CHAPTER VI

ECONOMIC GROWTH VIS-A-VIS THE PATTERN OF SAVINGS AND INVESTMENT IN AZAMGARH DISTRICT

A RESUME
ECONOMIC GROWTH VIS-A-VIS THE PATTERN OF SAVINGS AND INVESTMENT IN RAJASTHAN DISTRICT

A RESUME

In the preceding chapter, important factors of the existing pattern of Income, Savings and Investment have been examined. The present chapter makes an attempt to synchronise the economic growth with the pattern of Income, Savings and Investment in the district.

Social, economic and political systems operate for progress and prosperity. Economic system's efficiency is underlined by addition to national income and its distribution.

There have emerged many hypotheses and models to solve the variables of growth. Keynes considered savings and investment the main propellers of the level of employment. He threadbare examined the motives of savings and investments, e.g. for savings are the motives of precautions, transactions and speculation. But, further, improvements in the hypothesis, specially to deal with post-war problems of reconstruction of the economy and inflation on the one hand, and the menacing problems of economic transformation in the newly independent nations, on the other, suggested the planned investment to precede the voluntary savings. The reason for emphasis on compulsory savings were, in
the main, low income and wide-spread poverty. The target of growth rate of savings and investment were computed for a given size of population.

The experience with planned savings and investment brought to surface the intractable problems of improving the efficiency of factor inputs for better results from the use of limited resources. It involves the question of technology, area of location of projects and the sectors for investment. On macro-level, capital intensive technique were preferred for key industries in the public sector usually located in the backward areas. The techniques employ so far have transformed the economy into industrial one, tended to reduce pressure on land and also raised the national incomes.

The same picture does not emerge from study of small area. Azamgarh district of eastern Uttar Pradesh has not experienced the fruits of development. There are similar other backward regions in the country. Regional disparity can be grappled with by making area approach. It should work within the parameters of growth, viz., the size of population and its growth over a period of time, savings and rate of increments, and lastly the investments in projects to yield growth at a rate higher than the growth rate of population. In mathematical terms:

\[ Gr = f_e \left( \frac{I}{Po} \right) \]
The formulation suggests that growth rate is determined by factor efficiency, investment and population growth rate. Besides, the backward areas have specific problems, to be dealt with, viz., the scheduled castes/tribes, the lack of infrastructures, the density of population besides the low income per capita.

In the present study, estimates of regional income have been made by source of income, viz., agriculture, industries, service. It is my assumption that a region mainly dependent on agriculture will certainly be in a backward state, that on industries is a developing region and if it is dependent on service, it is a developed region.

The hypothesis pertaining to source of income as a gauge of the region's economy would be of academic interest to find out its spread effects. It has been put to test in the present study.

There are two distinct types of analysis: the static and the dynamic economic approaches. It is simple to hold constant the variables of income, viz., investment, at a point of time to give suggestions to deal with
existing economic problems. Too facile is the conclusion to shed light on the forces spearheading changes, viz., change in price to boost the value added, technological changes, infrastructural developments, the planned investments in the region and unplanned dissavings or savings by individuals and institutions. On top is the development of entrepreneurship in non-traditional areas.

The pattern of savings and investment in Azamgarh income of the district by sectors, its distribution among economic groups is of special assistance in the evaluation of the complex problem of area growth.

The demographic study of the district is appropriate to the main objectives of the study. A region stands to grow and prosper within the overall framework of factor endowments, including human resources. It is worth dividing population into working population and the non-working population. A large proportion of the working population is, indeed, the sign of regional economic advancement, and vice-versa when the working population is not substantial. A few earnings members would share their income with more of the non-working members. An obvious result of such trend is perceptible in the pattern of income by economic groups of working and non-
working population in Azamgarh district.

It, however, dispenses with the assumption usually made for static economic studies, i.e., the perfectly elastic supply to a particular production unit and inelastic supply of factors to industry at a given point of point. The assumption does away with increase in the size of the working population to avoid complication in the analysis. In the present study, it is found useful to record periodic changes in the number of workers in different sectors and trace the reasons thereof. Traditional vocations are changing under the impact of technology together with uninhibited mobility of workers in response to monetary incentives, viz., wages, etc., in Azamgarh town.

