diverse rural development activities.
Suitable linkages are to be established with the village and higher level functionaries. The National Institute of Rural Development is provide the necessary training facilities to the officials of the Panchayati Raj institutions.

1.12 : The Small Farmers Development Agencies (SFDA)

The small farmers development agencies (SFDA) programme has been in operation since 1971 covering 1818 blocks in the country. The objective of SFDA is to assist persons specifically identified from the target group of small farmers in raising their level of income.

The objective is to be achieved by helping selected small farmers, on the one hand, to adopt improved agricultural technology and acquiring means of increasing agricultural production like minor irrigation, and on the other hand, to diversify their farm economy through subsidiary activities like animal husbandry, dairying, horticulture, etc.

The SFDA programme is expected to make particular effort to ensure that the needed inputs and credit are made available to small farmers by respective agencies.

Upto March 1980, the SFDA had identified 16.7 million persons from the target group from assistance.
Of these 16.7 million persons 8 million beneficiaries, including 1.3 million belonging to scheduled castes and scheduled tribes, have received assistance.\textsuperscript{28}

It is found that 6.1 million or nearly 75 percent of the beneficiaries (i.e. of 8 million persons) have been helped in acquiring access to improved agricultural practices through subsidised supply of inputs improved implements and field demonstrations. The remaining 1.9 million beneficiaries are covered by providing them with more substantive assets like milch cattle, sheep, poultry, piggery, etc.\textsuperscript{38}

The SFDA programmes has been criticised on several grounds.

It is maintained that the number of beneficiaries selected for assistance represents only a small proportion of the total number of the target group. Further, the nature of assistance given to the bulk of the beneficiaries comprised of items which did not lead to any specific additional productive asset creation. And, therefore, in many cases, the actual impact on the level of income of beneficiaries created by the assistance varied a great deal and in many cases was not significant.

\textsuperscript{38} Ibid, p. 144 - 145.
Only where assistance has been given for
development of minor irrigation sources or for acquiring
milch cattle, sheep, goats, poultry, etc, the impact of
assistance on the level of income of beneficiaries has
been significant.

According to the Draft of the Sixth Plan, "The
principal reason for a lower coverage under such asset
creation purposes has been the progressive erosion in
the integrated functioning of the Block Development
Agency (which is the main implementation agency of the
SFDA programme), inadequacies of credit institutions, and
lack of coordination and adequate support from concerned
departments to the Agencies' programme."

1.13 : Drought Prone Area Programme :

A considerable part of the country chronically
suffers from deficiency in rains and is, therefore, drought
prone. Famine or near famine conditions prevail frequently
in these drought-prone areas of the country. Providing
temporary relief to drought-affected people does not offer
a permanent solution to the problem of poverty of the
masses in drought-prone regions of the country.

The Government has, therefore, introduced the
Drought Prone Area Programme (DPAP).
The DPAP is an "integrated area development programme in agricultural sector and aims at optimum utilization of land, water and livestock, resources, restoration of ecological balance and establishing the income of the people, particularly the weaker sections of society."

The important elements of DPAP are -

(i) Development and management of water resources;
(ii) Soil and moisture conservation measures;
(iii) Afforestation with special emphasis on social forestry;
(iv) Development of pasture lands and range management in conjunction with development of sheep husbandry;
(v) Livestock development and dairy development;
(vi) Restructuring of cropping pattern and changes in agronomic practices; and
(vii) Development of subsidiary occupations.

The DPAP programme aims at the strategy for development of drought-prone regions by "insulating the economy of these areas from the effects of recurring droughts through diversification of agriculture, promoting afforestation, posture development and soil and water conservation."

It has come to be realised that "economic development of these areas would be achieved through activities which in
the long run contribute actively in creating conditions which mitigate the effects of drought in these areas."

Watershed management is to receive the highest priority and steps are proposed to be taken to promote cooperative management of watershed by the people in the area.

A medium-term project which aims at achieving the objectives of DPAP would be prepared for each drought-prone district, as also one year and five year project profile which are to be carefully scrutinised and approved by the competent authorities.

