PART III

Chapter IX: Strategy for Development
Chapter X: Conclusions
CHAPTER IX

STRATEGY FOR DEVELOPMENT
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STRATEGY FOR DEVELOPMENT

9.1. Introduction:

The main purpose of this chapter is to examine the present economic conditions of the residents of the study villages referring to level of poverty and the extent of economic inequality, and to choose a strategy for a socially desirable economic development that may be applicable to the present agrarian structure. While choosing the strategies, the applicability of the Hirschman's strategy for rural development is tested, the present strategies of the government are reviewed and an appropriate strategy based on the flow-structure is suggested.

9.2. Inequalities:

It has been comprehended in earlier chapters that the existing socio-economic structure of village economies has been the determinant of the nature of the income flows among the defined
sectors. The existing nature of income flow has caused a continuous dependence of one sector on the others. The outcome of this is the wide differences in the bargaining and controlling power resulting in differences across the sectors. This structural imbalance has ultimately led to rampant poverty.

The economic inequalities may be explained with reference to some basic economic indicators such as income, consumer expenditure and owned and operated landholdings using the Gini concentration ratio (C.R). The results are given in Table 9.1.

**Table 9.1**

**LEVEL OF INEQUALITIES**

<table>
<thead>
<tr>
<th>Inequalities</th>
<th>Gini Concentration ratio for Palamputhur</th>
<th>Vengidengal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>0.6696</td>
<td>0.4569</td>
</tr>
<tr>
<td>Consumer expenditure</td>
<td>0.4790</td>
<td>0.3473</td>
</tr>
<tr>
<td>Own land holdings</td>
<td>0.4980</td>
<td>0.4964</td>
</tr>
<tr>
<td>Operated land holdings</td>
<td>0.4464</td>
<td>0.4460</td>
</tr>
</tbody>
</table>
The table shows that in all the four cases, the inequality is wider in Palamputhur as compared to that in Vengidengal. These are rather the misleading results. It may be noted that in the case of Palamputhur village, the economically powerful sections are residents, whereas in the case of Vengidengal, the most powerful economic groups are non-residents operating land through their resident representatives. The fact that non-resident owners of resources are not being included in the analysis gives an impression that Vengidengal has less inequality.

As far as the distribution of landholdings is concerned one more fact has to be revealed. In Vengidengal only 21.51 per cent of the village households own lands and 47.17 per cent operate lands. This is 80.69 per cent and 83.10 per cent respectively in Palamputhur. Thus in Vengidengal, majority of the households are found to be landless labourers and tiny tenants. With this unequal distribution of means of production, poverty becomes rampant, particularly in the
absence of any appropriate strategy to modify
the structure.

9.3. Poverty:

The size of population living below poverty
line seems to be markedly high in the study
villages. To identify the people below poverty
line, some economic indicators have been chosen.
They are consumption expenditure, annual income,
value of assets and land area owned.

Based on Bandekar and Rath's method, per
capita per year consumer expenditure of Rs.780 (at
1982-83 prices) has been fixed for defining
poverty line. In order to work out the consump-
tion expenditure, the total value of goods both
produced and purchased has been taken into
consideration. The value of home produced goods
consumed by the households have been measured in
terms of the current prices.

1. V M Bandekar and N Rath, Poverty in India:
Dimensions and Trends, Indian School of
With the per capita consumption expenditure of Rs. 780, an additional amount of Rs. 170 has been added to arrive at the per capita annual income of Rs. 950 for defining poverty. The amount of Rs. 170 has been added as every person on an average has to spare that much for repayment of old debts, payment of interest and other non-consumer expenditure.

In respect of the asset (not including land) as an indicator, per capita asset value of Rs. 1000 has been fixed for defining poverty. This figure roughly covers the asset position represented by a single room-mud wall-thatched habitat and minimum household utensils.

