CHAPTER IX

CONCLUSION AND SUGGESTIONS

9.1 **INTRODUCTION:**

Industrial development in India is very slow and is concentrated in a few centres. It has been pointed out that the regional disparities are more in the nature of inter-state disparities in industrial development because of the concentration of industries in a few advanced states.

Even in the developed states, economic growth is concentrated in some areas and the rest of it is backward thus making for a dual economy. The process of urbanisation has increased regional disparities further. It is not very easy to disperse industries away from congested parts to backward regions unless suitable infrastructure, finance and raw materials supply is provided.

9.2 **A SUMMING UP:**

Despite the government's effort to reduce the regional disparities as seen in the literature survey presented earlier, the identification of the problem has
been on a wrong note as it neither gave a macro perspective nor went into the micro details. This, along with the licensing policy, the importance given to public sector investment and the promotion of small scale industries led to a worsening of the atmosphere for private entrepreneurship.

The policy to remove regional disparities through public sector investment has not helped the matter either because of poor performance on their part. Further productivity has been the main casualty in this process and a proper network of industries has not been built between the large and small sectors, nor has it helped in employment generation.

Similarly the concentration of investment in terms of industrial estates failed to create a proper environment for small scale industry in the backward States. In fact in this entire process of concentration towards removing regional disparities it is the backward districts in the backward states that have been left un-noticed. Thus the various committees to identify and formulate a development policy for backward areas have not served their purpose, very effectively.
Perhaps the prime responsibility for this slow speed in the removal of regional disparities belongs to the formulation of the approach to development strategy. Too much reliance has been placed on the pull factors hoping that backward area incentives will attract new industry. What was missed out is the fact that production is a structure of several processes and advantage must be taken of such links which play a major role as factors and help to disperse industry.

What is most lamentable however is the effort on the part of development financial institutions not having desirable effects in terms of reduction in regional disparities. Instead of financial incentives more attention should have been paid to fiscal and non-financial incentives to promote industries in backward regions. Moreover, infrastructural inputs are the best attraction to industrial growth wherein the role of government would have been more effective. Had the development financial institutions played a role in inducing small scale industries to be set up on indigenous resource base they would have promoted a development strategy which would have been succesful. Currently from the sample in this study we find
that these institutions have only served to encourage footloose industries in developed areas of developed states.

While concessional finance for an upcoming industry is not to be derided, it is not the sole factor which will disperse industries, as it attracts capital investment into industries of the larger and medium size varieties. Further it has been found from the survey that industrial units mainly depend on debt capital. Their own contribution and market funds are minimal because of the easy availability of institutional finance specially on concessional terms. Perhaps it is because of this that operating profits of the units have had a favourable impact. In sum, the financial institutions have served to improve the profitability of the industrial units.

It is also found that the units in the backward areas are very weak because of not having been based on the local raw materials, which can be exploited for the benefit of the region. Hence the model in this study becomes all the more relevant which stresses the strengthening of the informal sector in backward as well as developed areas through their linkages through access planning and local participation.
9.3 Role Of Financial Institution: Some Suggestions;

While most studies on the impact of financial institutions on industrial development have concentrated their efforts towards assessing their role in terms of size of assistance and number of industrial units promoted, few studies have dealt with the further prospects for growth of these industrial units. Nor have they dealt with the resource endowment structure of the regions and potential of such industries to exploit the raw materials in the region. Further, the income and employment multipliers will operate only if the backward areas already have some infrastructure at least of a rudimentary nature in order to strengthen the pull factors.

The backward linkages if weak in terms of raw material exploitation, are weaker when it comes to jobs generation. Since the informal sector draws labour locally, the income multiplier will be stronger. Further, the sales linkage can be strengthened if the market net work is widened by lengthening the distance between the production centre and consumer centre which implies transport costs and gives rise to intermediate employment. Thus for the informal production process, backward linkages in terms of
access to raw materials and inputs as well as labour and forward linkages with respect to sales, marketing and technology are dictated by the level of interdependence in the activity.

