CHAPTER VI

SUMMARY AND SUGGESTIONS

Agriculture has been the link to achieve economic development. It is an important source of livelihood to the majority of Indian population. Rural India is a composite of the peculiar Indian agrarian system. Such systems encompass self employment, regular salaried employment, and casual employment in general and employment in agriculture and non-agriculture in particular. That is, 76.1 percent of them are in agriculture and the remaining 23.9 percent in non-agriculture.

The exorbitant growth of population with more dependency towards agriculture bred more rural work force. No doubt, agriculture cannot absorb all of them which results in rural under-employment, unemployment and disguised unemployment. According to A.M.Khusro, if the demand for labour in the non-agricultural sector is not sufficient to absorb the supply of labour from within that sector, then the precepts of the recent theories of development about population transfers have to be modified.... Two fundamental questions thus arise. If the door is closed, even though temporarily, for any net absorptions of agricultural population in non-agricultural jobs, what is the solution for under-employment and disguised unemployment in the agricultural sector? Secondly, if population is not transferred and food is not released, how is the non-agricultural sector to get its annual increment of raw materials and food for the annually growing labour force within that sector? The answer to the first would seem to be increased employment within agriculture rather than in the other sector; the solution to the
second is increased productivity of agriculture. Since increased productivity depends on capital formation in agriculture, the obvious solution to the dual problem of low productivity and low employment is to use the under-employed labour in the agricultural sector to build capital within that sector rather an attempt to transfer it to the non-agricultural sector.

The technology adoption directly influences the labour use. Therefore, in the selection of technology, labour intensive technology is better for labour surplus countries like India. This type of technology has a definite potential to increase employment opportunities and income of the rural people. Further, labour-absorbing technology is selected to labour-displacing one, and if we used labour for capital construction, we meet the requirements of increased productivity as well as of employment, without having to indulge in costly population transfers. Agriculture comes to be characterized by diminishing returns, particularly when the functional relationship between labour and other agents of production, that is, land, capital and enterprise, is not conducive to the best use of the labour. This caused manifestation of poverty, and poor nutritional level of rural people. To find remedy to all these problems several programmes were implemented ever since the independence.

The New Economic Policy was introduced in July 1991. This policy was promulgated for achieving economic stability and structural adjustment as per the directives of International Monetary Fund. It was introduced as per the World Banks country report for agriculture for implementation by the Government of India.
The highlights are; priority attention to research irrigation, resource management-forestry, land reclamation and management, drainage etc., rural infrastructure, and training and education; elimination or reduction of industrial protection by way of removing input subsidies; reduction of government market interventions; restructuring domestic price incentives, opening up of agricultural trade to international market signals and reduction of trade controls; restraining the food subsidy to end coercive procurement arrangements, to reconsider the role of the Corporation of India, to review stock levels and management of food grains and to revise prime support objectives and interventions; concentration on those areas where the public sector has a clear and unequivocal and directing government research and interventions towards improving the quality and management of these activities; cutback of government involvement in areas where its operations are less critical and where there are alternatives like input production and marketing, public tube wells, output marketing and trade; Government cutback on heavy regulation of economic activities and levies from licensing of small fertiliser traders to trade on rice millers and sugar processors, regulations which according to the World Bank only to increase market costs and inefficiencies; and complete withdrawal of all input subsidies to agriculture, including implicit credit subsidies, removal of all curbs on exports and imports of agricultural commodities and reorientation of the Government's programmes and intervention in the agricultural sector towards a greater role for market forces.

The reforms are universal and implemented in many developing countries. Indian agriculture has to face the global changes. Whether India likes it or not the
reforms implemented around the world would positively affect its economic conditions of India.

The new economic policy which consists of liberalization and structural adjustment programmes did not sufficiently focused on agriculture in its programmes. The basic objectives are to achieve rapid economic development to improve the living standards of our people and to eliminate poverty. Such reforms are essential because the earlier regulatory model of development, which was followed for several decades after independence have failed to bring desired development.

