Chapter - 1

BACKWARD AREA DEVELOPMENT
1.1 THE CONCEPT OF BACKWARDNESS:

The concept of “Region” or area as a means of economic growth and guaranteeing the sharing out of the fruits of material and social progress among the people living in all parts of a country is increasingly becoming relevant in modern society. Areas classed as “Backward” are treated as particular areas or districts or groups of districts having bordered topological space and facing particular locational problems such as grim poverty, unemployment, low income etc.

Before discussing the strategies for development of backward region and to minimize regional disparities, it would be appropriate to understand the concept of region. The term ‘region’ is closely associated with the concept of ‘area’ or space. The term region is used to mean different spatial units by different persons. Thus it has been used to mean a resource region, programme region, metropolitan region, depressed region, planning region and so on. The region can also mean an agronomic region, drought-prone region and likewise, depending upon the particular feature of the area.

Traditionally, there are three ways to define a region. One deals with the homogeneous characteristic, usually a combination of spatial and economic aspects of a region;
second analyses the polarisation around some market or urban place within a region; and the third works out a coherent relationship between the existing administrative and political set up and the policy decisions. These attempts to identify a region are respectively based on homogenity, nodal and programming criteria.

A careful examination of the above concepts reveal that they are not completely independent. In fact, some sort of intra-dependency is there. The programming regions do have homogeneity and also posses some nodal points. For policy purposes and for planning purposes, it is the third definition which appears to be more acceptable. An ideal region/area is one with the following characteristics:

a. Geographically, it should be a contiguous unit though, it could be sub-divided into natural boundaries like plain, hilly track etc.

b. The people of the region/area should have social and cultural cohesion.

c. The area/region should be a separate unit for data collection and analysis.

d. The region should have an economic existence which can be assessed from statistical records.
e. It should be under one administrative agency.

f. It should have a fairly homogeneous economic structure, the variation in local proportions of employment and output in agriculture, industry and services should be within a narrow range. It should be more or less homogeneous in topography also.

g. It should have one or more growth points.

h. There should be common appreciation of local problems and common aspirations and approaches to their solution. It should permit and encourage competition but not rivalry between one and the other.

If we examine the above characteristics, the administrative unit, whether at the national level, state level or district level appears to satisfy most of the characteristics of a region. A comprehensive district plan should be formulated on the basis of an assessment of growth potential of a region; on the basis of natural and human resources available; and the immediate need and aspiration of the local people with the help of their knowledge. Such an attempt at district level planning or regional level planning which is very much lacking
at present, needs to be based on proper identification of differentially developed regions having different typology.

Minimisation of disparities does not mean a straight transfer of the fruits of prosperity from a resource rich area to a resource poor area or from a developed to a backward area/region. Such transfers can only be temporary, and the producing areas will continue to produce and consuming areas will continue to consume with no chance of an even exchange. This will rather widen the disparities in the long run.

Similarly, reduction of regional disparities does not mean to establish manufacturing or other activities in those areas where there is no adequate resource base. If it is done, the goals of economic efficiency necessary and essential for the progress of the country will be jeopardised. It also does not mean that regions which do not have facility for accommodating productive activities are permanently deprived of the benefits of prosperity arising from industrial production. In fact, apparently there is a conflict between the goals of growth on the one hand and social justice on the other hand. Reduction in disparities require a balance between the two goals. Regional disparities can be brought down in the real
sense when all regions are encouraged to exploit their own development potentials and formulate development plans suitable to their needs, potentials and aspirations. If backward regions are helped by this way, they will have an opportunity to overcome their inherent weaknesses and achieve higher rate of growth. What is necessary is the organisation of economic activities at all levels and sectors interacting upon one another so as to produce an aggregate growth rate which will help to remove the bottlenecks in the backward area/region.

The backward areas in the west have been marked by some of the following characteristics: low density of population, a high rate of population (labour force) growth, a low participation rate, massive emigration of population because of the lack of employment opportunities, a rate of unemployment higher than the national rate, slower rate of economic growth resulting in a per capita income lower than the national average, monolithic occupational distribution of population, predominance of small farms, decline or slow growth of the old and non-viable industries and trades consequent upon the depletion of natural resources or intensification of competition from outside, a lower average productivity in all economic activities due to a lower command of the volume of economic goods (e.g. infrastructure, social
services, capital, credit facility know-how, economic information etc.), a lower level of welfare enjoying by the resident population, economic dualism in certain cases revealed in a developed but limited core area composed of a few industries, which have practically remained as enclaves without generating their spread effects, co-existing with an extensive undeveloped periphery having few secondary activities, almost impoverished by its backward effects on account of the exodus of productive resources.

