CHAPTER I

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

There have emerged many hypotheses and models to show 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 hand, suggested the planned investment to precede the voluntary savings. The reason for emphasis on compulsory savings were, in the main, low income and widespread poverty. The target of growth rate of savings and investment were computed for a given size of populations.

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 technol-
area of location of projects and the sectors for investment. On macro-level, capital intensive techniques were preferred for key industries in the public sector usually located in backward areas. The techniques employed so far have transformed the economy into an industrial one, tended to reduce pressure on land and also raised the national income.

The same picture does not emerge from study of small areas. 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:

\[ Gr = F_e (1/Po) \]

The formulation suggests that growth rate is determined by factor efficiency, investment and population growth rate. For instance, if factor efficiency is 6%, investment is Rs. 20 lakh and additional population is 10 lakh in period in a certain area, the growth rate is 12% (.06 \times 20/10).

In contrast to other formulations, it is easy to compute the determinants of growth. In the present case, it
becomes necessary to estimate the size of income, savings and investment together with institutional set up for factor efficiency.

Estimates of regional income have been made by source of income, viz., agriculture, industries and service. It is our assumption that a region mainly dependent on agriculture will certainly be in a 'backward state', that which depends on industries would be termed a 'developing' region; and if it is dependent on services for income, it should be regarded as a 'developed' region.

The hypothesis pertaining to source of income as a gauge of the region's development would be of academic interest to find out its spread-effects.

There are two distinct types of analyses: the static and the dynamic. It is simple to hold constant the variables of income, viz., investment at a point of time to suggest solutions to existing economic problems. For instance, if the static analysis reveals constant level of income from a given source of income, it may be observed, other things remaining the same, that there is no change in the level of savings and investment at point of equilibrium. 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 development, the planned investments
in the region, 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, income of the region by sectors, its distribution among economic groups would be of special assistance in the evaluation of the complex problem of regional growth.

The demographic study of the region 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. A large proportion of the working population is, indeed, the sign of regional economic advancement, and vice-versa when the working population is not sizable. A few earning members would share their income with more of the non-working members. An obvious result of such a trend would be perceptible in the pattern of income by economic groups of working and non-working population.

It would, however, dispense with the assumptions usually made for static economic studies, i.e. 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 working
population to avoid complications in the analysis. It would be useful to record periodic changes in the number of workers in different sectors and trace the reasons thereof. Traditional vocations must change under the impact of technology together with uninhibited mobility of workers in response to monetary incentives, viz., wages, etc.

In general, towns receive ever growing number of immigrants from villages in search of employment and dignity of labour which is hardly available in rural areas. The study would reveal its impact on problem of burgeoning unemployment.

The principles of micro-economics applicable to behaviour of private entrepreneur offer the solutions to the problems of unemployment by lowering 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 regional problem of unemployment would call forth additional investments in industries for higher marginal productivity of labour.

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 still predominant form of business organisation especially in rural and semi-urban areas. Trading largely comprises sole proprietorship - 70% of the business establishments are sole traders. But they do not have major share in the 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 district, there is not a single joint stock company, public or private limited. The sole trading and partnerships co-exist there. The entire trade is shared by the sole traders and the partnership firms.

The inherently deficient form of business organisations is not capable of generating substantial resources for diversification, expansion and modernization. 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.

For others, it is a matter of attitude, customs and practice. Big farmers who have surplus funds or savings take pride in traditional forms of investments, including jewellerlary land and building. Such investments are not
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 economy. 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 economy as it exists in semi-urban areas. The reasons are not far to seek. Till recently, it has been the failure of banks to open branches there to mop up savings. The areas, both the semi-urban and the urban areas have banks. The community there 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. In urban areas, the 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 deposits 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 adjustment in the capital cost for industries; higher
dividends for equity holders and higher interest rates on bonds and debentures. To minimize the adverse effects on cost of capital, the monetary authority has to play supportive role in the capital market.

The large business centres are in enviable position; stock exchange, financial institutions, banks, insurance companies and business organizations compete with each other for investment in developed areas. The All India pattern of investment indicate 10% investment in plantation, 20% in agriculture, 20% in manufacturing and trading firms and 60% in government securities.* The rural sector has got 20% as against 80% to the urban sector on average. 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 district is one of the less developed regions. It would be pertinent to make an inquiry into the causes of slow investment activities. The general causes of backwardness lie in lack of entrepreneurship, capital, material and organisation.

*The Economic Times, New Delhi, January 12, 1990, p.10
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 objective 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 a lending banks' role to probe the main development activities in a region for local entrepreneurs.

The role of District Industries office has to be looked into to find out as to what changes in rules and regulations would be helpful to borrowers in backward region.
The industrial growth in backward regions has been promoted by the State. It has undertaken investment in public sector enterprises. The main consideration in public investment was promotion of regional development. Location of public enterprises is not guided by availability of raw materials, capital, skilled labour, power, market and so on. The raw material and other factor inputs have followed establishment of the public enterprises. For instance, coal is transported over long distance to thermal plants in various parts away from the site of coal mines. Likewise, whole township has been developed for the staff and the workers of public enterprises in backward regions.

