CHAPTER-2

SURVEY OF LITERATURE
CHAPTER-II

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Introduction:

This chapter discusses different approaches and issues of economic development at macro as well as micro level. It also reviews the literature in this context. The chapter has been divided into three sections. First section discusses various approaches related with macro and micro level development. Second section examines the issues related with the development process. Third section discusses the review of literature.

Section I

2.1 Agriculture and Development:

The approach to development is in the form of greater priority to the development of agricultural sector of an economy. Agricultural development would increase the demand for intermediate products. Vakil and Brahmananda explained such development in the following manner. "The first stage of economic planning is to raise the rate of investment through forced and voluntary saving". This will help to increase employment opportunities even in the short run. Simultaneously, agriculture

sector has to be reorganised to reduce disguised unemployment. A major proportion of new investment would be concerned with quick expansion in the output of wage goods in order to raise the growth of wage goods substantially above the growth rate of population. In the process, as the ratio of net revenue to capital stock increases the rate of investment tends to multiply. Thus "investment in employment would keep on expanding cumulatively. The rate of such expansion is determined by the value of the accumulation coefficient". In each period the quantity of wage goods shall be higher than the earlier period, its dependence upon agriculture being reduced. This will reduce the dependence of population on land for their income and employment. This process will raise the average productivity of farm worker. This will have effect on other sections. During the time of transition towards full employment more investment should be made in the the capital goods industries which are ancillary to agriculture.

At full employment stage, the economy will find itself with a substantial proportion of labour force which will now be available for employment in the non-agricultural sector. It will enable the capital goods industry sector to develop in an integrated form, and it shall have to play a key role. The problem is one of the provision of requisite rate of expansion in the output of wage goods to meet the requirement of growth in

2. Ibid. 30

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population. The second stage in the planning effort will concern itself with the development of various types of capital goods industries to cater to the requirement of consumption goods industries. When this stage is reached a substantial expansion in capital goods manufacturing shall emerge in the economy.

The last stage shall initiate a quick rate of expansion in the standard of living of the work force in the economy. In this phase, various luxury industries shall provide welfare services. In this phase a high standard of living for the common mass is obtained which can be compared with the level of the developed countries.

2.2 The Minimum Need Base Approach:

The minimum need base approach provides certain freedom in regional planning policy. The ideology of this approach is that the minimum basic investment is necessary to break the initial inertia and create basic income. This income will be secondary and will initiate tertiary activities. This approach assumes that the output, employment and income distribution trade-off should be minimised within the context of a more integrated and balanced industrial strategy, not merely serving growth targets but also reconciling growth, employment, income and basic need objectives.

3. Ibid. p.30

* See page no. 20
Employment is considered as basic need itself. Its importance to development is considered to be two fold, (1) employment as means to earn livelihood, (2) employment as a basic need in itself. The term basic needs is often defined to include material and non-material basic needs. One such approach where material and non-material needs are met include food, shelter, clothing, electricity, education, non-material goods and services. This can be explained through a model which in other words are resources employed in production. The demand by these resources for different production, is the income for other resources producing the goods. This approach assumes a 'benign cycle' model, where the dynamics of production and employment demand structure are compatible with consumption and income distribution patterns. This approach also reduces inequality and allows for satisfaction of basic needs of people. The industrialization would stress on basic consumer goods production and consideration about capital goods requirement. Since basic needs are characterised by externalities, translating and complementing plan of their satisfaction has to be done in an integrated development framework.

This approach is a comprehensive package of development objectives and strategies. Some of the features can be recapitulated as follows. (a) Basic needs approach refers to ultimate goals of development effort, not to means like economic growth, income, industrialisation etc. (b) It goes beyond abstractions and aggregates like money income, saving, employment
etc., (c) It emphasises and details linkages between means and ends of the development strategy. (d) Basic need approach concentrates on real development indicators and (e) it provides an integrated framework for formulating policies towards specific and dis-aggregated targets and target groups.

It is important to take into consideration an inter-relationship among different economic and basic needs indicators namely Agricultural Labour productivity (ALP), Adult Literacy Rate (ALR), Calorie Supply Requirement (CSR), Dependency Ratio (DEP), Investment Rate (IR), Life Expectancy at Birth (LEB), Non-Agricultural Labour Productivity (NALP) to Non-agricultural Labour force (NALP), and Per Capita Income (PCI).