The factors that assist or obstruct economic development and accelerate or retard its pace are always the same whether they relate to a single area or to the whole country or to a group of countries comprising a continent. Beside this the process of economic development is uneven in time as well as in space.

Myrdal (1957) says that in the absence of state intervention the market forces tend to increase rather than to decrease the income disparities in the income levels between areas.

In an underdeveloped country the regional disparities look large because the pace of progress in it has been slow. Whatever, industrialization has already taken place in such a
country is at a low level and is very unevenly distributed. Geographically, in India, the development has been clustered around a few nuclear regions. There has been no visible signs of the spread around them, the benefits of development has not been equitably distributed over each state or region and in certain areas the entire population has been classified as backward.

Backwardness have been characterized by a syndrome of collective poverty. An analysis of the problems of backwardness and regional disparities reveals that, there are three important factors: historical, uneven distribution of natural resource and social, political and economic. As far as the historical factor is concerned, it is said that in the underdeveloped countries, the regional disparities can largely be due to either the initial advantages enjoyed by some regions or areas or to the less conceived public investment programmes effected under colonial rule. Thus the regions which attracted faster growth rate became developed region. The second factor is the uneven distribution of natural resources. The areas, which are well-endowed with the natural resources like water, fertile soil, forest etc., with a little efforts can be developed at a faster rate. Similarly, the third factor is related with the human activity. Here social, political and economic aspects
play very important role in the backwardness and regional disparities in any part of the world. For example, a region is rich in natural resources but lack of conscious efforts of development, lack of entrepreneurship, lack of efforts of acquiring skill and lack of motivation lead to regional disparities and some regions continue to remain backward.

1.2 DESIGN OF BACKWARD AREA DEVELOPMENT:

The world “development” reflects a change. Any stage of change, whether it is negative or positive, is development. Conceptually, the term development is the state of change from a given situation of a region to become a better position within the given period of time. It shows that the change in positive direction is a basic component of development. On this basis, Galbraith (1962) recognised three types of economic development, that is (i) Symbolic modernization (ii) Maximized economic growth and (iii) Selective growth.

If the state of change in any given region is the result of the normal ongoing activities of the region, it may be termed as natural or normal state of development. But, when the planned efforts are made to attain a desired level of change, it is the function of the process of regional development planning. Thus, it is apparent that development is the function
of planned efforts for the improvement of the regions. Development is not a single-function approach to ensure welfare to the society. There are multi-dimensional changes which follow the socio-economic development of the regions. Development consciousness among individuals is as much necessary as it is for the state, because some tangible achievements can be obtained in any branch of economy.

The concept of development is not related merely to quantitative aspects, but is also related to qualitative assessment. In its qualitative aspect it coincides with the welfare objective. It is not enough to observe what is produced and distributed but economic development should also boost economic and social welfare. In comparing the poor nations with the rich countries one should take into account the population growth, real per capita income, and socio-economic welfare. However, the concept of welfare involves value judgement regarding various aspects, but it still cannot be neglected altogether. Thus, it is obvious that development means an upward movement not merely of national but also of the entire social system.

The process of planned economic development in the country, for the last fifty years has been successful in some
areas; whereas some areas have continued to remain backward in the sense that the pace of development has been for below than the rate of development. This has led to the thinking whether there has been something wrong in the design of development pursued in the earlier years or there is a need for a special kind of design of development for such backward areas. The five year plan 1979-84, has laid emphasis on area development and naturally the question of design of development of backward areas has assumed special significance in the early stages to the structuring of investment in the various sectors of the economy so as to increase the level of its per capita income. Such discussions related naturally to the aggregate volume of rates of investment, capital intensity and the rate of population increase. The mobilization of financial resources and their development in investment, constituted the basic aspect of such a design of development. The consistency test required the pattern of investment in aggregate to be equal to the total available resources mobilization through domestic and external sources. The finance was taken to be the constraint of economic development.