Of course there were notable achievements in food grain production due to green revolution, development of a broad base for industrial development, increase in life expectancy and the creation of an impressive reservoir of scientific and technical personnel. But the growth rate of the economy was much below targets and progress in poverty reduction was very limited. In terms of basic social amenities such as safe drinking water, sanitation facilities and primary education, our achievements were also far from satisfactory. Therefore, such reforms are aimed at closing the gap between India’s potential and our actual performance.

The draft farm policy seeks to globalize the Indian agriculture by exporting more agricultural products; to reduce the burden on land by developing agro-industries; and to ensure both investment and more credit flow. It focuses on both production and productivity and declares to make agriculture a profitable profession. In the New Economic Policy the government proposes profitable price to agricultural produces and to reduce subsidies step by step. The new farm policy
advocates for a market-oriented agricultural sector where supply and demand would be based on productivity and profit.

Employment situation in the rural areas needs a closer examination because of the growing casualisation of rural work force. In the absence of adequate and timely availability of other types of employment in the rural areas agricultural labour is the major form of rural employment opportunity to the people in the country. In the rural areas, the pattern of employment has changed due to modern technology and non-farm employment.

The new technology in agriculture adversely affected the relative share of labour in output. The women labourers are severely affected in the rural employment scenario. Poverty and poor nutritional level of the masses are the burning problem in rural India. The rural people in our country are required to face yet another challenge by way of the New Economic Policy.

The New Economic Policy advocates for reduced public spending. In rural areas the appetite for more public spending is observed. But in the New Economic Policy no such provision is given. The new farm policy of the New Economic Policy recommends for the reduction of subsidies on agriculture which would certainly increase the price of inputs like fertilizer, seeds etc. Another clap of stabilization policies is the elimination of priority sector concessional bank loans. No doubt this would affect the investment pattern in agriculture. Expansion of agro-industries and revamping of cottage industries in the New Economic Policy would worsen the position of agricultural labour.
The demand and supply of agricultural labour is different from other types of employment. The diversity of agricultural labour market has brought unemployment, under-employment and disguised unemployment in rural areas. The position of rural areas in general and agricultural labour in particular needs a unique policy for rural employment generation. Otherwise the deterioration on the condition of rural labour will be further worsened. In these circumstances an attempt is made in this Thesis to analyse the New Economic Policy and Rural Employment: A Case Study of Thanjavur District in Tamil Nadu.

The major objectives of the study are: to study the impact of New Economic Policy on rural employment; to examine the pattern of rural employment; to analyse the diversification of rural employment; to study the actual rural employment situation in the sample villages; to analyse the labour supply and labour market participation in the sample villages; and to suggest measures for removing rural unemployment.

In the study, primary and secondary data are used. For this research work Thanjavur district is purposively selected. In this District, two taluks i.e., Pattukottai and Peravurani were chosen. Then in each of the selected taluks two villages were randomly chosen for the present study. The selected villages were Thiruchirambalam and Kalathur in Pattukottai Taluk and Veerayankottai and Kuruvikkarambai in Peravurani Taluk. In the selected villages by using random sampling method ten percent of the total village population was selected, consisting of 144 out of 1437 in Thiruchirambalam, 151 out of 1508 in Kalathur, 136 out of 867 in Veerayankottai and 136 out of 1355 in Kuruvikkarambai. Altogether, the total sample population was 518, to the total sample village population of 5167. The
selected sample population was interviewed with a specially prepared and pre tested questionnaire. Finally statistical tools like Karl Pearson’s correlation coefficient, ANOVA and t- test were used to test the validity of hypotheses. The study covered the period from 1990-2002. The results of the present study were presented in six chapters.

In the Second Chapter, a review of available studies on the research topic was presented. The forty three reviews given in the chapter covers the major problem area of rural employment in India and World Bank studies on rural employment.