An interdisciplinary task force has been set up to review the scope and coverage of the programme.

During the Sixth Five Year Plan, the Drought-Prone Area Programme was to receive finance at the rate of Rs.15 lakhs per block per year with a total plan outlay of Rs.175 crores by the central Government matched by equal state contribution.

The DPAP during the period of Sixth Five year Plan (1980-85) covered 557 Blocks spread over 74 districts in the country.
1.14: **Minimum Needs Programme**:

The concept of Minimum Need Programme (MNP) emerged and got crystallised out of the experience gained in the various five year plans. It came to be realised that "neither growth nor social consumption can be sustained, much less accelerated, without being mutually supportive."

The MNP is essentially a programme of investment in human resource development. The provision of free or subsidised service through public agencies is expected to improve consumption levels of those living below the poverty line and thereby bring about improvement in the productivity of both the rural and urban poor workers. It has been realised that benefits of public social services can not reach the poorest without a conscious effort to attain that specific objective.

The MNP emphasises the urgency of providing social services to the poorer sections of rural and urban communities according to the nationally-accepted norms within a time-bound programme. For this purpose, financial allocations are earmarked to ensure the necessary provision of needed resources for MNP.

The MNP came to be introduced during the Fifth Five Year Plan and it continued during the period of the Sixth Five Year Plan.
The main components of MNP are:

(i) Elementary education;
(ii) Public health;
(iii) Rural water supply;
(iv) Rural roads;
(v) Rural Electrification;
(vi) Housing assistance to rural landless labourers;
(vii) Environmental improvement of urban slums, and
(viii) Nutrition (special nutrition programme and mid-day meals programme for age-group 6-11 years).

For obtaining maximum results, all the above items are to be taken as part of a package programme which is to be related to the specific area and specific target group of people.

Progress of MNP:

With the commencement of the Sixth Five Year Plan (1980-85), the MNP entered the seventh year of its implementation. It is observed that during the past years, the states of Punjab, Haryana, Maharashtra, Cujrat, Kerala, Andhra Pradesh, Tamil Nadu and Karnataka have made considerable progress in implementing MNP while the states of Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, West Bengal and North Eastern States have lagged behind.

The Sixth Five Year Plan (1980-85) provision (both Central & States) for MNP was Rs. 4,924.28 crores.
1.15: **Tribal Area Programmes**

On the basis of relative isolation in hill and forest, the low level of technology and economic development, typical cultural ethos (language, beliefs, customs and institutions), the Government of India has specified 427 Communities as Scheduled Tribes.

According to the 1951 Census, the tribal population of India was 19.47 million, constituting 5.29% of the country's total population. In the census of 1971, the tribal population numbered 41.09 million constituting 7.5% of the country's population.

The maximum number of tribal population is concentrated in the states of Madhya Pradesh (98.15 lakhs), Orissa (50.75 lakhs), Maharashtra (38.41 lakhs), Gujarat (37.57 lakhs), Rajasthan (31.35 lakhs), and West Bengal (26.03 lakhs).\(^{39}\)

In Meghalaya, Nagaland, Andaman and Nicobar Island, Lakshadweep, Mizoram and Arunachal Pradesh, the tribal population constituted 80% or more percent of the total population of these states.

\(^{39}\) Ibid p. 146-148.
1.16: National Rural Employment Programme (NREP):

The problem of unemployment in rural areas is characterised by reasonable unemployment and under-employment.

It is obvious that fuller employment opportunities for the rural work-force will in the main have to be found within the agricultural and allied sectors themselves. This should be accomplished through intensification and diversification of agriculture based on expansion of irrigation and improved technology.

But the vast dimensions of the problem of unemployment in rural areas call for a multi-pronged strategy which aims, on the one hand, it resource development of vulnerable sections of the rural population, and on the other, provides supplementary employment opportunities to the rural poor, particularly during lean periods, in a manner which will at the same time contribute directly to the creation of durable assets in the rural community.

As for the objective of providing supplementary, employment opportunities, a beginning has been made in the direction through the food for work programme.

It is felt that, based on the experience of this programme, it is possible to build it (food for work programme) into a well-directed and sustained national
programme of providing supplementary employment opportunities to those seeking work during lean employment periods of the year.