The design of development for the economy as a whole was being discussed. There has been reference for
development of backward areas in the economy in the various plan documents. The discussion of the development of backward areas has been in the context of bringing about a balanced regional development and removing regional disparities. It was recognized in the second five year plan that in any comprehensive plan of development, it is axiomatic that the special needs of these less development areas should receive due attention. The second five year plan document however recognized that the problem of balanced regional development was particularly difficult in the early stage when the total resources available were very inadequate in relation to needs. But more and more development proceeds and large resources become available for investment, the stress of development programme should be on extending the benefits of investments to underdeveloped regions. The emphasis on balanced regional development was reflected in the policy relating to the location of new industries. Although some industries had to be located in particular areas in view of the availability of the necessary raw materials or other natural resources, but there are other industries in regard to the location of economic consideration. There is a field of choice and it was clearly laid down that often the disadvantages of
comparative cost are only the reflections of the lack of basic development.

The third five year plan document provides a separate division for balanced regional development. It was recognized that increase in national income and more balanced development were related to one another and step by step it become possible to create conditions in which resources in terms of natural endowment, skill and capital in each region were fully utilized. Some regional factors such as those connected with physical features and geographical location cannot be altered but there are other which can be influenced by raising the levels of education and skill, developing power and generally by applying science and technology on a large scale.

The third five year plan also relied on the proper framing of the state plans, the size and pattern of their outlays for reducing the disparities of development between different states. In addition to the role assigned to the plans of the states, there were several important features in the third plan which were expected to enlarge the possibilities of development in areas which had in the past been relatively backward. For instance, intensive development of agriculture, extension of irrigation, village and small industries, large scale
development of power, development of roads, communication and transportation, provision for universal education for age group 6-11 years, improvement in conditions of living and water supply etc. were expected to go a long way to provide, throughout the country, the foundation of rapid economic development.

The fourth five year plan considered that the problem of imbalance in development in different states arose due to variations in the activities of three sectors viz, co-operative, public and private. Development of co-operative sector depends on the strength and coverage of co-operatives in the state. It is more important in the co-operative obtaining financial assistance from national financial institutions such as the Reserve Bank, or the Agricultural Refinance Corporation or Life Insurance Corporation. Private sector activity depended on the extent of entrepreneurship within the state and the resources commanded by it and the infrastructure and the development within the state conducive to development of such activity. The availability of resources with Government of the state for planned development was considered to be the heart of the matter.
The direction in which the centre could help the state were delineated as (1) allocation of central assistance (2) location of central projects and (3) adjustment in procedure and policies of national financial and other institution.

The fourth plan took a comprehensive view of the factors for backwardness and proposed that a multi-directional area development programme should be adopted in order to accelerate the development of backward areas. It was maintained that since each backward area represented a unique combination of factors, it was recognized that no uniform programme could be successfully conceived and imposed on a national level and it was therefore felt that there was the need for evolving appropriate location specific strategies based on careful identification of backwardness as well as the potential available for development. Backward areas were classified into two categories viz, (1) Areas with unfavourable physiographic conditions having inhabitants of typical cultural characteristics (2) Economically backward areas marked by adverse man land-ratios, lack of infrastructure or adequate development of resource potentials. The backward areas provisions were made for proper identification and devising of meaningful programmes on the basis of location specific strategies. Schemes of Small Farmers
Development Agency (SFDA), Marginal Farmer and Agricultural Labour Development Agency (MFAL), were introduced in selected 46 and 41 districts, respectively. District plan formulations were encouraged and 229 districts were identified according to some determined criteria as industrially backward and were made eligible for confessional finance from all India term lending institutions at lower interest rate and longer amortization period.

The policy for the fifth plan with regard to the development of backward area was formulated on the basis of three considerations. Firstly, it was recognized that the problem of backwardness was a long term problem which could be tackled only over a long period of time. Secondly, the allocation of financial resources was only one of the many measures necessary for the development of these areas. The other essential measure are the evolution of locally oriented integrated strategies, strengthening the co-ordinated functioning as financing and reorientation and where necessary restructuring of the field organization to suit the functional requirements of the identified development programme. Thirdly, states would have to continue to bear the main responsibility for development of their backward areas though central government would actively participate in this task by
making special allocation for hilly and tribal areas and also by (i) providing technical support in respect of planning and programme development (ii) channelizing institutional resources on a priority basis (iii) continuing and further extending the liberal patterns of central assistance and (iv) providing special incentives for the flow of private investment, to identified backward areas. One of the significant measures taken in the fifth plan for reducing the regional disparities was the launching of the programme of minimum needs with an outlay of 28.3 crores. By this programme, it was proposed to improve the condition of market deficiencies of social consumption in backward area by extending facilities for elementary education, rural health nutrition and water supply, rural roads rural electrification etc. The programmes for small farmers and marginal farmers were proposed to be continued in 160 districts of the country.