The notable studies of rural employment in India are by Pandey and Ashok Kumar, Senthilnathan and Varadarajan, Dayanatha Jha, Hanumantha Rao, Johl, Tushaar Shah, Chatterjee, Marvania, Chadha, Arindam Bandyopadhyay and Giri, A.K, Biradar and Bagalkoti, Rajyalakshmi, Sukhpal Singh, Rai and others, Pagire and Shinde, Solanki and Sharma, Rai and Modi, Jeemol Unni, Billings and Arjun Singh, Joshi, Sheila Bhalla, Pandey and Ashok Kumar, A.Narayanamoorthy and Atul R.Deshpande, N.Rajesh and N.Chitra, Kurian, Mahendra Dev and Vijay Mahajan, Bhalla and Peter Hazell, and Bina Agarwal. The important World Bank studies are Ernst Lutz, Ferreira Luisa, Jack van Holst Pellekaan, Gaurav Datt and Martin Ravallion, Peter Lanjouw and Nicholas Stern, Kaushik Basu, Garance Genicot and Joseph E. Stiglitz.

The important observation of these studies are static or slightly declining per capita food grain consumption and substantial increase in the non-food grain items, significant variation in real wages over the years, the new economic policy had directly affected the production and demand for factors of production, small decline in the proportion of rural persons and decline in labour force participation
rate for the rural people, incidence of casualisation among different categories of employed, distribution of workforce across sectors and reduction in the average number of days employed.

The third Chapter brings out the general Profile of Tamil Nadu, Thanjavur District and the four sample villages. The profile of Tamil Nadu, Thanjavur District and the sample villages included physical feature, topography, forest, language, religion, caste, population, gender statistics, literacy, occupation, rainfall, soil, land use pattern, heritage of the area, cropping pattern etc. In the analysis of the general details of the State it was observed that in 1991, the annual work force participation rate of male people was 58.28 percent, and female population was 38.50 percent respectively in the rural areas.

According to the 50th Round Results of NSS the usual status was 60.1 percent of Males 47.8 percent of females and 54 percent to all persons in Tamil Nadu which shows the better position to Tamil Nadu when compared to the all India level data. With regard to the sample villages the employment level was increasing from 1971 to 1991. In addition, the other details of the State, District and the Sample villages portrays the changes that are taking place in the rural areas for which the role of the reforms cannot be ignored.

The Fourth Chapter deals with the intricacies of the new economic policy and rural employment. The chapter had brought the trends in the new economic policy, new economic policy on agriculture, new economic policy on Rural Employment in India, and new economic policy and rural employment in Tamil Nadu.
The history behind the promulgation of the new economic policy goes back to 1985. Adding to this, in 1990-91 economy had faced severe financial crisis, experienced fall in the credit-worthiness, critical balance of payments, decrease in the foreign exchange reserves coupled with it the political and economic uncertainties. Further, India was facing a vast difference between the expenditure and income, imports was much more than exports, high external and internal debt and other structural problems.

Prime Minister Mr. P.V. Narasimha Rao had observed that a bulk of government regulations and controls on economic activity has outlived their utility. Excessive controls have not only bred corruption but they have come in the way of achieving our objectives of expanding employment opportunities, reducing rural-urban disparities and ensuring greater social justice. India has much to learn from what is has much to learn from what is happening elsewhere in the world. We find major economic transformation sweeping large countries like Soviet Union and China, as well as small countries in Eastern Europe. There is a change in outlook, a change in mindset everywhere. India too can not lag behind if she has to survive, as she must in the new environment.

The various components of the new economic policy are devaluation, trade and policy reforms, industrial policy reforms, privatisation, marketisation, and globalization. The devaluation was introduced to increase exports, to reduce trade gap and prevention of capital flight. The trade and policy reforms are to replace the age old import substitution which failed miserably. Industrial policy reforms are for expanding the pace of deregulation and injection of competitions with an aim to improve efficiency raise productivity and help globalization of Indian economy. The
reform is related to industrial licensing policy, foreign investment, foreign technology agreements, public sector policy and Monopolies Restrictive Trade Practices Act.

Privitisation includes curtailment of public sector units, disinvestment, abolition of industrial licensing except to industries related to security and strategic concerns, certain chemical industries, environmental related industries and luxury consumptions goods. In the marketisation, private would play a vital role in providing the necessary goods and services to the public and consumers also get more choices and their satisfaction being enhanced.