The owned land area of 0.5 acre per head has been taken to define poverty line. This is based on the estimated net income of Rs. 700 per 0.5 acre. Based on the four indicators, the level of poverty has been estimated (Table 9.2).
<table>
<thead>
<tr>
<th>Indicator (Rs. at current prices 1982-83)</th>
<th>Percentage of Population below Poverty line in Palamputhur Vengidengal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual income per head (Rs. 950)</td>
<td>62.72</td>
</tr>
<tr>
<td>Per Capita per year consumption expenditure (Rs. 780)</td>
<td>35.17</td>
</tr>
<tr>
<td>Value of assets (other than lands) per head (Rs. 1000)</td>
<td>35.17</td>
</tr>
<tr>
<td>Own land holdings per head (0.5 acres)</td>
<td>49.15</td>
</tr>
<tr>
<td>Crude Average</td>
<td>46.59</td>
</tr>
<tr>
<td></td>
<td>78.46</td>
</tr>
</tbody>
</table>

The different indicators give different levels of poverty. A crude average has been worked out which indicates the percentage of population below poverty line at 78.46 in Vengidengal and 46.59 in Palamputhur.

9.4. Hirschman's Strategy:

Hirschman's development strategy is based on the backward and forward linkages of the producing...
sectors in an economy. The same strategy is tried to fit here using the purchasing and selling pattern of the defined sectors for production in the study villages. For this, direct coefficients matrices have been worked out and from those matrices direct forward and backward linkages have been derived. These linkages are used to suggest a development strategy.

Though this strategy gives some ideas regarding the priorities of the sectors in developmental plans, this method fails to take the role of non-residents on the village economy into the framework. As the coefficient matrices are constructed only for the transactions occurred in the residents' account, the remaining major part of transaction has been kept away. Therefore, the Hirschman's strategy shall only be a partial approach to such a type of village structure.
9.4.4. \textit{Intersectoral Flow Coefficient Matrices:}

The intersectoral transaction coefficient matrices for Palamputhur and Vengidengal village economies are given below:

\begin{table}[h]
\centering
\begin{tabular}{lrrr}
\hline
\textbf{Selling Sector} & \textbf{Purchasing Sector} & \textbf{Dominant} & \textbf{Intermediary} & \textbf{Non-Dominant} \\
\hline
\textbf{Dominant} & 0.027 & 0.044 & 0.410 \\
\textbf{Intermediary} & 0.002 & 0.131 & 0.026 \\
\textbf{Non-dominant} & 0.418 & 0.005 & 0.022 \\
\hline
\end{tabular}
\caption{Coefficient Matrix for Palamputhur}
\end{table}

\begin{table}[h]
\centering
\begin{tabular}{lrrr}
\hline
\textbf{Selling Sector} & \textbf{Purchasing Sector} & \textbf{Dominant} & \textbf{Intermediary} & \textbf{Non-Dominant} \\
\hline
\textbf{Dominant} & 0.156 & 0.015 & 0.033 \\
\textbf{Intermediary} & 0.125 & 0.225 & 0.000 \\
\textbf{Non-dominant} & 0.128 & 0.082 & 0.000 \\
\hline
\end{tabular}
\caption{Coefficient Matrix for Vengidengal}
\end{table}
These coefficients may also be called the direct coefficients and the tables may also be called the direct coefficients matrices. Each coefficient represents the direct intersectoral purchase made by a sector to produce one rupee of its output. For example, the dominant sector of Palamputhur purchases Rs.0.027 value of goods and services from own sector, Rs.0.002 value of that combination from intermediary sector and 0.418 value of that from non-dominant sector. Similarly, the coefficients of other sectors and that for another village can be interpreted.

The examination of the sectoral rows reveal the value of sales of each of the three sectors. For instance, the dominant sector of Palamputhur village has sold Rs.0.027 worth to the same sector, Rs.0.044 worth to the intermediary sector and Rs.0.041 worth to the non-dominant sector.