The preference were according to backward areas in the matter of licensing investment and concessions were allowed by way of capital and transport subsidy and the special mechanism for identifying investment opportunities was set up. The experience with large industrial projects shows that their spread-effects are low and the surrounding areas continue to remain poor and under developed. As regard the
incentive schemes, for promoting development, in backward area the plan document maintained such incentive schemes to promote industrial growth in sections of backward areas which need to be examined to assess their cost and effects in promoting overall development in the areas concerned.

The barriers to development in backward areas are such that, according to the plan document (1978-83), an integrated approach is required. Such integrated approach underlies the proposals of rural development. The proposed provisions for integrated rural development are planning and minimum needs for all areas in the country. It is expected that forward areas, however defined will be amongst the principal beneficiaries for these provisions. The plan document further maintained that problem of backwardness cannot always be tackled at village, block or district level.

The plan document emphasizes that it is intended that some point of the provisions for integrated rural development and area planning will be used to promote those measures that will enable the region to benefit fully from the other sectional and area development programmes and to utilize fruitfully investment funds in the private and banking sectors. The design of development of backward areas under the five
year plan (1978-83), is intimately connected with the schemes of integrated rural development and the area development programmes. The strategy for rural development in the plans has been the integrated rural development. Experience of various plans has shown that a more project approach or a sectoral approach is not adequate to an overall development of the area. Different areas at different levels of development have varying degrees of potentials depending on local endowments.

The strategy of development of backward areas under the various five year plans, indicates that there has been the recognition of the necessity of evolving a district strategy of development of such areas. But there has been variation in the emphasis on the design to be followed for achieving the said objective. While the emphasis in the earlier years has been on bringing about balanced development by encouraging the setting up of industrial units especially of the large size in the expectation of their spread effects, while the later years saw the shift towards specific schemes for so-called backward areas for improving the conditions of small farmers, marginal farmers and the agricultural labourers and also for improving the productive activities of backward area. Five year plans indicate that schemes of integrated rural development and the area
development programmes will take care of the problem of development of backward areas.

One obvious shortcoming of the approaches to the problem of development of backward areas appears to be lack of uniformity in the approaches. There have been changes not only in the strategy of development but also in the very concept of development to imply that the backward areas mean only rural backwardness. The earlier approach to the development of backward areas with the emphasis on generating industrialization took care of development areas might tend to impede the future development of the backward rural areas by creating bottlenecks in marketing and communication.

It is necessary to take cognizance of the useful functions that towns and cities render to the life and activities in the villages which are their lower order dependent, settlements. The growth centre concept recognize the integration of the rural urban settlement into an organic functional mechanism. Franis Perroux (1950), the well known regional planner, mentioned that development manifests itself with varying intensities at favoured points from which, depending upon the circumstances, it tends to propagate outside with variable
The design of development of backward areas does not spell out clearly the role of financial intermediaries and the pattern of financial intermediation which is to be conducive and instrumental in generating and accelerating the rate of economic development in the backward areas.

The financial resources is the most crucial factor in bringing about development in backward areas. The accelerated rate of economic development in backward areas requires the flow of financial resources from the relatively affluent areas to the backward areas under such circumstances that there is the normal tendency of flow of financial resources mobilized by the banking and other financial intermediaries in the backward areas.

One can clearly see the direct relationship between the flow of resources from the banking and other financial intermediaries and the rate of development in the different regions in the country. Such institutions have preference for the developed states, developed metropolitan centres, and other urban centres in the matter of lending of financial resources. The risk of lending in the backward areas have to be covered and clear quota of the lending is fixed for the
banking and other financial intermediaries for advancing to the backward areas.

One of the important arguments advanced by the banks and other financial intermediaries is the lack of entrepreneurial ability in the backward areas and such lack of entrepreneurial class is more the effect than the cause of backwardness.

The development of human resources plays a significant role in the improvement of backward areas. This is because in the absence of proper development of the human resources no effort for development is likely to yield fruitful results. The development of backward areas is not possible with insufficient labour force and untrained entrepreneurial class. The programmes for development of education together with the assured flow of financial resources from the developed areas have to be the essential ingredients of the design of development of backward areas.