The financial institutions can play a better role by diverting their assistance through the informal sector so that the cost-benefit of such incentives is improved. Studies point to the fact that direct aid to backward region units are beneficial in terms of direct employment, income generation, which is more than the social cost as seen in the form of interest foregone by the public financial institutions. If diverted through a sector which is more productive then the benefits would automatically be more than the cost. However, backward areas have to be given special attention in order to improve the quality of life by concentrating on social infrastructure and seeing that social factors like institutional framework for education and health as well as communication and transport are improved. In many cases, it is found that most of the units in the backward areas instead of leading to development of infrastructure have failed because of lack of such infrastructure.
Thus the role of financial institutions must be viewed from the developmental angle apart from concentrating on the quantum of concessional finance, the rate of interest, the repayment period and the time involved in the sanction thereof. Attention to infrastructural development both fiscal and social, residential accommodation, training of skilled labour and availability of industrial raw materials as well as marketing, transport, related advisory services and expertise is also required. Entrepreneurial promotion and training, design institutions to develop appropriate technology and industries are other areas calling for attention. In short, the Growth Centre Strategy is not a mere classificatory function but implies identifying and strengthening the growth potential of the centre in terms of its linkages so that the growth impulse is transmitted strongly to the neighbouring regions.

A shift from the balanced growth pattern towards unbalanced growth by giving special attention to growth centres in this manner will further economic growth, urbanization and economies of scale. An effective regional policy can be formulated for a large country like India only on the basis of sectoral details regarding activity
clusters and strong complementary linkages. Moreover multiple objectives and limits to their attainment because of resources, influence the choice among development strategies with the ultimate decision being left to political will.

9.4 The Informal Sector: Strategy Of Growth:

Drawing lessons from the polarizaion theory, we can say that selective concentration of economic activities in the informal sector and use of policy instruments are also affected by the availability of data regarding some economic factors, industrial structure and institutional arrangements.

As explained in the section dealing with the analytical model and its working, strengthening the growth impulse implies identification of linkages and paying attention to them which is the main focus of this development strategy, thus aiding the implicit horizontal process of growth to reduce regional disparities in a lateral manner. It is vital that a net work be woven which will spread over the economy continuously. Herein we find the model where the building blocks of all the theories
are used as inputs in the process of economic development wherever it is most necessary. This model can be extended further to include people's participation and access planning. For example, in the informal sector, dependence on indigenous sources of borrowing which are inadequate should be supplemented by institutional sources. The organisation can be based on co-operation principles with favourable support. The role of Co-operatives thus gains special significance in the development strategy as enunciated in this study.

Government aid to stimulate investments in backward areas is concentrated more on the specified fixed costs and some incentives are provided for supply of raw materials at concessional rates. However, it is important to give more subsidies for important raw materials and on the basis of output actually produced, additional incentives could be given. Some lessons could be drawn from the special nature of aid that is provided to the small scale sector in the provision of raw materials.
It is more important to pay attention to the marketing of the product of the units in backward areas which can be aided by the government agencies entering into a long term contract for projects. It is needless to add that any assistance in terms of lower duty on imports of machineries would aid the modernisation and technological upgradation of units in backward areas. What is perhaps the main bottleneck in industrial development is unreliable supply of quality power which can cause damage to machinery and materials specially in the case of continuous production processes. Economic means of transport and social infrastructure of education, housing and access to metropolis are other factors which help the spread of industries and mobility of labour. State development agencies can concentrate their resources on a few viable production units so also an unofficial body could take up liason services with government and other development agencies.

9.5 ROLE OF COOPERATIVES.

Research studies on cooperatives have often in their efforts to make realistic evaluation of their efficacy ignored the potential which they possess. As a scheme of organisation it must be accepted that local
conditions which vary widely from State to State account for many of their weaknesses and must be identified and overcome. An inter-disciplinary approach is required not only in the research studies on cooperatives but also in constituting the cooperatives themselves as an institutional form for better mobilisation of local factors and also as a distribution network. Moreover, the expectations from the cooperatives must be just and in keeping with their potential. Excessive expectations without accepting the basic weakness of the system will only foist unnecessary shortcomings on the movement.

The cooperative system is an institutional medium which is a self-help organisation where the people participate actively in the decision making process. While it is not a charitable institution, the Government can use it as a vehicle to reach the people so that the reserves are delivered in an efficient manner specially in the case of weaker sections who cannot find for themselves.

Thus we link here the setting up of cooperatives with the units in the informal sector so that credit can be delivered to the informal sector units which are individually not strong enough to run such services but can get together and through the instrumentation of
cooperatives mobilise capital. While there would be no omnibus model applicable all over, existing units in the informal sector must be so reorganised into cooperatives so that un-official leadership, strong and dedicated entrepreneurship are given a field day. This would help them to instill a sense of discipline and strengthen the democratic process so that the weaker sections have access. In the context of this large country, a federal structure of cooperatives is suggested but when we think of the structure of the informal sector specially for the provision of credit more attention must be paid to the district level in terms of tiers rather than at the national level.