Research and Information System (RIS) has studied the basic needs approach with the help of development indicators. RIS has grouped these indicators into different broad categories like demographic, health, education etc. In addition to these RIS study has taken into consideration composite categories for each of the economic development and basic needs. These broad categories are composed of indicators which are heterogeneous. The study used simple average method for different geographical regions. The extent of regional variation in performance of development is also worked out by using standard deviation.

2.3. Relationship Between Basic Needs and Developmental Indicators

The nature of inter-relationship among different economic development and basic need indicators can be studied using simple correlation and regression techniques. The disparities in income distribution for 1990 has been studied by RIS using standard deviation.

As generally accepted, wide differences in per capita income and economic growth exist in the relative position of developing and developed areas with regard to the selected indicators. This is evident from the development index. In case of all the developed countries per capita income as well as growth rate exceeded compared to all the developing countries.

2.4 The recursive multiplier:

The third approach for developmental planning, deals with the recursive multiplier effects. Despite inter-regional trade, the income of particular region is not subject to a net linkage effect. The expenditure of a region when used for its upliftment does not benefit other regions. This can prevail only when the industry in one region has either a forward linkage in the form of markets or backward linkage in the form of inputs. Adhvaryu stated that "several regions put together would

5. Ibid. p.34
constitute an interdependent support system, so that the value of local multiplier is not weakened as a result of inter-regional trading takes place. Such a linkage of course depends upon the distribution of value adding process between regions spatially not much apart. If basic material is imported from outside region then the magnitude of the total value added within the region shall be greater than unity. Otherwise the recursive value of the multiplier will be very much weakened. If this condition is not realised, then the resultant development would not be one of balanced-regional growth, but one of certain growth points, where the development will be incidental not to the industrial activity of the region, but to a tertiary sector supported by other activities.6 This process of multiplier support shall have the effects only on the intermediary process and resources used.

2.5. The Infrastructural Approach:

The fourth approach of development deals with the development of infrastructure in a region. The basic idea behind this approach is that once infrastructural facilities are created, private enterprise will spontaneously be attracted to plant itself in the earmarked area. Such an induced industrialisation is associated with the zones or industrial


* See page no. 30
estates. Infrastructural facilities enable the infant industrial units to avail the benefits of external economies, Paul Streetan and Shahid Javed Burki⁷ focus on the strategy of basic needs. The study suggested that the main aim should be the abolition of poverty in short time. The strategy should be formulated on such lines on basic element of strategy. The study further provided the evidence that number of people suffer from basic forms of deprivation in the developing world. The study highlighted the analytical work for a country should be undertaken to give operational context of basic needs.

2.6 Development Strategies:

There are three alternative development strategies discussed in different forms.

2.6.1 (1) Growth Oriented:

The growth oriented strategies of 50's and 60's had the maximisation of growth of GNP as the main objective. The emphasis has been on the modern sector and capital intensive techniques of production. It is assumed that the benefits of faster growth should reach to the lower strata of the society. This strategy has failed in many countries, as it has led to higher unemployment in the society.

2.6.2 Employment Oriented:

Employment oriented strategy is the result of failure of growth oriented strategy. The employment oriented strategy influenced the development in early 70s. This strategy is the result of increase in output and employment. The goal of maximising employment or minimising unemployment can be achieved through substitution of labour for capital in the production process. It is expected that an increase in productive employment would improve income distribution and standard of living of masses.

2.6.3 Anti-poverty Strategies:

Employment oriented strategy did not give expected result in removal of poverty and inequality effectively. Hence in order to reduce poverty and increase employment, the strategy of anti-poverty for development was emphasized. This strategy tackles the problem of poverty reduction through 'redistribution with growth' method. Redistribution with growth as a means of eliminating poverty is emphasized in all the developing countries.

The above mentioned strategies not only emphasize the increase in income and distribution but also the type of goods and services that the system should produce. These development strategies, thus aim at the redistribution of assets and output, mainly through the allocation of productive resources in favour

* See page no. 26
of poverty group and meeting of their basic needs within minimum time.