9.4.2. Backward and Forward Linkages:

The direct backward and forward linkages are
the basic linkages derived from the concept of intersectoral purchases and sales respectively. The values of direct backward and direct forward linkages for the three sectors in both the villages are presented in Table 9.5.

**Table 9.5**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Backward Linkage</th>
<th>Forward Linkage</th>
<th>Backward Linkage</th>
<th>Forward Linkage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominant</td>
<td>0.447</td>
<td>0.112</td>
<td>0.409</td>
<td>0.171</td>
</tr>
<tr>
<td>Intermediary</td>
<td>0.180</td>
<td>0.159</td>
<td>0.322</td>
<td>0.350</td>
</tr>
<tr>
<td>Non-dominant</td>
<td>0.089</td>
<td>0.485</td>
<td>0.001</td>
<td>0.211</td>
</tr>
</tbody>
</table>

The analysis of backward and forward linkages shows that in both the villages, the dominant sectors have secured the highest value of backward linkages as they only utilize major portion of the inputs (mainly services) available in the village. The non-dominant sectors of Palamputhur and intermediary sector of Vengidengal have obtained the highest
value of forward linkages, as they supply a major portion of the inputs to the production in the village economy. Therefore, it may not be possible to suggest a single sector which has to be encouraged or helped in order to achieve a socially desirable economic development.

According to Hirachman's development strategy however, preference may be given to those sectors which possess high backward linkages. Therefore, the dominant sectors may be given first priority in development plans to achieve economic development. And the investment on the production of those combinations of goods produced by the dominant sectors, may be encouraged. However this should also be remembered that unless the resulting economic development is equally shared by all the sectors of the villages, due to the present unequal structure, the economic development may lead to skewed income distribution.
9.5. Present Strategies of the Government:

The Government has taken up quite a number of steps to uplift the economic conditions of the rural poor. Of them, the free meals scheme, distribution of loans and subsidized advances for purchasing milch animals, agricultural machineries and constructing houses; distribution of food grains through public distribution system and enhancement of employment opportunities through various schemes are prominent ones. Perhaps, these schemes may give a temporary relief to the moribund masses and postpone the problem without solving them. As Myrdal has aptly put it that all the steps taken by the Government are essentially attempts to evade the problem of inequality and proper implementation of reform policies. Land reform alone can be the main path towards equality as land is the main productive resource in the rural economy.

9.5.1. The Strategy of Land Reforms

The rural land ownership structure has remained by and large unchanged even after the abolition of zamindari system and introduction of a large number of tenancy and land ceiling acts. It is perhaps why Indian planned development has produced prosperity for those who own productive assets and poverty for those who do not own. As a consequence structural imbalances continue to persist and it is more pronounced in rural areas where employment outside agriculture is limited.

There have been two types of land reform legislations passed in Tamil Nadu. The first one aims at tenancy regulation and the other one is related to land ceiling. In 1955, an Act was passed protecting tenants from eviction. 3 There were several aspects to this law, including the possibility of registering complaints for eviction.

resumption by owners, continuance of leases, and restoration of land to evicted tenants. Yet the fact is that there were many evictions. Only the less powerful landlords had some troubles in evicting tenants. In 1956 the Madras cultivating tenants (payment of Fair Rent) Act came into force. This law fixed fair rent from 33 per cent to 40 per cent of the gross production depending upon the types of irrigation available to the land and land revenue assessments. However this law, like the preceding one, has had no effect on the agrarian structure.

After a long delay, in 1961 Madras passed its first land ceiling legislation. Under the provisions of the Bill, a limit of 30 standard acres was set as the maximum acreage for a family with five members and a maximum of 60 standard

acres for a family with more than five members (five standard acres per additional member). This law of 1961 exempted land owned by all religious and educational institutions, all plantations, orchards, gardens, land used exclusively for growing fuel trees etc.

In 1972, the ceiling was reduced to 15 standard acres for a family of five members and it was put at the maximum of 30 standard acres for a family having more than five members each additional member claiming 5 standard acres. Every adult son is treated as a separate unit for the purpose of applying the ceiling. There were also chances to under estimate the standard acres by assessing the lands at a relatively low rate.