Globalization links Indian firms to the international markets to enable them to earn more. In this the equity holding up to 51 percent is allowed for the trading companies. Further, the reduction or elimination of licensing, bringing about greater flexibility with policy on export promotion, and replenishment system is liberalized and made uniform, export to general currency area.

The performance of Indian economy during the reform period is alarming, that is the GDP growth rates at factor costs at 1980-81 prices showed a decreasing trend from 6.1 percent in 1981-82 to 5.4 percent in 1991-92. In the beginning of the reform period the GDP growth rate was 0.8 percent the lowest of the last two decades. However, the GDP was 5.9 percent in 1999-2000 (at 1993-94 prices). The per capita NNP at 1993-94 prices was decreasing from 6.1 percent in 1996-97 to 4.3 in 2001-02 in the post reform periods.

Among the fiscal indicators the gross fiscal deficit has increased from 5.77 percent of GDP in 1980-81 to 7.85 percent in 1990-91 in the pre-reform period. But in the post reform period the growth rate was showing a mixed change and it
was 5.56 percent in 1991-92 and 5.13 percent in 2001-02. The revenue deficit was increasing in the pre as well as post reforms periods, but the increase was relatively higher in the post reform period than pre reform periods.

The gold stock was increasing from US $ 370 Million in 1980-81 to US $ 3496 Million in 1990-91 during the pre reform periods, while in the post reform period the gold reserve was decreasing from US $ 3499 Million in 1991-92 to US $304 Million in 2001-02. The foreign currency assets were decreasing from US $ 5850 Million in 1980-81 to US $ 2236 Million in 1990-91. But the foreign currency assets were growing at an alarming rate from US $ 5631 Million in 1991-92 to US $ 51049 Million in 2001-02. The growth rate of imports was 244.23 percent in the pre reform period which was less than the growth rate of 382.48 percent in the post reform period. These data show that India is better in foreign exchange reserve in the post reform periods than during the pre reform periods.

The different components of reforms of economic liberalization and structural adjustment initiated in 1991 discussed above did not include agriculture. But they are expected to influence the agricultural sector significantly. It is also felt that the new economic policy would bring efficiency and entrepreneurial dynamism to agriculture. Further, removal of all controls on the movement and stocking of agricultural commodities across the country should be abolished making India one integrated market, allowing the private sector including foreign investors, cooperatives, encouragement for large scale investments in marketing, handling and storage are directly influences the agricultural sector. Therefore, the new
economic policy positively changes the agricultural situation of India vis-à-vis Tamil Nadu.

While analysing the impact of the reforms the production and wheat are considered. In the pre reform period the Paddy production has increased from 1336 kg in 1980-81 to 1740 kg in 1990-91, and the growth rate was 30.24 percent. In the post reform period the Paddy production has increased from 1751 kg in 1991-92 to 2086 kg in 2001-02, the growth rate was 19.13 percent. The Wheat production in the pre reform period has increased from 1630 kg in 1980-81 to 2281 kg in 1990-91, while in the post reform period the production has gone up from 2394 kg in 1991-92 to 2770 kg in 2001-02. The growth rate of Wheat was more in the pre reform period (39.94 percent) than the post reform period (15.71 percent).

With regard to the rural unemployment rate has increased from 6.83 percent in 1972-73 to 7.52 percent in 1983. But it has declined after that till it reaches the lowest rate of 4.58 percent in 1993-94, and again started increasing to 7.20 percent in 1999-2000. Contrary to this the rural unemployment of female was gradually decreasing from 11.22 percent in 1972-73 to 6.80 percent in 1999-2000.

The impact of reforms in Tamil Nadu shows that the NSDP at factor cost has increased from Rs. 5, 02,302 lakhs to Rs. 25, 91,565 lakhs in 1990-91, that is in the pre reform period the growth rate was 415.94 percent. The NSDP at factor cost in the post reform period has increased from Rs. 33, 03,022 lakhs in 1991-92 to Rs. 1, 31, 73,056 lakhs, and the growth rate being 298.82 percent. It is clear that the growth rate NSDP was more during the pre reform period than the post reform period in Tamil Nadu.
With regard to production in Tamil Nadu the paddy production showed an increasing trend in both the pre reform as well as post reform periods. In the employment situation the self employed rural male has increased from 537 in 1990-91 to 1217 in 1999-2000 in the post reform period. The casual male labour number has increased from 695 in 1990-91 to 989 in 1999-2000, while for female it has increased from 497 to 852 during the same period. The growth rate self employed male was 126.63 percent and for female it was 401.19 percent. The growth rate of male and female casual labour was 42.30 percent and 71.43 percent respectively. Such a change in the employment pattern in Tamil Nadu is remarkable and this will further accentuate the economic development of the State.