In general, the towns receive evergrowing number of immigrants from villages in search of employment and dignity of labour which is hardly available in rural areas. The analysis reveals its impact on problem of burgeoning unemployment.

The principles of micro-economic applicable to behaviour of private entrepreneur offer the solution to raising level of employment at lower level of wages.
Theoretically, it may be accepted as a sound logic, but hardly acceptable to the State which stands committed to protect working class interests. It seems to be a fair endorsement to this view for a probe into measures acceptable to the State, labour unions and the employer. As an alternative, the approach to the districts problem of unemployment calls for additional investment in existing industries.

Nevertheless, the development process has to suit local conditions. Raising resources by private enterprises involves serious issues of return, liquidity and risk. A sole proprietary type of business is predominant form of business organisation in the district. Trade largely comprises sole proprietorship. (70 per cent of the business organisations are sole traders). But they do not have major share in volume of domestic trade (less than 30% on average). In the national context, big trading centres have larger share in trade handled by joint stock companies. On the contrary, in small towns, e.g., Azamgarh, there is not a single joint stock company, public or private limited. The sole trading, partnership and partnerships co-exist there. The entire trade is shared by the sole traders and the partnership/partnership firms. The inherently deficient form of business
organisation is not capable of generating substantial resources for diversification, expansion and modernisation. The entrepreneurs are traditionally averse to risks in new ventures. They regard that the traditional business is not risky. It means that they attach less importance to return. Even the young generation of business class is not known to break new grounds in business pattern in the town.

For others, it is a matter of attitude, customs and practices. Big farmers who have surplus funds or savings take pride in traditional forms of investments, including jewellery, land and building. Such investments are not economically desirable owing to little expansion in job opportunities.

It is often said that savings hoarded are not economically productive. Savings deposited in bank accounts become productive. The inference is drawn from the observation of banking practices pertaining to lending and investment. Other things remaining the same, a bank has the power to add to money supply (or create credit money) through the process of lending and investment. The hoarding constitutes leakage of money from the stream of income
flow. It is, therefore, quite necessary to encourage bank savings for investment in projects for regional development.

Regional disparity in economic development can be tackled, according to a group of economists, by not pursuing the social objective of equality. The disparate incomes of different classes manifest themselves in savings. In other words, the larger is the income flows to upper income group, the more rapid growth of savings will there be. It may be a sound logic under assumed static economic conditions. Actually, acute inequitable distribution of income results in heavy concentration of economic power. It is the singlemost factor responsible for socio-economic exploitation of weaker sections of the society, viz., workers and consumers. No state in a democratic country can hope for a healthy society without putting in shackles the monopoly and restrictive trade practices.

In modern society, rate of interest plays an important role in boosting savings. Generally, there is positive relationship between the rate of interest and the savings. The traditional tools of monetary policy fail to create desirable impact on traditional stationary
economy which exists in semi-urban areas, viz., Azamgarh. The reasons are not far to seek; till recently, it has been the failure of banks to open branches to mop up savings. The community in Azamgarh is becoming growingly aware of the utility of banking services. Bank deposit growth pattern in urban areas is in contrast with that of the rural areas of the district. In urban areas, time deposits register higher growth rate than the demand deposits. The time deposits refer to fixed deposits. A bank can invest the time deposits in long term projects at higher rates. It is the time deposits which have got to be generated for expansion of investment activities. The fixed income earners prefer to deposit their savings on fixed deposit accounts. It is not possible to attain a higher growth rate in time deposits because of the fixed income of the deposit holders. The savings have been eroded by inflation, to a large extent. To avoid erosion of savings, it is essential to neutralise the impact of inflation by putting up the interest rate. However, higher rate of interest on bank deposits, specially the time deposits is accompanied by adjustments in the capital cost for industries; higher dividends for equity holders and higher interest rates on bonds and debentures. To minimise the adverse effects on cost of capital, the monetary authority has to play supportive role in the capital market.
The developed areas of the country are in enviable position; stock exchanges, financial institutions, banks, insurance companies and business organizations compete with each other for investment. The All India pattern of investment indicate 10 per cent investment in plantation, 10 per cent in agriculture, 20 per cent in manufacturing and trading and 50 per cent in government securities. The rural sector got 20 per cent as against 80 per cent to the urban sector. Further analysis of the growth of deposits reveal just 30% of the additional deposits originating in semi-urban and rural areas. A comparison between the deposit growth rate and investment in rural areas make it amply clear that the rural areas are not given their due share.