In the past, special programme for solving the problem of seasonal unemployment and under-employment have often tended to be formulated and implemented in isolation. It is rightly stressed that "It is necessary to view employment as an indivisible component of development and ensure that both in concept and implementation, employment and development become catalysts of each other, and the benefits to the community from the limited resources available maximised."

A very large number of people in rural areas who are without productive assets or with grossly inadequate productive assets, need to be provided wage employment. This segment of the rural poor which largely depends on wage employment virtually has no source of income during the lean period. The National Rural Employment Programme (NREP) is conceived in the main to take care of this segment of the rural poor. Under the NREP, development projects and target group employment generation projects will be closely interlinked.

The National Rural Employment Programme will be implemented as a centrally-sponsored scheme on a 50:50 sharing basis between the centre and the states.
The Central Government will provide its share in the form of foodgrains to the extent surplus foodgrains are available, and the rest in cash.

Inter-state allocation of foodgrains will be made on rational criteria based on the population size of the target group (i.e. state's population in the state which is below the poverty line).

1.17: **Integrated Rural Development Programme (IRDP):**

**Introduction:**

A number of programmes such as Small Farmers Development Agencies, MFAL and some others introduced recently all aim at improving the economic conditions of the rural poor.

But it has come to be observed that none of these programmes meant for the upliftment of the rural poor covered the whole country, and a large number of blocks in the country were covered by more than one of these programmes which operated simultaneously in the same block, practically for the same target group.

Consequently, this territorial overlap combined with different funding patterns of these various rural upliftment programmes created considerable difficulties in effective monitoring and accounting; also the overlap often blurred the objectives.
In practice, therefore, these programmes were reduced to mere subsidy-giving programmes shorn of any properly-planned approach to the development of the rural poor as an in-built process in the development of the area and its resources.

It was, therefore, proposed that such multiplicity of programme for the rural poor operating through a multiplicity of agencies should be ended and be replaced by one single integrated programme operating throughout the country.

This programme is called the integrated Rural Development Programme (IRDP) of the 350 million people below the poverty line, around 300 million happen to be in the rural areas. These rural poor consist largely of landless agricultural workers, small and marginal farmers, rural artisans and other workers. It is observed that the hard core of poverty is found among the small and marginal farmers, agricultural labourers (about half of whom are landless) rural artisans and fisherman constituting nearly one-third of the rural work-force.

This hard core possessing little or practically no productive assets need to be enabled to acquire productive assets and appropriate skills and vocational opportunities and then backed effectively with various
services to increase their productivity. It is felt that if through a programme such as IRDP, the beneficiaries could be brought above the poverty line, a major impact would have been created in uplifting a substantial number of rural poor from their present measurable existence.

The main objective of the IRDP is to evolve an operationally integrated strategy both, on the one hand, for increasing productivity and production in agriculture and allied sectors based on better use of and, water, etc. and on the other, the development of resources and income of the vulnerable sections of the rural population in all the blocks (about 5000) in the country. It was realised that any development strategy that aims at the objective of improving the lot of the rural poor must aim at creating new productive assets for them.

It was felt that improving the productivity of agricultural land by providing accrues to various agricultural inputs like water, improved seeds, fertilisers, and pesticides, etc. would be an essential means to help those categories of the rural poor who posses some land.

Further, diversification of agriculture through animal husbandry, dairying, forestry, fishery, sericulture, etc. will benefit both the landless as also small and
marginal landholders, and therefore, this will form an important part of IRDP.

Also, processing and manufacturing activities based on local resources will be intensified and fully exploited. It is also proposed to improve post-harvest technology so that both producers and consumers benefit from increased production.

A bulk of the rural poor are landless agricultural workers and small and marginal farmers. And, therefore, a significant part of IRDP activities for their benefit will necessarily have to be in the nonfarm sector.