In Chapter Five, the impact of New Economic Policy on the socio economic conditions of sample farmers was discussed village wise and at the end of the test of hypotheses was presented. The social characteristics analysed were education, occupation, and population. The major economic features discussed were land, agricultural implements, livestock, cropping pattern, employment, income, investment and loans outstanding. The important aspects of all these characteristics village wise are given here.

The illiterates in Thiruchirambalam are 11.8 percent and the rest of them are literates. Among the literates, the educated population is more than the literates (27.8 percent) in the village. 18.8 percent are land lords and the agricultural labour constitutes 66 percent of the sample population. The average family size is 5.75. In the village 27.08 percent are landless, 24.31 percent cultivated land from one to three acres, while 25.69 percent cultivated land from 3
to 5 acres. Paddy is raised in three seasons viz, Kuruvai (1050 acres), Samba (903 acres), and Thalady (3 acres). The mean employment is 91.076 for permanent male, 96.84 for permanent female, 94.333 for temporary male and 106.722 for temporary female. The mean employment is 123.264 days in January, 153.958 days in February, 162.637 days in March, and 123.111 days in April, 75.347 days in May, 98.611 days in June, 144.097 days in July, 161.458 days in August, 161.458 days in September, 152.778 days in October, 140.417 days in November and 135 days in December. The majority opined that the new economic policy has reduced employment in their village and also caused diversification of rural employment. In the sample villages, more income and employment from agriculture than non-agriculture work was observed.

In Kalathur village, the illiterates are 31.8 percent, literates are 36.4 percent, educated up to secondary school level is 14.6 percent and college level is 17.2 percent. As regards employment, agricultural labour account for 47.68 percent, while landlord and non-agricultural labour are 43 percent and 9.27 percent respectively. 31.13 percent of the sample population is land less, 30.46 percent owns land less than 2.5 acres, 29.14 percent owns land between 2.5 to 5 acres and the rest are medium and large farmers. Small and marginal farmers constitute 59.60 percent of the total sample population. Paddy crop was cultivated 846 acres in Kuruvai and 933 acres in Samba. The average annual employment of permanent male and female are 182.45 man days and 123.77 man days in the village. As regards temporary labour male employment (216.69) is more than female employment (157.68). With regard to annual income of the sample population it was more from crops Rs.9671.21 than from agricultural implements.
Rs.928.56, livestock is Rs.4948.34, employment is Rs.4881.18 and from other sources is Rs.1021.42. In the opinion 44.4 percent of the respondents said yes to question that whether new economic policy has reduced employment situation in the rural areas. They also agreed that the new economic policy has diversified the rural employment and they opined that they get more employment in agriculture than non-agriculture.

In Veerayankottai, 20.17 percent are illiterates, 21.8 percent are literates, 23 percent studied up to primary, 9.2 percent studied up to college level and 8.05 percent are technical or professionally qualified people in the village. 64.4 percent are agricultural labour, 26.4 percent land lord and 9.2 are engaged in non-agricultural work. The total population of the village is 611 and the mean family size is 7.02. In the village, the mean male population (3.0115) is more than mean population of female (2.4828) and children (1.5287). In the village 20.69 percent are land less, 28.74 percent owned land up to 2.5 acres, 33.33 percent are small farmers cultivating land from 2.5 to 5 acres and the rest are medium and large farmers. Landless labourers and farmers cultivating lands up to 5 acres account for 82.76 percent of the sample population of the village. In the crops, paddy is a predominant crop cultivated in two seasons viz., Kuruvai (705 acres) and Samba (718 acres) followed by black and green grams (2.5 acres), groundnut (470 acres), sugarcane (81 acres) and ragi (46 acres). The mean man days of permanent male labour is 132.184 man days and 108.966 man days for permanent female labour, that is permanent male labour is more than female labour. The average income to the sample population from crops is Rs.12, 471.21, implements Rs.143.14, income from livestock is Rs.6680.45, from employments Rs.1137.93 and from other
sources Rs.471.26 in the sample village. The majority said that the new economic policy has disturbed the employment situation of the rural area. 47.1 of the sample population said yes for diversification of rural employment from agriculture to non-agriculture.