Azamgarh is one of the less developed regions. An inquiry has been made into the causes of slow investment activities there. The general causes of backwardness of the district lie in lack of entrepreneurship, capital, material and organisation. The State has evinced great interest in development of entrepreneurship in rural areas, specially for small enterprises. The financial assistance by way of 'seed capital' is being provided through the lead banks, regional banks and other financial institutions. The great rider of
institutional financing is the viability of the project.

The financial institutions take a long range point of view. The project is scrutinised on the basis of national objectives it stands to serve on completion, the employment potential, the nature of business, the form of business, the composition of management, the capital and its structure, the demand pattern for the product or the service, and lastly, the rate of return.

It is too much to expect of an entrepreneur in rural areas to give a scientific account of the project for which financial assistance or loan is sought. In view of the technical difficulties beyond the competence of average entrepreneurs, it would be worth examining the question of lending bank’s role to support the main development activities in a region for local entrepreneurs.

The role of District Industries Office has been looked into to find out as to what changes in rules and regulations would be helpful to borrowers in Azamgarh.

Though the State has developed the economic and the social overheads for industrial activities in Azamgarh district, there are many examples of the private enterprises spearheading development. Calcutta became a sprawling city
in the wake of private trading and industrial activities. Jamshedpur became an industrial centre since the establishment of the Tata Iron & Steel Co. (TISCO). Bombay, Madras, Kanpur and the other industrial cities also have a modest beginning. Aligarh Lock Industry owes its birth to Elahi Bux, a skilled worker, who had taken to the lock manufacturing. These are illustrative of entrepreneurs blazing new trails of achievements in the economic developments.

The State places considerable reliance on small sectors for development in Azamgarh. The problems confronting small entrepreneurs are wide-ranging; land for factory premises, adequate power supply, tools and implements, trained and skilled workers, sufficient supply of raw-materials, funds for investments and provision of working capital as well as for financing the marketing operations, etc.

State incurs special responsibility for accelerating capital formation in backward regions such as Azamgarh. To fulfil the objective of regional development, it would be fruitful, in the first instance, to identify backward districts or parts thereof. Generally,
the backwardness is traceable to, among other things, the infrastructural deficiency or its conspicuous absence. Special programmes should be incorporated in five year Plan's allocations for development of both the social and economic overheads, viz., the development of transportation and communication system, power, development of banking, insurance and warehousing and marketing institutions. Investment in hospitals, schools, colleges and training institutes would meet the requirement of industries for healthy, trained and skilled labour force.

There are some who hold the opinion to make allocations of public money on the basis of objective norms. The question as to what projects should be given priority for area development is of considerable importance. It is related to rationing the limited funds among numerous competing projects for maximum benefits. In private sector, projects are accepted or rejected on the basis of return. There is no such need as to accept or reject the social projects on the ground of monetary return. The objectives are the social benefits to be derived from projects to develop infrastructures; hence the social cost-benefit or social capital/input ratios can be fairly recommended as the basis of approval or rejection of the project.
The argument, as a corollary, can be extended to the term of social cost and social benefits. In private sector, the cost is measured in terms of money involved in the execution of a project and income in terms of cash flows; the ratio between the two is compared with predetermined standard profitability. The parameters of private investment do not hold any longer in the case of public investment for regional development. The cost which the state may bear in financing a project by way of funds can be expressed in monetary terms and compared with benefits from its impact on area or regional income. It is not in conformity with wider objective of accelerating capital formation until and unless the private investment sees a silver lining in the horizon of business opportunities. In other words, there should be accrual of additional purchasing power for support to production in the private sector at a higher level.