It is felt that while financial subsidies will continue to this target group, they will have to be viewed in the proper perspective. Formulation of schemes to enable target groups to undertake viable economic activities in the rural areas is the pivot of this programme. And, therefore, identification of such viable economic activities, proper formulation of specific projects based on them. Provision of forward and backward linkages, arranging of credit and, above all, selection of the right beneficiaries are the most important aspects of IRDP.
It is obvious that village and cottage industries and services sector offer considerable scope for the rural poor. These sectors have so far received scant attention or at any rate, not due attention.

The IRDP, therefore, aims at fully exploiting the vast potential of these sectors by making proper arrangements for the supply of raw materials and marketing facilities for village and cottage industries. Facilities will be provided for target groups to acquire necessary skills and in this task educational, technical and research institutions will be fully involved.

Strategy of IRDP:

The operational strategy of IRDP will consist of the following elements:

1. A five-year development profile will be drawn up for each block based on possibilities of development in agriculture and allied sectors. This will cover or deal with optimum development of surface water resource, fuller water utilization of minor irrigation projects, private wells and tubewells, dairy and animal husbandry, fisheries, forestry, local manural and fuel resources, including biogas development. Such a plan will become a framework of action programme in each Block.
2. Free guidance is to be provided through agricultural extension service to all farmers.

3. A special programme of assistance to the poorest among the rural households will be drawn up and attempts made to bring them above the poverty line. In this, "household" rather than "individual" approach will be adopted. There will be a package of activities meant for all working members of the poorest families, particular attention being paid to economic programme for women in such families. The village council (i.e. Gram Sabha) will assist in the identification of such poorest among the poor rural families.

4. Suitable mechanism is to be devised to secure representation of the poor on the implementing agencies at the district, block and village levels to facilitate better planning and implementation of the programme.

5. There is to be a credit plan for each district and block, taking into account the total credit needs of the area and indicating the credit programme for each target group.
6. IRDP is to be implemented through a single agency in each district. Adequate autonomy for these agencies to formulate and implement the programme is to be ensured. Needed support from related developments is to be ensured.

   Each district agency will have a multi-disciplinary planning team which will prepare a block plan in each district and specific projects in each plan.

7. Block level organisation which is to implement the programme needs to be strengthened in terms of staff, both specialised and village level.  

8. IRDP is conceived of essentially as an anti-poverty programme. In addition to providing productive assets to the rural poor families, it will be necessary to link the prospective beneficiaries under IRDP to various social services, particularly programme like applied nutrition, compulsory primary education, adult education family welfare, children's and women's welfare activities etc.

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Thus, the household - central poverty alleviation strategy will thus come to consist of steps not only for the economic emancipation of the poor beneficiary families but also the education of the children and welfare of the vulnerable members, adoption of small family norms, etc.

The concept of IRDP came to be formulated and introduced in the central budget for the year 1976-77 when a beginning of the programme was made.

The IRDP came to be introduced with some modifications and on an expanded scale in 1978-79, beginning with 2300 blocks. With another 300 blocks added during 1979-80, IRDP covered 2600 (out of 5008 blocks) as on 31st March, 1980.\(^{31}\)

About 5.3 million families had been identified under IRDP for assistance as on 31st March, 1980. Of these, around 2 million families have already been provided with assistance.\(^{40}\)

Though, conceptually IRDP is comprehensive in scope, the nature of the assistance given to the bulk of beneficiaries did not lead to the creation of additional productive assets with the beneficiaries. Also, there has been a progressive erosion in the
integrated functioning of the Block Agency (which is the main implementing agency), there has been inadequacy of credit institution; and there has been lack of coordination and inadequate support from various related departments. And, therefore, the IRDP, it is felt, did not produce the expected impact on the standard of living of the poorest among the rural poor in India.

1.18: **Concept of Rural Electrification**

The growth in the generation and utilization of electricity in an index of the economic development of a country. With rural electrification having been rightly accorded top priority, the means of financing such a programme assumes importance. The financial characteristic of a new or expanding programme are such that initial investment would need to be financed by a combination of debts, grants, equity or internal funds of the power system so as to result in a relatively "soft" blend for the capital structure of the programme with long grace periods. In practice, it is estimated that the kind of financial goals that might be achieved would evolve with the level and growth of demand.