Section II

2.7 Issues in Development:

There are various issues which arise when development at regional level is followed. These issues pertain to both macro as well as micro level planning.

2.8 Macro Level Planning

Harrod-Domar viewed the process of development using the saving-investment criterion. Accordingly to their study, when saving is higher than consumption, demand would drop. High rate of saving will initiate higher investments but production resulting from this, would face poor demand. Harrod-Domar explained the development process in three stages. In the first stage, production of consumer goods will be undertaken, requiring higher investment. This will lead to an increase in production of other intermediate products. This continuity will influence the manufacturing sector till it raises demand for capital goods industry. On the other hand, the system adopted for development is to give higher priority to capital goods industry. This process increases capital goods production at the final stage. Saving will be used to produce capital goods to meet the existing demand.
2.9 Intra Regional and Inter Regional Imbalances:

The problem of regional imbalance in socio-economic development has acquired serious attention during the last few years. Understanding the problems of regional imbalance and backwardness at international, national, state or even at lower level, has led to the awakening towards regionalisation. Many socio-economic and political consideration has led to emphasis of regional planning. The noted regional planner Albert Waterson\(^8\) considers the following. Development planning is a continuous process and it requires to be monitored time and again; the planners have identified certain economic and physical indicators for planning which can help to assess the remedial measures for planning process".

(a) Regional or subnational pressures have intensified in recent years and shall continue to do so.
(b) These pressures in the form of separatist movements involve rich as well as poor countries like Canada, Puerto Rico, Russia, Ireland, Pakistan etc.
(c) The separation is not an issue; minority or localised groups in many countries agitate for greater economic, social, religious, linguistic issues or politicise self-determination.

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* See page no. 4
Divisive tendencies are often attained by regional and local complaints at different times and levels regarding differential treatment and discrimination. It has led government of Columbia, India, Iraq and Nigeria to expand the number of geographical and political units by subdividing existing ones.

As local socio-economic problems remain unresolved or multiply, regional development pressures grow regions within a country which have done well are dissatisfied and are under pressure.

Sometimes the social costs of regional imbalances are evident. The national government will not wait for regional pressure to mount before taking steps to prevent the concentration of industry in one or two regions. This is evident in the planned economy like India, where government though backed by a unilateral government has to face multifold pressure due to regional imbalances and different political affiliation of different regions or units. The regional planning process has been adopted for the state of country, however the issue of regional poverty and imbalance growth have not been tackled properly. Here the special efforts of planning were made to tackle these issues at regional level.

2.10 Employment Orientation and Redistribution of Growth

Employment orientation and redistribution with growth have raised production by the poor by raising demand for their goods
and services, by improving their skills and productivity. It is a necessary though not a sufficient condition to remove the poverty. The reasons are (a) Measures to facilitate basic needs to masses have not often achieved the intended results but has many times exaggerated situation, (b) critical social services for the poor have been neglected and (c) the economic emphasis has tended to lose sight of the ultimate purpose of the policies, which are in the core of target. The main purpose of all government is to eradicate poverty and provide opportunities to the people to develop their full potential in accordance with their ability.

2.11 Indicators of Development:

Development planning is a continuous process and it requires to be monitored time and again. The planners have identified certain economic and physical indicators for planning which can help to assess and remedial measures for planning process. Economist, Sociologist, Psychologist, etc. have tried to measure the development with the help of development indicators. The indicator of development must be appropriate to the region and should focus on the development of a particular region. Indicators should have relevance to technological advancement of the local level in the agricultural, industrial and urbanised sector of the economy.
2.12 Impact of Regional Planning