Credit societies in Japan and Korea have demonstrated that it is not so much ideology of cooperation but organisational viability, operational efficacy and management efficiency which will promote success. So also size does not matter and genuine cooperative ventures even of larger size will succeed provided they ensure the participation of members in the activities, through the informal groups that constitute the cooperative. Since the informal sector's basic need is technology, market and credit, integrated approach in terms of a comprehensive linkage of activities would help
credit needs. The main purpose of the development financial institutions also was to provide a package of aid, but it was done without attention to backward and forward linkage activities.

To begin with it is necessary to harness the cooperative movement in the informal sector so that augmenting of funds is possible. Loaning operations, deposit mobilisation etc. can be linked to the financial institutions so that new methods are devised to increase the capital base with provision for reserves so that activities in the informal sector can be expanded. Recovery of loans would also be easy through the cooperative institutions since some of the cause of overdues are irregular funding inadequate supervision and indifference which can be overcome through the cooperatives by streamlining their effort and offering incentives for timely repayment of loan in the form of rebate on rate of interest charged. Such a countinuous process of guiding and promoting development at the district level will make the units viable and help evolve minimum quality standards instill professionalisation in management and by increasing overall proportion of credit and other assistance, diversify activities.
One of the ways to strengthen cooperatives is to have it perform multiple functions by involving itself right from the provision of credit and other inputs for production to marketing of output. It is only when packages of integrated services are provided, will they be beneficial to the members. Internal funds can be raised from within cooperatives by increasing value of a share, introducing special shares for different services, adding dividend payable to share capital, contributing towards a thrift deposit and increasing reserves through higher profitability. There should be compulsory linkages between credit and marketing so that the amount advanced can be collected.

The legal support to the institutions of cooperation has always aimed at enabling the cooperative body to perpetuate succession, a capacity to sue, and maintain the cooperative character of the institution and protect its members. It also has power to amend laws, power to nominate controlling management of the society and to evolve rules for efficient functioning. It must be pointed out that the success of cooperatives is linked to the socio-economic system. Measures which aim at their development at several layers will provide lasting benefit to the success of cooperatives. While Government interference should be the
least, membership participation is important and the movement will succeed if the cooperative can extend its operation to meet major needs of the informal sector.

Apparently it looks as though getting together people with a common aim is sufficient to form and run cooperative institution. It is necessary that the attitude and performance of the people must be so adapted as to spontaneously fall into the concept of teamwork and therefore calls for suitable training and education of cooperative members and running of cooperative institutions. Such training schemes should be continuously monitored and modified and strengthened to meet the growing and diversifying needs of the sector. Further, effective cooperation among cooperatives in terms of inter-co-operative investment business and support is also an important factor which can aid survival and growth of the informal sector. Thus the institution of cooperatives in the informal sector will help to improve overall performance in terms of membership coverage, meeting their needs, professional savings and investment, timely service at minimum cost, cooperative support and profit.
The financial leverage provided by the cooperatives is of a different kind since the cooperatives do not aim at maximising the rate of dividend of paid-up capital but at rendering service to the members at a minimum cost. The capital structure and cost of capital are different from the normal equity ratio of viable private enterprises. Therefore, improvement is called for in the systems of current management of cash accounts receivables and inventory. The challenge of development can, therefore, be met through education, financial discipline and collective effort. In chapter eight we have delineated on the role of voluntary organisations, here we pay some attention as to how the Government can help in this process.

9.6 ROLE OF THE GOVERNMENT:

The Government can help in this process by:

a) Encouraging the organisation of cooperatives through concessions, discriminatory protection, financial support and favourable treatment.

b) To join cooperatives as partners by contribution towards their share capital.
c) To ensure the democratic character by instituting training and educational programmes.

d) Provide helpful support through extension works through the officers.

Benevolent training programmes, technical guidance and financial supports for cooperative aid structure as well as arrangement for proper audit will aid the movement. A word of caution is necessary to say that over-politicisation of the movement will not help to attain the cooperative ideals. Limitations of this institutional form should be kept in mind and not used for solving deep rooted socio-economic problems as cooperatives are generally not yielding results in these areas.