The social importance of an expanding rural electrification programme arises out of the need for raising the standard of living in all rural areas and
for providing a counter-weight to excessive urbanization. A programme set purely in an economic context may be disappointing, which underlines the conflict between economic and social aims. Where economic benefits from rural electrification are large, it may be reasonable to expect some satisfactory financial returns. Availability of electricity increase energy use by a community, often at reduced cost and in versatile form. The long-term perspective and a constructive attitude towards tariff policy would better the prospects in the area of rural electrification; both for continued expansion and improved financial performance.

We live in a technologically progressing world. As a result, both the exhaustible resources and the alternatives could be resources before a shift to inexhaustible alternatives occurs. The difficulties may be further minimised if some improvements in consumption technology control the growth in demand. If technology proves lucky, the shift inexhaustible alternatives would be accelerated, consequent to a fall in cost.

The development of any country can be judged and gauged by the quantum of electricity of consumers as it is one of the most important parameters of development.
In every sphere of life electricity has become a necessity rather than a luxury whether small, medium or large. The development can be defined as a process of directed change towards some objectives which are accepted as desirable goals. Development implies progressive improvements in the living conditions and quality of life enjoyed by society and shared by its members. Development is a process of growth in the direction of modernity especially towards nation-building and socio-economic progress. Development is the rational process of organising and carrying out prudently conceived and staffed programmes or projects as one would organise and carry out military or engineering operations.41

Development has been defined in the report "What New" published by the Dag Hammerskjoeld Foundation, Uppsala, Sweden. It states:

"Development is a whole; it is an integral, value loaded, cultural process; it compasses the natural environment, social relations, education, production, consumption and well being. Development is endogamous,

it brings from the heart of each society, which relies first on its own strength and resources and defines in sovereignty the vision of its future, cooperating with societies sharing its problems and aspirations.42

We must be clear that the development is indeed a dynamic concept. Development implies growth with social change. Nevertheless, it has been often conceived of primarily in economic terms, since sustained economic changes are necessary for the achievement of many social goals. In fact, there are three aspects of development—economic, political and social. It is very difficult to isolate one from the other. Economic development, in terms of increase in national income per capita, is no longer regarded as the only development objective.

Social development is a broad concept encompassing the whole ambit of improvement in the social status of the people. Social development lays stress on provision of health services... education, housing, cultural amenities, protection of children, a change in the status of women, regulation of labour and improved status for workers and reduction of disease, poverty and other social illness.
Development of electricity does not generate only economic development but also promote social development as electricity also enriches the quality of life.

Energy is one form or another manifests in practically every single economic activity and its availability and cost decides the socio-economic future and well being of the nation. The requirement of energy in India, is as in many developing countries, met from a variety of forms e.g. fire wood, animal dung, agricultural wastes, electricity, nuclear fuels, oils and coal. While the non-commercial forms of energy meet the bulk of the rural energy demands, the most convenient commercial energy sources are coal, oil and electricity.43

Electricity has a prominent role to play in life. It is vital input to industry, agriculture and all segments of economy. It is a precursor to the progress and prosperity of the Nation.

42. Hague Wahidul et al, "Towards a Theory of Rural Development"
Recognizing the growing need for energy and for its overall economic development, a new Ministry of Energy was created at the Union level in India in October, 1974, comprising the departments of power and coal. This ministry was given the responsibility for general policy in the field of energy and development of coal and power sector subsequently, Department of Petroleum also became part of Ministry of Energy. Considerable work is being done on alternate sources of Energy all over the world and in India too a number of projects have been taken up with a view to take up research and development and promote non-conventional sources of energy which were hitherto either unknown or were not economical and popular. The Department of Non-conventional Energy sources was established in Sept., 1982, under the Ministry of Energy to formulate the policies and programmes for development of new and renewable sources of energy and also to coordinate and intensify research in this field, with this it is expected that the pattern of energy generation and consumption will show a significant change in the coming decades. The Government had appointed the fuel policy committee in 1970 to recommend the outline of the long-term national fuel policy. Based on the recommendation of the
committee and subsequent developments, comprehensive energy policy has been formulated. The main thrust of the policy is towards development of indigenous sources of energy with a view to achieve self-sufficiency conservations of energy and elimination of wasteful uses. 44

Electricity is the most convenient and versatile form of energy. The demand for it, therefore, has been growing at a rate faster than other forms of energy. Power industry too, has recorded phenomenal rate of growth both in terms of its volume and technological sophistication over the last few decades. Electricity plays a crucial role in both industrial and agricultural sectors and therefore, the consumption of electricity in the country is an indicator of productivity and growth. In view of this, power development has been given high priority in the development programme.