The adoption of regional planning may also lead to excessive regionalism. Regional planning forms an essential part of aggregate-cum-sectoral planning. It would help to resolve conflict between national and regional considerations. Regional planning facilitates formulation and implementation of planned targets in an efficient manner. Regional planning can reduce adverse impact of industrialisation, in terms of social costs, by permitting better environment control. Such a planning would lead to relatively wider opportunities of education and employment to low income group. As far as the regional development in the sphere of industry is concerned, financial institutions during the last few years have completed surveys of all the identified backward states and of the backward union territories. With a view to identifying their potential, type of infrastructure and other facilities available in different states, it has been discussed and certain suggestion in relation to this effects have also been made for industrial development by both the committees viz. Pande and Wanchoo. They also stressed on the development of managerial and entrepreneurial talent. Prospective entrepreneur also requires assistance from technician for implementation of project and for this purpose financial institutions have prepared a comprehensive list of technical consultants.
Pathak also believes that the Government, in its policy formulation, emphasise the need for the dispersal of industries and balanced growth. All five year plans incorporate the programmes for backward classes as well as backward regions. The emphasis appear to be on provision for education, health, transport and communication. Efforts for improving the social and economic overhead are made. However, it appears that these efforts are not properly planned and resources allocated for this subject are limited. Pathak in his study discusses the issue involved in assigning relative priorities to the developed and backward regions.

The combination of private sector's initiative and Government incentives shall pave the way for developmental atmosphere on micro and macro level with priority given to the backward area. The priority should be decided on the basis of

(a) the process of widening income differential. The entrepreneurs are bound to be attracted towards the areas where the available development potential can be realised easily and immediately, with proper infrastructural facilities

(b) the problem of development of other areas which are as much backward as any other areas, are equally complex and difficult,

(c) the diversion of resources towards the backward regions necessarily imply a slower rate of growth for the economy at least in the short period.

There are three basic requirements for a programme of efficient resource utilisation. (a) A proper identification of backward region, (b) a proper strategy for development with an appropriate selection of area and programme and (c) an adequate provision of incentives, particularly finance for the development of such regions.

Pande Committee\(^\text{10}\) was appointed by the Planning Commission in the year 1968 with the terms of reference to identify the backward areas. While Wanchoo Committee was asked to suggest the fiscal and financial incentives to accelerate the development of identified areas. Wanchoo Committee recommended many concessions like higher development rebate, exemption from income tax, corporate tax, import and export duties, etc. for a specific period. Transport subsidy and grant of concessional finance by financial institution were also considered.

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10 Ibid. p. 17
In India, however, the problem of backwardness in certain regions is mostly due to the fact that planning process has not produced any marked impact on the static economies of these regions. In this context positive measures of identifying growth potential, formulation of project ideas and assessing their prima-facie feasibility, preparation of detailed scheme have not been properly worked out. Arrangement for technical know-how, entrepreneurial and managerial skills, implementation and follow up scheme, etc., form the basic programme of any regional planning. They are desirable in order to overcome the existing weaknesses of the process. The planning process suffers from certain handicaps like (a) true and factual data in regards to investment, income contribution of sectors like small-scale industry, construction, etc. (b) modus operandi has yet not been evolved for resolving the possible conflict in basic objective like growth and social justice (c) no systematic work in project planning, so far, has been done (d) there is no efficient machinery to follow up sectoral progress in the implementation of plan programmes and to evolve consistent economic policies required for the attainment of planned objectives.

2.13 Physical Factors

It is expected that human resource development directly contributes to the growth of output. Literacy and health are closely associated with GNP. Their combination increase productivity of person, income and educational levels. Thus, the provision of basic amenities is a precondition for the
acceleration of the development process in developing countries. The labour productivity in agricultural and non-agricultural sector is also found to be highly influenced by the basic need indices. With improvement in basic needs, productivity of labour increases and abilities of masses also appear to be increasing. Expansion and better distribution of social services is a precondition for rural human capital formation. This is the key factor to increase social mobility, popular participation and productivity.

David A. Larson and Waltan T. Wilford in their article discuss a new measure of welfare for human kind, the Physical Quality Of Life Index (PQLI). According to Higgins, "Faced with greater difference among underdeveloped countries and inadequacy of any single criterion for spotting them, some writers have resorted to topologies upon composite indices of 'level of living'. Indeed the UN Statistical Office has suggested a composite index comparing health, food consumption, nutrition, education, employment and condition of work, housing, social security, clothing, recreation of work and human 'freedom'". Colin Clark discusses the hypothesis that economic progress may


be measured by the decline in the proportion of labour force in agriculture and increase of labour of the same in manufacturing and service sectors. Others have taken the criteria of technology and/or regional dualism wherein people of one region differ in PQLI. E. Denison\textsuperscript{14} in 1971 proposed to construct a single index of economic and social welfare and suggested that actual behaviour of physical quality should be measured, but agreed that it is very difficult to prepare such index. B.C. Liu\textsuperscript{15} in United States, used variables derived from economic, social and political influences to measure PQLI. I. Adleman and C. Morris\textsuperscript{16} tested the association between economic development and per capita income, using twenty development variables, and concluded that per capita income was not closely associated with social and political variables.