Private capital in Amangarh can be stimulated by means of tax concessions, loans on easy terms, public expenditure on development of institutes ancillary to business, viz., banks, insurance, warehouses, transport and communication system, power and water supply works, etc. Huge capital is required to develop social and
economic overheads in Assam. It is worth considering to undertake projects in the joint sector due to inadequate availability of the private capital in the district.

Banks have pivotal role to play in accelerating formation. In 1955, State Bank of India and its subsidiaries were assigned the task of mobilising resources for economic development specially in backward and the rural areas. Its objectives, according to the Act legislating the SBI's incorporation, are composed of special assistance for development of small entrepreneurship, promotion of cooperatives for credit to farmers, financing of warehousing scheme in rural sector and that of construction of low cost houses. The State Bank of India approached its objectives through an integrated plan; it undertook opening of branches in unbanked areas, introduced attractive schemes for the growth of deposits and for a meaningful change in the composition of its deposits. In the year of its inception (1955), demand deposits were the dominant part of SBI's deposits. It aimed at reversing the share of demand and time deposits. Its endeavours have paid the dividends; the time deposits are the major compo-
ments of SBI's deposits. The nationalised banks have been, likewise, charged with the responsibility of cultivating banking habits among the rural masses. It would facilitate the banks to provide credit for agricultural activities and the loans to fulfil capital requirements of small entrepreneurs.

Nevertheless, sight should not lost of the fact that Azamgarh has all the characteristics of being a primary economy; agriculture is the main occupation in Azamgarh. Artisans are engaged in the production of traditional products, viz., potteries, handicrafts, bidis, handloom products, etc.

As a matter of cultural heritage, the State has been unsparing in its efforts to preserve and promote the traditional art. The artisans are being helped financially to commercialise the products. The State agencies are engaged in promoting demand both in the domestic and foreign markets. The show-rooms are constructed at tourist centres because the products made by artisans of traditional designs have been quite popular among the foreign tourists, specially from the
West Europe and the U.S.A. Further, the scope is held out by the agro-based industries in the small sector. There are a few capital intensive agro-industries specially those engaged in food processing. The industries in the small sector would thrive with agriculture to support them. The fruit trees should be planted in less fertile areas for supply of fruits to industries. Oil seeds can be obtained by enlarging cultivation extensively for mass production of oil, viz., the ground nut oil, mustard oil, soyabean for vegetable oil. The State should take initiative by directing research institutes to place the high yielding seeds in the hands of farmers. Block officers must train the farmers and impart necessary know-how in the use of improved seeds, fertilizers and in the techniques of handling the implements.

It would be rewarding to place restrictions on the expansion of large and medium units. Emphasis should be given to private enterprises undertaking industrial activities in the backward regions viz., the agro-industries, handlooms, farm implements, forging activities, the small units of bakeries, confectionaries, poultries, the fish farming, etc.
These views have been corroborated by National Development Council and various Committees constituted from time to time to deal with the problems of backward areas. The committee has tacitly suggested the development of industries in backward areas for promoting local entrepreneurship and to provide employment to local people. In the opinion of the committee, development with the help of outside capital and outside skill would create social and economic tension in the area. Assam serves as a typical example of these tensions which are taking place as a result of insignificant benefits of industrial development to the local people. It is necessary to identify skills for industrial development in backward regions. The report substantiates the view that the benefit of additional employment as a result of industrial development of backward region both in Rajasthan and Maharashtra has not accrued to local people. To fill in the gap, it is necessary to develop training centre for employment in new industries in the region.

The problems which arise in the employment of local labour can be a part of the absence of industrial
culture in backward regions. The management of new industrial units in backward region appose the local workers because of high rate of labour turnover. Such problems tend to disappear as soon as industrial culture is established in the area. The public units are content to exercise their discretion in favour of the employment of local workers due to statutory obligation for recruitment of workers through employment exchanges. There is no provision to put a restriction on employment of the workers from outside.