Though the state has developed the economic and the social overheads for industrial activities, there are many examples of the private enterprise spearheading regional development, beside the public sector. In the post-independence period, Calcutta became a sprawling city in the wake of British trading and industrial activities in the hinterland of the port. Jamshedpur has become an industrial centre since the establishment of Tata Iron & Steel Co. (TISCO). Bombay, Madras, Kanpur and the other industrial cities have a modest background. Aligarh Lock Industry owes its birth to Elahi Bux, a skilled worker who had taken to the lock manufacturing long ago.
These are illustrative of entrepreneurs blazing trails of achievements. Everywhere the pace of development is attuned to industries.

The State policy for regional development places considerable reliance on small sectors. The problems confronting small entrepreneurs are wide ranging; land for factory premises, adequate power, tools and implements, training, sufficient supply of raw-materials, credit for fixed investment and working capital for financing the marketing operations, etc.

State incurs special responsibility for accelerating capital formation in backward regions. To fulfil the objectives of regional development, it would be fruitful, in the first instance, to identify backward districts or parts thereof. Generally, backwardness is traceable to, among other things, the infrastructural deficiency or its conspicuous absence. Special programmes should be incorporated in five year plans allocations for development of both the social and economic overheads, viz., the development of transportation and communication system, power system, development of banking, insurance and warehousing and marketing institutions. Investment in hospitals, schools, colleges and training institutes would meet the requirement of industries for trained and skilled labour force.
There are some who hold the opinion to make allocation 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 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 project on the ground of monetary returns. The objective is the social benefits to be derived from projects, hence the social cost-benefit or social capital/output 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-flow; the ratio between the two is compared with pre-determined standard profitability. The parameters of private investment do not hold any longer in the case of public investment for regional development. The cost which 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 investors see 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 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. It is worth considering projects in the joint sector due to inadequate availability of private capital.

Banks have pivotal role to play in accelerating capital formation. In 1955, SBI was assigned the task of mobilising resources for economic development. 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 SBI approached its objectives through an integrated plan; it undertook opening of branches in unbanked area, 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 snare of demand and time deposits. Its endeavours have paid the dividend; time deposits are the major component of SBI's deposits.

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 be lost of the fact that rural sector has the characteristics of primary economy; agriculture is the main occupation in plain areas, tribes in hill areas live on primary industry, and in deserts, people live by traditional arts and skills. Modernisation should not be pursued too for lest the region undergoes the horror of loss of jobs for millions and immigration of countless number of people from the urban areas to take up jobs in modern factories.

There are two way-outs; in the first instance, vocational courses may be introduced at +2 level for students to join factories after completion of the course. Alternatively, the artisans should be trained on job in new techniques of production.
As a matter of cultural heritage, the State has been unsparing in its efforts to preserve the traditional art. The artisans are being helped financially to commercialise the products. 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 design have been quite popular among the foreign tourists, specially from the West Europe and USA.

Further scope is held out by 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 supplies of fruits to industries. Oil seeds can be obtained by enlarging cultivation extensively for mass production of oil, viz., ground nut oil, mustard oil, soyabean for vegetable oil. 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 enterprise undertaking industrial activities in the small sector, viz., agro-industries, handlooms, farm implement forging activities, small units of bakeries, confectionaries, poultries fish farming etc.

The growth of small industries 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 capital expenditure or to fulfil the working capital requirements. The experience bears it out that a few big landlords or the traders who are also traditional money lenders are holding substantial part of savings in villages. The pattern of savings should not be different in small towns, with population from 10,000 to 50,000. The assumption underlying the existing pattern of savings is that agriculture is the dominant sector of the economy. There the 10 per cent are the big landlords in the farming class, holding 60% of the agricultural land. In other words, substantial part of farm income is hogged by big landlords, the money-lender traders. The middle class is non-existent. It means that the big landlords and the traders are the savers. If the aim is the social equity or the equitable distribution of income, together with priority to development of rural entrepreneurship among small and
There are certain occupations which are looked down upon in the rural society, viz., tailoring, dyeing and 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 high castes. Apart from the respect for land, the society is strewen and strife torn because of class stratification. The castes still live by their values, ethos, customs and traditions. It provides also unassailable base for hierarchical social, economic and political system. The wind of change hardly crosses the century old custom barriers. That is why planning for the past four decades has left little imprint in rural areas. The task of new class of entrepreneurial development is therefore formidable.

The rural sectors are characterised by the predominance of agriculture. The terms of trade are not usually favourable to the farmers. The agriculture produces do not fetch as high value in market as the manufacture product. In other words the farmers have to sell low the agriculture produces. It accounts for low purchasing power low savings
and low investments. If we analyse the economy on the basis of share of the main economic activities viz., agriculture industry, services, it becomes evident that more than 60% income is generated by the agriculture and 40% by others. This classification of income proves that the rural sectors are backward.