Studies on regional planning which have the direct effects on development and studies in the developing countries as well as backward economies have been undertaken by various scholars.


Section III

2.14 Income Disparity and Development:

It can be argued that the relative position of the poorest must improve by transferring income from rich to poor or middle income groups. As far as the problem of employment is concerned, it is the disparity in earning opportunities which is the major problem. Ahluwalia and Chenery have focused on changes in income share of different groups. They propose maximising the weighted average of the income of different income levels. This is explained through income differentials of different groups and inequalities among them. The income differences are reduced as the growth rate of the economy increases.

If an economy consists of only two sections; one with high average income and other with low average income, it is assumed that there are no great inequalities within these sections. Generally, inter-temporal choices may have to be made with respect to degree of equality at different times and levels of growth rates of the income of the poorest sections. When the economy achieves higher growth rate, the average income of poor people may increase at lower rate. The higher income group is initially small but absorbs labour from low income group until

all are employed in high income group. This may create an extra degree of inequality in income between two groups at different periods. The conflict between various strategies may turn out to be the question of differing time horizons. Thus, the main point is not great inequalities within different sections, but equalities differentials at the time of economy's growth process and inflow of low income workers, employed in increasing number in the initial period of any economy. When inequality is more and reduction in income is there; then inequalities among the average income of worker is high. This situation may have adverse effects on employment and potential growth of the economy.

2.15 Regional Multiplier:

Adhvaryu\textsuperscript{18} discusses in his study on "The Area Development and theory of multiplier" the relative efficiency of different approaches to area development. He advocated that no Area Development Policy based on agricultural development alone can succeed. In absence of local value adding activities, agricultural propensity has no recursive effect which is seen to have value adding activities and its expansion within the area. For supporting arguments the study has suggested three approaches to area development. (1) recursive multiplier (2) minimum base approach and (3) infrastructural or induced

\textsuperscript{18} Ibid. pp.36
industrialization approach. In a backward region, the value of the marginal propensity to consume is very high. Backward regions have large population. This may result in low saving and investment. The capital accumulation shall be low and growth potential is likely to be very little. In a primary regional economy only land which is very scarce can provide the basic growth potential. A high propensity to consume is restricted only to basic needs of life, such as good life and food, which is locally available and clothing which is internally or externally obtained. A region dependent on the locally produced goods with very low expansion ceiling, will only suffer from very high price of stable consumption products or may even starve if the marginal propensity rises as a consequence of enhanced population pressure. Regional development is also a result of various agricultural propensities. Disposal of excess supply of agriculture commodity affects farmers. He observes that increase in agricultural production will increase spending of the region but not necessarily the spending in the region. Agriculture can secure net gain when other regions may be passing through rapid industrial growth, yielding very high productivity gains. Agricultural propensity may in such circumstances result in only improvement of the standard of living of the region; but not its development. Agriculture commodities satisfy the basic needs of the society. Some products are still of greater importance used as raw-materials for industries particularly agro-based industries. The increase in income in agriculture, increase the demand for industrial products. This will increase productivity.
2.16 The Study of RIS

In the study of RIS,\textsuperscript{19} it has been found out that without exception, the structural indicators like share of non-agricultural population in GDP, proportion of urban population in total population, share of non-agricultural labour force to total labour force, investment rate and saving rate have poor relationship with Basic Need indicators. It has also been found that the proportion of unemployed depend on the economically active population and basic need indicators are less correlated. This is observed in the case of developing countries. The labour productivity both in agriculture and non-agriculture is found to be closely related to basic need indicators. Debt/GNP ratio shows a negative relationship with most of the basic need indicators. These relationships are mostly insignificant and hence no inference could be drawn. The basic need indicators as well as economic development indicators are inter-related. It is pointed out that per capita income does matter upto certain level in determining the state's effort to provide basic amenities. The per capita income tend to influence both the demand and supply of basic services. Correlation between distortion in income distribution and reduction in employment could very well facilitate this process. The policy of income distribution raises number of issues relating to its impact on growth.