It is interesting to note the various ways in which the landlords manage to get around the land ceilings. First, the administrative loopholes have given sufficient scope for the
owners of surplus land to manipulate the ownership titles in the Chitta books, (which list out ownership by Patta number) and adangals (in which land is recorded according to survey number).

Secondly, registering the lands in the names of different members of the family and even in the names of relatives living elsewhere is one of the ways of evading the ceiling. Land held in female names also serves the purpose of evading.  

Thirdly, another way for getting around the land ceiling is that of having lands registered in joint pattas and of having different lands registered in different pattas by the same household. This happens in the case of sales and purchases of lands at different times. Finally, another way of hiding one's actual landholding is to have land in a number of villages and thus in a number of Chittas and adangals. Often people will have

this land listed with slight differences in spelling, or use and non-use of caste names simultaneously so that the administrative machinery finds it difficult to consolidate the accounts of land under different patta 6.

9.5.2. Land Reforms in Thanjavur:

The district of Thanjavur, from which the two study villages are selected, is unique in presenting a predominantly tenant operated agrarian structure, as may be seen from the following facts:

(i) Thanjavur accounts for the largest number of applications for eviction of tenants, forming 52 per cent of the state total. 7

(ii) Of the total applications filed for restoration of leaseholds by tenants, by far the largest number of application was filed in Thanjavur.

6. Ibid., p.123.

7. This has been observed from K S Sonachalam, Op. Cit., pp.74-125.
(iii) Thanjavur leads in respect of both the landowners affected and the area surrendered as surplus. More than one-third of the landowners and one-third of the area declared surplus belong to Thanjavur district.

(iv) Around one-third of the tenants (76492 out of 2,20,279 in Tamil Nadu) and about one-third of the area cultivated by tenants (83,126 acres in Thanjavur; 2,35,954 acres in Tamil Nadu) are found in Thanjavur district. 8

However due to so many loopholes, the tenancy system has continued to prevail in one or the other form. In Vengidengal, one of the two study villages, a very large proportion of land is owned by the absentee landlords and cultivated either through the tenants or through the paid representatives. 9


9. This system is found in other parts of Tamil Nadu also. See Joan P Mencher, Op. Cit.
In tenancy legislation acts, though the level of income and land area owned by the landlords are referred for fixing the tenancy, the residential clause of the landlords has not been mentioned. Therefore a person residing anywhere outside the village can own and operate land in a village. This results in drain of large quantum of produces outside the village.

To abolish this system of ownership and operation of land by the non-residents a bill enabling the tenants to purchase such land has been passed by the Tamil Nadu State Legislature and is awaiting the assent of the President. In the meanwhile various religious institutions have made representations for amending the Act. If the Act is successfully implemented, the long standing demand "land to the tiller" would be realised.  

However, with this bill, another bill needs also to be passed to abolish wholly the absentee

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landlordism and the system of operating land through the representatives in the villages.
Abolition of tenancy and putting restrictions on the non-residents to own and operate land in a village would make surplus land available for distribution among the tenants and the landless agricultural labourers.

If the cultivable land area of Vengidengal village owned by non-residents (594.2 acres) is redistributed to all the landless resident households (207), each household would get about 4.3 acres. If the same procedure is followed (total land area owned by non-residents is 76.3 acres and number of landless resident household is 50), then each landless resident household in Palampathur would get about 1.4 acres. From this land, each new owner of Vengidengal would receive on an average a net income amounting to Rs.5,600. (The net income per cultivated acre is Rs.1,304). And this will be on an average about Rs.2,000 in Palampathur. (Here the net income per cultivated acre is Rs.1,425). While arriving at these figures it is assumed that the productivities
and efficiencies will be constant. If the non-resident's lands are redistributed to the residents, all who are now living below the poverty line, would cross it.