In Kuruvikkaramabai village, 17.6 percent are illiterates, 5.9 percent are literates, 52.2 percent studied up to primary, and 7.4 percent. In the ownership of land the land lords account for 33.09 percent, agricultural labour 60.29 percent and non-agricultural labour 6.62 percent. The total male, female and childern population in the village are 446, 386 and 269 respectively. 22.79 percent are land less, 30.88 percent owned land up to 2.5 acres and 36.03 percent are small farmers in this village. Paddy is the predominant crop which is cultivated in three season’s viz., Samba (983 acres), Kuruvai (809 acres) and Thalady (38 acres). Among the commercial crops ground nut is cultivated in more extent of land (490 acres). Permanent of employment of male and female are 177.65 mandays and 155.52 mandays in the village. With regard to temporary labour it is more to temporary female (199.04 mandays) than temporary male (191.61 mandays). In this village the sample population earned more income from crops (Rs.10, 590) than labour (Rs.3, 753), livestock (Rs.871) and other sources (Rs.474). Majority of the sample population agreed that the new economic policy has reduced employment situation in the rural areas, there is diversification of rural employment from agriculture to non-agriculture and more income and employment form agriculture is more than non-agricultural income in the study area.

The results of the test of hypotbeses are: significant difference in the mean rural employment during the post- reform periods; significant increase in the mean
labour productivity due to application of modern inputs in the post reform period; correlation coefficient between agricultural and non-agricultural employment is 0.284 and it is statistically highly significant; low positive correlation between these two factors in the sample villages; and significant relationship between the mean income from agriculture and non-agriculture in the sample villages.

SUGGESTIONS

The major suggestions of the study are:

1. Globalisation has become a universal phenomenon. Adding to this, WTO and global market principle is mounting up everywhere. Indian farming is unique with socio-economic, technological and other factors. Therefore, the government should be very careful while linking the Indian agriculture to the global market.

2. Due to globalisation, privitisation and other programmes of the new economic policy, the Multi National Corporations are allowed to function in the Indian market. Such Institutions with profit motive would affect rural economy. Therefore, suitable controlling mechanism should be evolved to safeguard the rural people from these Institutions.

3. During the course of reform periods, cropping pattern has changed in the rural areas as explained in the Fourth Chapter of the Thesis. To utilise its benefit appropriate technology and new high yielding varieties should be provided to the farmers. This would further increase the production and export potential to Indian agriculture.

4. It is observed that the employment situation of the villages have been disturbed due to reforms. Such disturbances affected the male and female
employment level. In this, female labour is affected much and hence suitable policies should be evolved to protect the rural female labour force.

5. The rural labour force is un-organised one and as a result their bargaining power is not encouraging. The existing minimum wages and other legislative protection are not adequate. Therefore, a comprehensive legislation must be passed to protect them from the new agrarian situation aroused out the new economic policy.

6. Self employment, regular employment and casual employment are the major categories of employment found in the rural areas as discussed in the fourth chapter. In these the growth of self employment is observed in the present study. To avail the benefit of such change they must be given financial, technical and organizational facilities should be provided to the rural people.

7. In this study, a marginal shift in employment from agriculture to non-agriculture is observed due to the reforms. Such shift is encouraging which is essential for transfer of excess labour from agriculture to non-agriculture. However, in the transfer they must get assured income to enhance their standard of living.

8. The new economic policy is slowly transforming rural economy. In the transformation poverty and unemployment would enter in to the rural areas. Therefore, adequate measures are needed to protect the rural people by evolving suitable programmes and policies to guarantee income to the rural mass.
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