\textsuperscript{19} Interdependent growth with Global equity for 1990s Basic Needs approach to development - An Appraisal: Research and Information System for Non-Aligned and other developing countries, pp.105.
Inequality tends to reduce and helps to create strong potential for economic development. The greater disparities in income distribution tend to reduce per capita income. It is noticed that with the increase in per capita income, disparities in income distribution taper off. The study by RIS has used basic approach to development.

The study was based on a sample of 52 countries, out of that 38 are developing countries. These countries account for 51.6 per cent population of which 39 per cent were from the developing World. In terms of global output, developing countries account for 10.2 per cent and developed countries account for 59.0 per cent.

Cross section analysis was made at three points viz. 1965, 1975 and 1985. Basic needs and development indicators of UN and World Bank report were used. For employment and health indicators, data sources was ILO and UNESCO. The nature of inter-relationship between economic development and basic needs indicators is estimated using simple co-relation and regression technique.

2.17 International Experience of Basic Needs

Within the group of developing countries, those belonging to the African region performed poorly in each of the indicators. This is more so in case of basic needs and its components. The weightage is given to economic development indicators which
respond to development in terms of indices. But African countries lag behind in health index and education index.

For development index and structural index, some of the countries like Madagaskar, Mauritania, Tunisia, and Zambia had a better performance in 1965, compared to countries in the Asian and Latin American region. Basic Needs indicators (BN) include ratio of economically active population to unemployment (EUR), infant mortality ratio (IMR) and health index (infant mortality ratio; life expectancy at birth and physician per population). Structural indices include investment ratio, share of non-agricultural GDP, share of non-agricultural labour force and saving rate. In the successive periods, the relative performance of the African countries deteriorated in all these indicators baring some countries.

The Asian countries present wider variation in basic need (BN), adult literacy rate (ALR), structural index which include investment rate (IR), share of non-agricultural GDP (SNG), share of non-agricultural labour force (SNL), and saving rate (SR). This could be due to the heterogeneous character of the region and the low NNP of the concerned countries.

The gap in the level of development amongst the developing countries is observed to be significant. The developed countries present a contrasting picture. Not only that they have a far better position in terms of economic indicators but the inter-country variations are also noticed to be very less.
This only corroborates the widely recognised fact that these countries have already accepted the genuinity of growth in every aspect of economic sphere and the satisfaction of basic necessities of life in particular. The striking feature of development experience of developed countries can be narrated by a simple aggregate like average and standard deviation. It clearly emerges that there is no improvement in case of any of the development indices for the developing region, even after two decades of major strides in economic development the world over. Adoption of employment and basic need policies by many countries have not still shown the results expected from them. Particularly, the African region has the lowest performance in terms of economic development. The researchers have worked on the interrelationship among development indicators and debated on basic need approach to development in last two decades. Major work in this direction was carried out by Blaug (1976), Fields (1980), King (1980), Cassen (1981), Streetan (1984), Teekans (1984), Stewart (1985), and 1988 and Panchmukhi (1989). Most of these studies stress the importance of provision of better education and health facility for development of a country.

2.18 Types of Redistribution:

Hollis B. Chenery focuses on various types of redistribution strategies of which two strategies involve the
distribution of assets in order to make the poor more productive. One involves redistribution of investment out of incremental GNP and other consists of redistribution of the existing stock. A wide range of countries where growth process was accompanied with increasing absolute poverty of bottom 40% and certainly the bottom 20%, the need to redistribution through growth in order to meet basic need has considerably increased.