9.6. **Nationale of redistribution**

It is feared that the reform of radical redistribution of land would reduce the farm size, and ultimately the magnitude of farm production. This fear appears to be imaginary. As a matter of fact, the small farms are forced by the economic conditions of farmers to be efficient. Moreover, as Lipton argues, the smaller family farms "select higher labour-inputs and hence produce higher output-levels from given inputs of land and capital, thereby economizing on what a poor country is short of (land and capital), using up what stands idle (labour), and producing

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more of the goods wanted (food). It has been reported that the small farmers have shown themselves more responsive to price incentives than the large farmers for whom the marginal utility of income is presumably less. It is also expected that the new land owners would be able to raise their levels of nutrition intake and relieve the biological constraints upon higher labour inputs. This would again be reinforced by their lower marginal utility of leisure and more muscle power per family member.

Agriculture is a biological industry where there is not much distinction between labour and managerial activity. A small farmer can apply his family labour as well as managerial skill simultaneously and would efficiently operate crop and animal enterprises. Moreover this is an industry where material input and output are not exactly related especially when close and time action does not take place. This again is a favourable point.

13. Ibid., p. 305.
for the smaller family farms.

It may also be argued that the mechanization of agriculture requires large scale farms. However, as argued by Lipton, "Attempts to discover either economies or diseconomies of scale, in agriculture in poor countries, by means of traditional production function analysis have usually failed; apparent scale economies turn out to be either pseudo-indivisibilities (e.g. tractors, if they make sense at all, can be hired even by a half-acre farm) or pecuniary rather than technological diseconomies."

Obviously, the other chemical and biological revolutions, in terms of introduction of new pesticides, fertilizers, high yielding varieties of seeds and water technologies, which are divisible, also appropriate to small farms.

The present tenurial system in the villages is a great obstacle to increase productivity and economic progress. The tenant, because of insecurity,

15. Ibid., p.303.
would not invest in land and make improvement, because, he is not sure whether he would be allowed to reap the benefits arising out of improvements. Hence, if the same lands are owned by the residents, higher productivity may be expected, whatever be the size of holdings.

Under these circumstances, one may exaggerate the risk of population growth and sub-division and fragmentation of holdings. However, given the pattern of incentives to produce and the new inputs becoming available, there is little reason why net farm output should not at least keep up with population growth, while the extra incentives provided by the land reform should eventually produce considerable improvement on this. Hence, as envisaged by Lipton, after twenty-five years, even if rural population doubles, a one-acre holding should certainly produce more than two acres today. 16

16. ibid., p.305.
To have a permanent improvement, a radical land redistribution may be supplemented by an equally radical elimination of past debts plus government’s liberal lending policy for a certain period and legislation prohibiting mortgaging and sale of land.

9.7. Future Perspectives of the Study Villages:

If the tenants are made land owners and the lands cultivated by the absentee landlords through their representatives are redistributed among the non-land owning households, the existing agrarian structure would have a new and absolutely different shape. This would result in changing pattern of flows towards the prosperity of downtrodden masses. Though this change would take place in both the study villages, the extent of change would be very much visible in Vengidengal, where a larger area of land would be redistributed.
To start with, first the possible changes and the nature of changes may be discussed. The expected changes may be of two categories. The first category includes those changes which are major, immediate and direct. And the second category consists of the equally important but indirect effects of the major changes. The first category includes the following two types of flows:

(i) A large magnitude of produce that was flowing to the absentee landlords will now be curtailed and that will flow to the new land owners. However, the expenditure incurred by the absentee landlords will now have to be born by the new owners of lands. Therefore to that extent the total flow of funds will be inflated.

(ii) The rent, that was paid to the absentee landlords and to the temples, need not to be paid now, as the tenants have become owners of the
land. Though this fund is an addition to the tenant's income, it will not change the size of the total flow, because this is only a transfer from the expenditure item to income item. Here the constant productivity of all the factors of production is assumed.