The pattern of electricity consumption in the whole of the country during the last decade is indicated as under:\footnote{45}

<table>
<thead>
<tr>
<th>Year</th>
<th>Industry</th>
<th>Transport</th>
<th>Agriculture</th>
<th>Domestic commercial &amp; services</th>
<th>Total consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>34.33</td>
<td>1.37</td>
<td>4.47</td>
<td>8.29</td>
<td>48.46</td>
</tr>
<tr>
<td>1971-72</td>
<td>36.37</td>
<td>1.63</td>
<td>5.10</td>
<td>8.75</td>
<td>51.76</td>
</tr>
<tr>
<td>1972-73</td>
<td>37.39</td>
<td>1.83</td>
<td>5.92</td>
<td>9.10</td>
<td>54.24</td>
</tr>
<tr>
<td>1973-74</td>
<td>38.31</td>
<td>1.53</td>
<td>6.31</td>
<td>9.54</td>
<td>55.61</td>
</tr>
<tr>
<td>1974-75</td>
<td>43.38</td>
<td>1.53</td>
<td>7.76</td>
<td>10.66</td>
<td>58.26</td>
</tr>
<tr>
<td>1975-76</td>
<td>48.02</td>
<td>1.85</td>
<td>8.72</td>
<td>12.13</td>
<td>66.00</td>
</tr>
<tr>
<td>1976-77</td>
<td>48.02</td>
<td>2.17</td>
<td>9.62</td>
<td>13.24</td>
<td>73.05</td>
</tr>
<tr>
<td>1977-78</td>
<td>49.33</td>
<td>2.30</td>
<td>10.11</td>
<td>14.23</td>
<td>75.97</td>
</tr>
<tr>
<td>1978-79</td>
<td>54.47</td>
<td>2.19</td>
<td>12.03</td>
<td>15.30</td>
<td>84.98</td>
</tr>
<tr>
<td>1979-80</td>
<td>53.24</td>
<td>2.30</td>
<td>13.45</td>
<td>16.40</td>
<td>85.39</td>
</tr>
<tr>
<td>1980-81</td>
<td>55.74</td>
<td>2.33</td>
<td>14.41</td>
<td>17.33</td>
<td>89.81</td>
</tr>
<tr>
<td>1981-82</td>
<td>59.68</td>
<td>2.74</td>
<td>16.23</td>
<td>20.57</td>
<td>99.32</td>
</tr>
</tbody>
</table>

\footnote{45. Ibid, p. 53}
Although power development was initiated in India as early as 1900 with the commissioning of the Hydro-electric power station at Shivasamundram in Karnataka, the progress was not impressive till 1947. The installed capacity was as low as 19 lakh KW and activity was mainly concentrated around urban areas. Power sector is highly capital, intensive and investment in this sector constitutes a substantial share of the total plan outlay in the country.46

During the first plan, construction of number of major river valley projects like Bhakra-Nangal, Damodar Valley, Hirakund and Chambal valley was taken up. These projects resulted in the stepping up of power generation. At the end of first plan, the generation capacity stood at 342 lakh KW.

The emphasis in the second plan was on the development of basic and heavy industries, and the related need to step up power generation. The installed capacity at the end of the second plan reached 57 lakhs KW.

During the third Plan, the emphasis was on extending power supply to rural areas. A significant

46. Goel, M.M. p. 53-54.
development in the phase was the emergency of interstate grid system. The country was divided into five regions to promote power development on a regional basis. A regional to electricity board was established in each region to promote integrated operation of the constituent power system.