It is seen that practical experience of I.T.I trained people has come in the way of absorption of local people. The regions do not have sufficiently large number of industrial units for practical training. The emphasis on practical training has its roots in theoretical bias in the courses. The problem can be overcome if the condition of practical training is waived in backward regions. Permanent employment of local incumbents can be subjected to his completion of a probationary period. It would enable the management to assess incumbents aptitude towards factory environment. The recommendations of the committee appointed by the labour ministry in 1978 for modification of selection procedure
to suit local culture is worth considering. The opinion of the committee is in favour of training or modular approach. It would expedite the local employment in backward areas.

The growth centre can also be taken up as a means of spill-over affects on the development of local entrepreneurship in backward regions. Moradabad, and Bulandshahar substantiate the view that growth centres have been helpful in the development of local entrepreneurship in backward areas. Entrepreneurship in Moradabad Brass Industry and entrepreneurship in ceramic industry of Bulandshahar prove that local entrepreneur can be developed through growth centres. However, the entrepreneurial development has been confined to a few caste in U.P. It has been estimated that 80% of entrepreneurs in U.P. belong to trading caste.

Experience with innovative scheme in Gujarat shows that equal weightage to family background, practical experience in trade and Industry and technical skill have been helpful in the development of entrepreneurship. In Gujarat, 84% of the new entrepreneurs own their own industry, 9% run business houses and 7% are other types
of entrepreneurs. New entrepreneurs with 5 years of experience and technical training have been successful. It proves that family background is not of much consequence in the development of entrepreneurship in backward region.

The selection process cannot be effective without organisational support of central agencies. The national committee on backward areas has recommended its report that IDBI appears to be the most suitable agencies for identification and selection of entrepreneurs in backward areas. In the course of training, emphasis should be given to development of entrepreneur to take up new ventures. After the completion of the course, the centre should give him a project of the industry that he can establish in his area successfully.

Technical training alone will not be enough for a successful entrepreneur. He must be well versed in marketing and financing. Therefore, training centre should prepare elaborate programmes of training in marketing and finance.
Removal of regional backwardness has been recognised in all the five year plans. In the first five year plan it is recognised that, for rapid and balanced development, regional imbalances should be removed. Similarly the industrial policy resolution, 1956, lays emphasis on industrial development backward areas. Second five year plan also draws attention to the problems of regional disparities by changing the pattern of investment for balanced regional development. The third five year plan, considered formula for the location of large industrial units in backward areas. The plan highlights the importance of dispersal of industrial activity to avoid the dangers of concentration of industries. It is suggested to favour the industries in backward areas by way of fiscal and monetary incentives, including licences. However, it seems that licences alone cannot rectify regional imbalances. Assam and Orissa are the instances of slow development in spite of big concessions in licencing. IDBI IFCI and other financial agencies claim to have sanctioned large amounts of capital for investment in backward areas without any significant impact on local conditions. It may be therefore, observed,
that entrepreneurial development can only remedy the situation. It requires both development of infrastructure to take care of finances and marketing.

There has been a long debate on the identification of backward areas. Committee on dispersal of industries recommended that an area should be considered backward on the basis of per capita income, per capita consumption, high density of population, development of communication by rail and road, high incidence of unemployment or under employment and consumption of electric power.

The fourth plan identified the backward areas by incorporating desert areas drought affected areas, hilly areas and the Tribal areas. The Pandey Committee formulated a principle to measure industrial backwardness on the basis of factory's workers, development of communication, consumption of electricity and per capita income from industrial employment. The committee identified 7 states as backward including Andhra Pradesh, Madhya Pradesh, Bihar, Orissa, Rajasthan and Uttar Pradesh. It further recommended that in these backward states sites
for industrial projects should be located at least 50 miles from large cities and towns with a population exceeding 5 lakh.

To develop backward area, the State government prepared a package scheme offering various types of incentives. For instance, Maharashtra provided relief in the electricity tariff, sales tax and octroi duty. Panjab Government offers to under-write 20% to 25% of the paid-up capital besides 25% subsidy on the electricity tariff for 5 years. The Kerala Government undertakes to provide guarantee to private industries outside the developed areas in respect of credit accommodation from the IFC and other financial institutions. The State government also offers equity participation in case of small industrial units in private or public sector. Other states are also providing incentives to attract private capital in their backward areas.