2.19 Levels of living

Drewnoski and Scott\(^2\)\(^1\) (1968) have used seven components viz. level of living, physical nutrition, health, cultural education, shelter, physical, security and higher surplus income after meeting basic need. Knox\(^2\)\(^2\) has used fifty three variables in deriving the operational definition of level of living for the countries and boroughs in England and Wales. The main constituents of his study were housing, health, education, social status, employment, affluence, leisure, social security, social stability, demographic structure, general physical environment and demographic participation and by these factors he has tried to formulate PQLI of the existing population. Smith\(^2\)\(^3\) used


economic status (income, employment welfare) environment, (housing, streets etc.) health (mortality) education, social order, family breakdown, over-crowding—public order and safety and social belonging criteria in his study to reach the well-being of population. McCracken (1983), used indicators such as male and female earner in employment, age-wise standardization, mortality ratio, level of education etc. In addition, the environmental concept of the country was the main base of the study. Illbery (1984) has shown effectively the core periphery contrast by using twenty seven indicators. Seven major constituent like housing, health, education, economic growth and material well-being etc. were considered by him.

The study of micro-urban area for Gujarat, done by Kulkarni (1987). He has attempted to measure and analysed the micro-level differences in the level of well-being. The study used thirty six indicators like general physical environment, urban population and density, housing, employment, percentage of male and female workers, social facility, social security and health etc. The standard value of tehsil is weighted against average of


its respective region instead of the State average. Kulkarni\textsuperscript{27} brought out significant association by level of crowding and social well-being. Patel and Mansuri\textsuperscript{28} attempted and identified the backwardness of a micro-region with the help of 11 indicators of development in Gujarat. M.L.Dantwala\textsuperscript{29} study focuses on the aspects of backward region. He believes that programme of economic development for backward region must be based on natural and human resources and its potential. The main objective of the development effort has to be the regeneration of the region and its people leading to self sustaining growth. Dantwala also states and underlines the importance of the linkage effect of the government programme for removal of poverty from lower section of the society. The governmental programme permeate the social and educational sphere and awaken the political consciousness of the people. In process of development, the importance of outside agencies such as subsidies, other benefits gradually diminish. He believes that one cannot overlook the fact that there are vested interests even in backward regions exploiting the local people through established institutions. "These include social and economic, caste, class, land tenure, trade and money lending. By now there

\textsuperscript{27} Ibid., p.57.


is enough experience to show how regions get distorted and defeated by the political 'gate keepers'. Development without social change will remain an oasis in desert.

2.20 Planning and Development

N.D. Joshi reviews the Government policy towards backward region. He has examined development of backward region during different plan periods. The main goal of the government is always to provide better life for the people. There should not be much inequality between group of people or block of region. Five Year Plans focus on increase in national income, industrialisation, employment opportunity, reduction in disparities etc. Joshi explained that removal of poverty and reduction of inequality are not new problems.

In second Five Year Plan, Government stressed on development of basic and heavy industries in the country. While the Third Five Year Plan was based on self-sufficiency and agricultural development. The Fourth Plan mentioned that India will not depend much on foreign aid, while the Fifth Plan accepted the goal of development of backward areas. The Planning programmes were formulated for overall economic situation and the planners

30. Ibid. p.58

* see page no. 37
stressed instruments for acceleration of development. The main aspects for fast development are removal of industrial licensing, extension of educational and training facilities, location of Central Government Projects, provision of infrastructure facilities. In other words, implicit belief is that overall economic growth will automatically bring about the development of most of the backward areas. Some drastic actions are necessary for rectifying imbalances of certain regional pockets which lag far behind in average economic growth.

J. Timbergen\textsuperscript{32} in his study of Quality of Life Index used conjunction with GNP/C. In effort to provide such an index to Overseas Development Council (ODC), he proposed the Physical Quality of Life Index (PQLI) as complementary measure to GNP/C to evaluate economic and social welfare.

The Overseas Development Council (ODC)\textsuperscript{33} suggested that "there is no automatic policy relationship between any particular level of rate of growth of GNP and improvement in such indicators as life expectancy, death rates, infant mortality, etc. A nation's economic product at any particular time may be allocated in many ways, both among area of activities and among social


groups. As policies may emphasize the growth of military power and sectors of the economy that do not contribute in any obvious way in improving the health and physical well being of country's people".