Though the state has taken measures for removing the disparity between the urban and rural sector, it has not produced the desirable result. One of the objective of the licencing policy has been the dispersal of industry to backward rural areas. The licencing policy has not worked to fulfil this objective. The big business houses establishing in cities were sanctioned large number of licences. The new entrepreneurs desires of establishing the new units in the backward region did not succeed in obtaining a licence. Further relaxation of provision of MRTF Act, raising the capital limit in case of big companies, liberalisation of trade policy for 100% export oriented unit restricted the scope of development of small unit of the villages. They have been lapsed director, general for technical development in certifying capacity for loan from financial institution. It seems that there lurked fears in the mind DGTD in issuing certificate to new entrepreneurs in new areas. It was wrong to assume that the proven entrepreneurs must be given priority over the new entrepreneurs in backward areas. The
prevailing policy of the DGTD fall outside the national object of encouragement to small unit in backward rural areas as a result of all these. There is little development of manufacturing sector in rural areas.

The regional development is the special responsibility of the State Government; it should look to the need of backward regions specially for the infrastructure viz., development of transport and communication system, water supply both for domestic and industrial purposes, training of workers in new skills, supply of raw materials and other scarce inputs, development of power system, warehouses and storage capacity. This industrial base, together with service sector, would secure to the people in backward areas higher income more savings for investment and gainful employment.

The hypothesis encompasses analysis of savings investment and employment on regional basis in relation to the main economic sector viz., agriculture, manufacturing industries and the service sector. A region is categorised into developed, developing, and backward regions on the basis of the origin of income in agriculture, manufacturing and service sectors; it is a developed region if income above 60% is contributed by manufacturing and service sector; it is a developing region if the income is contributed by manufacturing and service sector; it is a backward region if agriculture contributes most of the income.
One of the main objectives of the plan is the removal of regional backwardness by stimulating investment in small industries. The objective has been far fetched due to lukewarm support by the Centre and the State to the scheme for development of infrastructure and institutional framework. The development of backward region would secure to the people in rural areas higher income, savings and investment for better job opportunities. It would also reduce pressure on land and check migration to cities in search of job. The idea of factor endowments for comparative cost advantage in the location of industries has to be dispersed because if favour the developed region alone the centralization of industries in regions more favourable endeavored for export of the manufacture to backward region is also untenable because it seize to perpetual regional disparities. The analysis of regional development in terms of income, savings investment and employment will provide an insight into the factors responsible for existing economic structure and the associated problems.

These views have been corroborated by the National Committee on Development of backward areas appointed in 1979.

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 oppose 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 Bulandshahr 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 entrepreneurs 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 agency 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.

Report on Industrial organisation, National Committee on the Development of Backward areas, op. cit., P.58
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 programme 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 in 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 un-employment 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 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(M.P.), Binar, 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 under-takes 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 Wanchoo 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 tax.

duties on plant and machinery for units in backward areas besides transport subsidy to the extent of 50% of the cost of transportation. The Wanchoo 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 and 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, Madhya-Pradesh and Assam. It appears paradoxical that investment of Rs. 3400 crore 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. McClelland, motivation

plays pivotal role in entrepreneurship. His observation derives its strength from the survey of many poverty-stricken 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 the 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 centre would be much helpful to overcome the hesitation in young generation to take up the opportunities of establishing their own business ventures.

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McChelland: Impulse to Modernisation,
(The illustrated weekly of India, June 27, 1971)
The scheme can be affective 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 problems 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 licencing 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 plane 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 charge in technology because the centre of growth are isolated from backward areas. The growing population depends upon agriculture and traditional occupation
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.

Plan of work:

The present study has been divided into six chapters. The first chapter analyses problems of regional backwardness.
The second chapter contains economic survey of Azamgarh district to identify local resources for economic development. The third chapter is devoted to the analysis of demographic problems together with occupational distribution. As a matter of fact, people of an area play significant role in regional development; backward regions are characterised by low productivity, low income and stagnation of technology. The level of education and technical skill of course improve the productivity of labour and ensures effective utilisation of limited resources and their optimum development.

The fourth chapter is devoted to the analysis of economic performance of Azamgarh district to verify the conceptual framework that a backward region is characterised by low productivity and low income. The backward regions do not have a strong industrial base. Agricultural sector is predominant. The underlying assumption is that the capital and labour productivity in agricultural sector is far less than that in the industrial sector and the service sectors.

The fifth chapter examines the pattern of savings and investment in Azamgarh district to verify the phenomenon of inverse relationship between consumption and income. It will also reveal income elasticity of consumption. This would be measured with the help of time-series in terms of moving averages.
The last chapter summarises the main findings of the study to suggest remedies for the removal of regional backwardness.

**Methodology:**

The study employs the economic methods and quantitative techniques for scientific analysis of the problem. The moving averages of income and savings have been computed. Further, the method of computing propensity to consume and save, the capital intensity and productivity of capital and labour have also been used to build up the body of scientific knowledge about the development of Azamgarh district. Time-series have been constructed to indicate the change in various parameters of study over time.

The primary data have been collected because of the dearth of reliable secondary sources. In estimating the income, consumption and savings in Azamgarh, the R.B.I's classification has been adopted for analysis of the impact of savings and investment on economic development of Azamgarh district.