However, it has been noticed that the package incentives for industrial development of backward areas has made little impact on the trend of industrial growth in advanced industrial cities. There still continues to be heavy concentration of industrial units specially in metropolitan cities. Most of the small units are concentrated in 5 States, namely, Delhi, Tamil Nadu, Maharashtra, Panjab and West Bengal.
In the opinion of Mawchau Committee, fiscal incentives may be helpful in the dispersal of industrial units. The committee has specially recommended higher development rebate, tax holiday for five years, total exemption from import duties on plant and machinery for units in backward areas besides transport subsidy to the extent of 50% of the cost of transportation. The Mawchau Committee is also of the opinion that there should be dis-incentives to discourage entrepreneurs of new industrial units in congested areas, particularly in metropolitan cities, viz., Bombay, Calcutta, Madras, Delhi, etc.

In 1969, the National Development Council decided to introduce 10% subsidy on fixed assets of new units in backward areas with a provision of Rs. 5 crore in the IVth plan.

When the facts of investment in the public sector are taken up to identify the main factors responsible for backwardness of some states, including Bihar, Orissa, M.P., and Assam. It appears paradoxical that investment of Rs. 300 crores since the first plan has not removed backwardness. Therefore, backwardness has not been the result
of tangible factors such as factor-endowments or shortage of capital. All these states are rich in mineral resources. It seems to the Research Scholar that social and cultural attitude of the people of the region has to do a great deal with the existing backwardness. A change in attitude has to be brought about by extensive programmes of entrepreneurial development. In the opinion of Prof. McChelland, motivation plays pivotal role in entrepreneurship. His observation derives its strength from the survey of many poverty-sticken areas in U.S.A. It is found that lack of motivation to establish their own ventures has been responsible for economic backwardness. The co-relation between motivation and economic development is invariably valid for all the backward regions.

McChelland is emphatic in asserting that entrepreneurship and satisfaction from achievement are both essential. It is social and economic environment that induces achievement motivation. Though the Research Scholar has not come across any survey conducted in India to identify the role of achievement motivation, he is convinced that environment in backward regions has to account for the existing regional disparities. The experiences with innovative scheme in Gujarat, Karnataka
and Maharashtra are likely to induce motivation for entrepreneurship. Though it is difficult to implant the models of entrepreneurial development in other countries, viz., U.S.A., U.K., and Japan, there is every reason to believe that technical institution and other training centres would be much helpful to overcome the hesitation in young generation to take up the opportunities of establishing their own business ventures.

The scheme can be effective if an integrated approach is made in co-operation with state government, technical institution, financial institutions and Universities. These bodies should work together to devise specific programmes such as junior achievement programme and junior entrepreneur programme, to acquaint the young people with the problems of industrial development. Of course the techniques and technology for the development of industrial units in rural and backward areas should suit the local conditions.

It is relevant to examine the guidelines provided by the National Development Council. The National Development Council has been pronouncing its policies for the
development of backward areas since the first plan. The first plan underlined the need to deal with the problem of industrial backwardness. The plan document pointed out that necessary infrastructure should be developed in backward states for rapid industrialisation.

The second plan suggested the remedy by developing the core industry in backward areas assuming that it would lead to development to other industries there.

The third plan recommended three-pronged approach for balanced development in the country. In the first place it recommended decentralised industrial production; secondly preferential treatment of industries to be located in backward areas and thirdly to promote greater mobility of labour between different parts of the country. Further the plan emphasised modification of licensing policy for promoting industrial dispersal away from large cities. The large cities defined on the basis of population. It suggested that new industry should be located 50 miles from cities with the population of one million and in urban areas away from towns with the population of 5 lakh.
In the fourth plan, emphasis is laid on utilisation of local resources and skills. In the fifth and subsequent plans, it is suggested that techno-economic feasibility studies should be conducted to determine the suitability of projects in backward areas. It would facilitates the promotion of agro-industries in backward areas. The plan have approved creation of growth centre as the nuclei of development in backward areas. However dispersal of industries has not been vigorously pursued.