9.7 Improving the Lot of Labour with Special Reference to Women:

As suggested earlier to improve the lot of the workers in the informal sector steps towards improving wages, working conditions, welfare etc. have to be taken. Assured subsistence wages, security, employment provisions for hours of work, overtime wages should also be attended to along with
benefits such as Provident Fund, health, educational facilities, and some preferential treatment in terms of housing. Dissemination of information regarding job opportunities is a positive step that the Government can take. Women labours it is said (1) (S.N.Tripathi) are the largest and most visible section of India's Labour force specially in the case of rural households. Women suffer a greater lot of handicaps in the form of restructuring their mobility, lack of transferable skills, lack of knowledge of market and techniques and lack of access to asset capital and tools. (2) It is to be seen how structural reforms will empower women for easy and equal participation in the market.

Instead of reducing women power to the level of piece rate workers or surplus labour pool, which can be drawn up on any time, decentralisation of decision making, area planning based on local skills and resources in a democratic institutional framework will help facilitate active participation of women. Cooperatives of producers and workers is another democratic vehicle as also setting up a network of voluntary organisations.
The Shram Shakti report aims to establish that women are workers because they are producers and reproducers. Even when they are not employed they are involved in social production and reproduction of labour which is absolutely necessary for the survival of society. Contribution of women as home makers must be recognised as social and economic production. The commission strongly recommends that substantial improvement in the economic status of women working in the informal sector of economy can be obtained by devising concrete strategies which can enhance the ownership of and control over productive assets by these women. For example, a sizable proportion of women in the unorganised sector are engaged in construction work. Their living conditions can be improved by strict adherence to labour laws, imparting skills to women, contribution to construction workers’ welfare fund and setting up of voluntary institutions, mobile creches etc.

Attempts to upgrade the traditional sector and expand women employment in it calls for action in areas such as technology upgradation, training, credit, provision of raw materials and marketing facilities. A critical component preventing women from making progress in the economic field is availability of credit, hence access to easy credit is necessary. Some of the factors preventing easy access to credit by women are
illiteracy, lack of information, low self confidence, other general handicaps such as attitudinal discrimination, low mobility and lack of asset ownership. A banking policy with counters exclusively for women and opening of women's cooperative banks should be promoted. Similarly, an exclusive credit body for poor and self employed women is necessary since existing institutions are not meeting the credit needs of women workers.

The voluntary sector has been active in delivering credit to this target group. Hence governmental support to such voluntary organisation which function as credit purveyors can also be useful by providing them loans on a soft term basis. A national credit body can coordinate the functioning of Women Development and Finance Corporation and serve as a forum for dialogue between organised credit institutions and voluntary agencies.

So also marketing outlets through consumer societies and consumer federations, cooperative societies, cooperative federations, super markets, state emporium and government depots for a cluster of villages would be helpful in supplying raw materials and collecting finished products from women to supply to agencies with marketing tie-ups.
In the cases of vendors and hawkers, it must be noted that they perform the important role of services and distribution of commodities. An integrated authority should coordinate and increase the effectiveness of commodity distribution systems and space allotted in urban planning for vendors and hawkers with facilities like drinking water, washing areas, toilets, storage space and creches. So also association ventures should be encouraged so that common functions such as food supply, garbage disposal, water supply etc are taken up by them. A fund to meet their cash requirements, training course for awareness of legislative and municipal rules, sanitation and health, encouraging fair business practices and various schemes of assistance are also necessary.

An important step to make the informal sector a productive complement of the formal sector is to recognise and support the services of the urban informal sector such that their conflict with the formal sector is resolved. Dumping yards, rack pools, working yards for women producers are some examples provided by the commission. There is need to develop a long term perspective in the technology for women so that women are trained on the job and
given inputs like credit and tools. An agency should evaluate and monitor the impact of the technological change on women. Steps to assure the health, security and safety of the workers in the informal sector must also be taken. A large percentage of women are in the informal sector of the urban economy and are low-paid involved in low-skilled jobs specially in the case of industries who through the "Putting out" system exploit them further. In the case of homebased production a substantial number are invisible because they work at home sporadically and informally in paid and unpaid jobs.