2.21 Trickle Down Planning

Larson and Walton T. Wilford\(^{34}\) have laid emphasis on development planning and direct assistance to the world poor (as it is opposite to trickle down planning). This is expected to become popular and useful tool for evaluating welfare of third world nations. The PQLI deserves more analytical attention than provided in exposition, including the other indicators to determine whether the constructed index add any information to the traditional GNP measure of economic welfare differences between nations in terms of Basic Need and other facilities. The ODC combined three indicators namely, life expectancy, infant mortality and literacy, weighted equally into a composite index. The PQLI measures the result of wide range of policies. The most important features of the PQLI are, the three input variables which measure the 'result' of development efforts and improvement in living conditions.

The studies which use per capita expenditure on education do not necessarily measure the productivity of educational system.

\(^{34}\) Ibid. p.47

\* See page no. 7
Literacy rate on the other hand measure the aspects of development with certainty. There are many variables which fall into the 'attempt' category. The 'attempt' category tries to explain (a) the number of physician per region, (b) per capita calorie (protein) carbohydrate intake by individual. The third 'result' variable is education, selected as input into the PQLI. It yields an accurate measurement for country's comparative welfare development level. Accordingly if these three components are systematically related among themselves, the PQLI becomes an effective measure of actual quality of life in a country. Therefore, the PQLI might theoretically replace the alternative formulation, which tries to quantify this condition, including per capita income. The alternative formulation is based on variables which measure only 'attempts' to develop the situation of poorest people. While in fact all researchers systematically try to measure the 'result' of development efforts aim at improving quality of life. For constructing PQLI the ODG initially converted the data on three variables into a scale of 1 to 100. ODG used linear combination scaled variables, constructed by simple division of three variables. Each variable component received equal weight in the composite index and the resultant PQLI provide numerical ranking order for 150 countries. ODG has attempted to generate an important measurement tool where direct comparison of life equality characteristic may be made for 150 countries.
The ODC\textsuperscript{35} created an index which permits relatively precise comparison of comparative quality of life in various countries. The analysis does not extend beyond a simple listing of the PQLI values. No tests for systematic relationship between GNP/C and PQLI are reported in the study.

Larson and Waltan\textsuperscript{36} focuses on large differences between actual and predicted PQLI primarily in countries where changes in per capita income have recently taken place. The explanation for discrepancy of this nature lies in the process of infrastructure development of any country. The component of the PQLI partially measures the infrastructure level. It is clear that time is required to get advantages of an induced change in infrastructure. To increase literacy rate, it needs huge investments. Particularly for countries like India where poverty, unemployment and illiteracy are an intermixed problem. Therefore, the relationship between GNP/C and PQLI as measured may not hold beneficial in extreme cases. It is not just a current GNP/C determination. The level of current PQLI and GNP/C both put together determines the same. It is observed that data on literacy, infant mortality and life expectancy cannot be accurate as the available data is always based on previous year. The relationship between PQLI and GNP/C is worse in low income countries where the data are more suspect. Simple averaging is

\textsuperscript{35} Ibid. p. 47
\textsuperscript{36} Ibid. pp. 47
one method to achieve a linear combination of variables but it may not be the most accurate procedure. Larson tests the association between the component variables and proceed, to examine alternative weighting techniques. Since three series are closely associated, it is not useful to club them in an index. Further the study expects that the combination of GNP/C and PQLI will relatively change the index of weights, which is not desired in a "quality of life" composite index. The author concludes that literacy, life expectancy and infant mortality variables are highly correlated.

In order to clarify the extent to which a simple averaging basis for constructing the PQLI is appropriate and the principle component analysis is carried out on the literacy, life expectancy and infant mortality. PQLI as independent variable cannot be different as the results are similar. Any combination of the three underlying variables, life expectancy, infant mortality and literacy rate, produce the same set of PQLI values. The principal component shows that the PQLI obtained by simple averaging does not distort the information provided by three input. The analysis shows linear combination of life expectancy infant mortality and literacy yield similar ranking. It also explains why the PQLI values must be used with caution, since it is alleged a composite index which meaningfully captures three independent influences and measures physical and economic welfare both together.
In short, the PQLI study can initiate some major aspects like (a) it points at quality of life, (b) it suggests close relationship with GNP/C especially when countries with very low per capita income are excluded, and (c) the use of the PQLI as a welfare measure does not significantly change the result obtained when GNP/C is used as an indicator. Per capita income remains more accurate measure of welfare.