Industrialisation of backward areas is the focal point of each plan because subsistance economy predominated those areas. It has resulted in low productivity and low income. There has not been any change in technology because the centres of growth are isolated from backward areas. The growing population depends upon agriculture and traditional occupations. As a result, most of the families in backward areas are below poverty line. The poverty line is drawn at an annual income of Rs. 3900 for rural areas and Rs. 4500 for urban areas at 1971 prices. It is therefore, necessary to develop
modern manufacturing centre in backward areas for raising productivity and income.

The manufacturing activity will create conditions for the development of skill for new jobs in the wake of industrial growth. The new industries in backward areas will provide backward linkages to ancillary units. The service and tertiary sectors would also experience rapid development when industrial growth takes place. For example, there would develop the trucking and freight forwarding services, repair and maintenance services, trading services, etc. The additional jobs would generate additional income which would express itself in the form of higher demand for agricultural produces and other local products. It is expected that over a period of time a process of urbanisation would gather momentum as a result of industrialisation in backward areas. It is hoped that the regional imbalances in economic growth would disappear.
The development of small industries in Azamgarh district would gain more impetus provided care is taken of finance, inputs, marketing and training of labour. It may be out of question locally to find savings for financing the capital expenditure or to fulfil the working capital requirements. A few big landlords or the traders who are also traditional money-lenders are holding substantial part of savings in Azamgarh. The pattern of savings is not different in Azamgarh from other backward districts. The assumption underlying the existing pattern of savings is that agriculture is the dominant sector of the economy. Substantial part of the farm income is hogged by big landlords and the money-lenders. It means that the big landlords and the traders hold savings largely. If the aim is social equity or the equitable distribution of income, measures for redistribution of income and wealth should be pursued vigorously. Provision of capital, allotment of land for industrial units, supply of power and marketing net-work should be developed by the State for small entrepreneurs in Azamgarh district.

There are certain occupations which are looked down upon in Azamgarh district viz., the tailoring dyeing &
cleaning, shoe-making, Iron-smithing, etc. The people engaged in those activities are largely poor. They do not enjoy as much of social status as enjoyed by other high castes. Apart from the respect from the land, the society is strewn and strife torn because of class stratification. The castes still live by their ethos, customs and traditions. It provides unassailable base for hierarchical social, economic and political system. The wind of change hardly crosses the century-old caste barriers. That is why planning for the past four decades has left little imprint on people in Azamgarh. The task for new class of entrepreneurial development in Azamgarh is formidable.

The hypothesis encompasses analysis of savings, investment and employment in Azamgarh. It is established by the study of the savings and investment pattern of Azamgarh district that the economy of the district is not capable of generating sufficient savings to finance development. The banks and the plan outlays are crucial to the economic advancement of the district. However, the district's economy has undergone a change in regard to the accelerated pace of development of trade, industry and the
service sectors. The buoyancy of the district's economy would remain doubtful without ushering in modern techniques of production in agricultural sector. It is not keeping pace with the trade and industry. It is evident from slow increase in the capital intensity in the agricultural sector as compared with that in trade, industry and the service sectors.

That the modernisation would be fraught with widespread unemployment is found baseless. The district's economy is capable of absorbing more of the workers in the process of modernisation. However, the cost of modernisation is too much for small entrepreneurs to bear without the institutional support.

The bank loans are not sufficiently available to the farm sector. It is due to restricted ability of small and marginal farmers of the district to bear the cost of capital (bank loans and advances). It would behoove to the bankers if the cost of the loans is lowered and a scheme to rationalise the entire credit allocation system is introduced to admit of the factors of backwardness together with in-built incentives for entrepreneurial development in trade industry and service.
In nutshell, economic development has not brought about industrialisation of Azamgarh district. The district, as a whole, is entrenched into backwardness due to heavy dependance of the population on agriculture. There is every reason to believe that modernisation of agriculture and development of agro-industries on small sector can eliminate poverty and backwardness in the district. The approach outlined in the thesis follows the approach to raise productivity of labour by diversifying occupations in the district through savings and investment in manufacturing and service sectors.