Because of low formal and technical education majority of women’s work is in the services sector and they become willing partners of their husbands. Women are normally engaged in activities which provide services directly to households belonging to a superior economic class. Since their services are of a dispensable nature they are in a disadvantageous position. Work which relates to business or trade involving out of home work, odd hours, insecurity of job, ill-treatment from customers are other matters which affect women specifically.
Just as the formal sector depends on the informal sector, the latter too depends on the former. For example in the case of some activities, the demand for services in the informal sector is "derived demand" depending on the growth of the formal sector, as in an agro-based industry like sericulture. This involves simple technologies, generates high employment in the processes of cultivating and maintaining mulberry plantation, silk worms rearing, cocoon production, silk, weaving and finishing of fabrics. The value added component in the finished product is very high in this sector, and most suitable for employing women labour.

If women are to get away from being squeezed into menial and low grade jobs then the lack of education and illiteracy in this area should be rectified by waging a war against illiteracy through voluntary organisations which can help emancipate their role by launching campaigns, at various levels.

9.8 The Impact Of New Economic Reforms:

With the new procedural and institutional reforms, in the process of structural adjustment the responsibility of the entrepreneur is enhanced in several ways. Not only new investment opportunities are opened up through the new industries released which were hitherto in the exclusive
preserve of the state, but also easier technological imports will require that domestic industry measure up to international competition. This opportunity to emerge from the maze of bureaucratic constraints and poor technology to a realm of sophisticated technological management and marketing practices is a challenge which entrepreneurs have to face.

Liberalisation of the Financial Sector, Convertibility of the rupee, freeing of the foreign exchange market, allocating domestic resources and foreign exchange through market friendly interventions, and opportunities for privatisation have enabled the economy to stand at the threshold of globalisation. This new economic independence poses stiffer norms and values for the government, the bureaucracy, the private sector and the entrepreneur.

Each State would have to shape its own industrial parameters in keeping with the total All India Macro approach to Industrial liberalisation. It would become the State’s responsibility to ensure better infrastructural support to attract entrepreneurs to different regions of the State in keeping with the model suggested in the study.
9.9 LIMITATIONS OF THE STUDY:

With the rapid change in economic theory and radical changes in the concept of economic development, a study such as this by an individual researcher cannot be without gaps which can only be filled with intense effort at several levels. To begin with, the conceptual problem of short term growth and long term growth will bog down any researcher worth his salt. It is difficult to ensure a model for long term sustainable increases in development, specially with a human face which can meet short term goals with equal consistency. Further, when it comes to bridging the gap between islands of development, there is no reason to assume that the problem is of a smaller magnitude than that involved between rapidly developed countries and the developing countries which are lagging behind. Yet it does not follow that those very theories of economic development can be applied mutatis mutandis to regional disparities within a country.

Further, this gives rise to various conundrums of what is the regional philosophy of development, whether trickle-down or bottom-up process which opens up the "Pandora's Box" as has already been stressed in the survey of the literature in the study. Another limitation is the lack of
empirical studies and a weak information base which would haunt any researcher in this realm both for the informal sector and on financial institutions. What little is there of empirical work is always along a well-trodden path examining the impact of assistance required to be provided by financial institutions towards reducing the regional disparities through complex statistical techniques, which hide more than what they reveal. If this study has steered clear of such temptations and used the ordinary tool of simple averages it is because they help to bring out the essence of the picture better.

9.10 **RECOMMENDED AREAS FOR FURTHER STUDY:**

It is necessary to evolve an analytical framework which can study the impact of governmental policy in terms of reducing regional disparities, since most empirical studies deal only with the impact of financial institutions in this regard. An integrated macro model which yields itself to empirical analysis is necessary which can also be useful for evaluating other policies in general. An immediate area for research which springs readily from this study is of course the information on the spread of the informal sector in various states and an estimation of the strength of
linkages. Towards this end, the model we have presented can be empirically articulated.

9.11 CONCLUSION:

This study thus aims at providing a macro perspective for a strategy of economic development by taking into account the micro realities of strengths and weaknesses of the sectors in the economy. The informal sectors' linkages are seen as a source of strength which can spread the growth impulse faster to the rest of the economy through the institutional structure of the Co-operatives rather than more pumping of finance to backward regions through the development banking structure.

The analytical model formulated yields to empirical application and highlights the need for a process-wise approach based on local resource endowments rather than mere statistical jugglery of figures of financial assistance.

Regional disparities can be mitigated faster by an overall strategy which tackles the human resource development factor as can be done by strengthening the informal sector.
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