The third annual Plans that followed the third plan aimed at consolidating the programmes initiated during the third plan.

The fourth plan envisaged the need for central participation in expansion of power generation programmes at strategic locations in a big way to supplement the activities in the state sector.

The progress during the period covering the third plan, the three Annual plans and the forth plan was substantial with installed capacity rising to 184.6 lakhs KW comprising 69.7 lakhs KW from hydro-electric projects, 108.5 lakhs KW from thermal power projects and the balance of 6.4 lakhs KW from Nuclear Plants. The installed capacity in the country by the end of 1979-80 was 28,448 MW.
The addition of 14,226 MW in the installed capacity of power plants in the Sixth Plan period represents an increase of 49.4% over the total installed capacity of 24,448 MW at the beginning of the Sixth plan. There were, however, delays in the commissioning of projects, extending in some areas to several years for reasons varying from poor management to lack of funds. The target of addition to the installed capacity for the Seventh Plan has been fixed at 22,245.25 MW comprising thermal 15,999 MW, hydel 5541.25 MW and Nuclear 705 MW.  

The Government of India is seriously contemplating a move of allowing the private sector to enter the area of power generation to overcome constraints of resources in the Public Sector. According to the estimate, the private sector may be able to invest for generation of about 2,00 MW of power capacity. Norms for the purpose are being worked out by the government. The bulk of the funds will have to be raised by the Private sector from the capital market, and not from the public financial institutions.

An investment of about ₹15,000 crores required for adding 15,000 MW capacity through the power projects in the Eighth Plan for which a beginning is to be made during the Seventh Plan. India is likely to seek in a big way the external finance for such projects. Provision made for these projects in the Seventh Plan is to be to the tune of ₹8,000 crores. This means that another outlay of ₹7,000 crores has to be made during the current Plan period so that the projects do not suffer in the Eighth plan. In the connection, private foreign funds may also be tapped.

The subject 'Power' appears in the concurrent list III at serial no. 36 under Seventh Schedule to the constitution of India and as such the responsibility for its development lies both with the central govt., the department of power is responsible for the development of electric energy and policies relating to generation, transmission, distribution and conservation. The Department also coordinates matter relating to energy policy. The Department is also responsible for legislation on electricity and administers the Indian

48. Constitution of India
Electricity Act, 1910. The Electricity (Supply) Act, 1948, forms the basic of the Administrative structure of the electricity industry. The Act provided for setting up of a central Electricity Authority (CEA) with responsibility inter alia, to evolve a national power policy and to coordinate the activities of the various agencies and State Electricity Boards. The Act was amended in 1976 to enlarge the scope and functions of the C.E.A. and to enable creation of companies for generation of electricity.

The Economic Characteristics of Electric supply Industry are entirely different from other manufacturing companies. Electric utilities are the most capital intensive. A long gestation period of 6 to 12 years is needed for construction of a power station. Apart from it certain time is also needed for laying of transmission and distribution network. Thus on the one hand, huge investment without any return on it has to be made during this gestation period. On the other hand the Electricity Board has to pay the interest on this investment also, as the moratorium on its borrowing is either nil or is not sufficient enough to cover this long gestation period.
The late of woe does not end here as even after laying full infrastructure at a huge cost, the load development is very poor. Especially in rural areas, most of which in our country are very backward, full load does not come up for years together after electrification of the village. Moreover, the rural load, which comprises mainly irrigational pumps and L.T. agro-industries, normally come up in a particular season only hereby making load curve to be very steep. The average annual load factor in rural areas of the country ranges from 2% to 8% only.

The vast network of under-utilized sub-transmission and distribution lines especially in rural areas, gives rise to high line losses, which are further aggravated by the theft and other malpractices. Over and above all this, a number of consumers, especially from rural belts have got a tendency to be in arrears, realisation of which is very tough and even impossible in a majority of cases. There are so many other factors like low tariffs, high rate of interest on borrowing, supply of coal having high ash content to the thermal stations, supply of substandard equipments by the local manufacturers leading to frequent outages, etc and the effect of all such factors is to make the ratio of capital investment to annual gross revenue to be very high.