The second category includes the change in the flows within the village. Therefore none of these changes will affect the magnitude of the total flow, unless there is a change in the factor efficiencies.

(iii) After the redistribution of land the inflow of funds from the absentee landlords in the form of wage etc., shall vanish. Now, these expenses shall appear in the accounts of residents.

(iv) Coming to the anticipated impact of the land reforms on the flows of funds, that between resident rentiers and the resident tenants may be affected. Since the tenant becomes owner of the land, the rent income to the landlord will stop, and as a result, the rentiers' income will decline. However on the other hand, the income position of the tenant will rise.
Finally, the change in the ownership of land shall obviously result in change in the economic activities of the new owners. This may affect the pattern of flow but may not affect the size of the total flow of funds. For instance if a new landowner uses his family labour on his farm, instead of selling to the other farmers his wage income gets reduced, but at the same time his farm income will increase. Therefore, the changing pattern of supply and utilization of labour may alter the intersectoral and intrasectoral flows, but may not have any effect on the total flows.

The following assumptions may be made to discuss the above categories of changing flows and for the analysis of the impact of suggested land reforms on the envisaged pattern of flows.
i. The lands cultivated by non-residents are equally redistributed to the landless. And the leased-out area is distributed to the tenants who own or cultivate less than 6-2/3 acres of land. The land area exceeding this limit will be redistributed to the landless agricultural labourers.

ii. All the new owners of land shall be equally efficient in generating as well as spending the income. There is no change in the factor efficiency.

iii. After the redistribution of land, the intermediary and non-dominant sectors shall vanish. Their pattern of production, consumption, asset formation and financial transactions shall be similar to those of the present dominant sector.

17. This limit has been fixed according to the Madras cultivating tenants (Payment of Fair Rent) Act 1956. For details: K G Sonachalam, Op. Cit., p.170.
iv. There is no change in the price levels of farm inputs and products between pre and post reform periods.

9.7.1. Expected Changes in Palamputhur:

Since all the new owners of land come in the non-dominant sector in Palamputhur, the income level of that sector will now go up (Table 9.6). First, this sector now will not have to pay rent to the rentiers. Secondly, as a result of redistribution of non-residents' land, the present non-dominant sector will start cultivating the lands and generating income. Thus, the income position of the present non-dominant sector will rise to Rs.11,30,646 by 38.40 per cent (pre-reform income of Rs.8,16,964 + additional income through new lands of Rs.3,07,152 + by cutting down the rent amount of Rs.6,530). Therefore, now the per capita inflow of funds to this sector will rise to Rs.2,526, which is more than
enough to cross the poverty line. Moreover, there shall be a reasonable amount of funds to spare for other activities such as asset formation, financial transaction etc.

Owing to this reform, the total value of agricultural production of this village also goes up by 13 per cent from ₹.22,02,160 to ₹.24,70,590. This figure has been arrived at by adding the agricultural production of residents with the estimated value of agricultural production of the non-residents. The expected value of consumption of foodgrains (if all the sectors follow dominant sector's consumption pattern) will be ₹.11,64,000 and that of marketable surplus of foodgrain will be ₹.13,14,590. Thus, there is a definite increase in marketable surplus.

Coming to the asset formation, which will be of help for the future prospects, if the new owners follow the same pattern as that of the dominant sector, an amount of ₹.4,58,200
Table 9.6

TOTAL FLOW OF FUNDS (IN RUPEES) IN PALAMPOTHUR UNDER THE PRE AND POST REFORM STRUCTURE
(THE PERCENTAGE FIGURES ARE IN BRACKETS)

<table>
<thead>
<tr>
<th>Funds Releasing Sector</th>
<th>Funds Receiving Sector</th>
<th>Total</th>
<th>To outside</th>
<th>Post-Reform total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dominant</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Intermediary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-dominant</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dominant</td>
<td>159657</td>
<td></td>
<td>571085</td>
<td>673075</td>
</tr>
<tr>
<td></td>
<td>25013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>386415</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermediary</td>
<td>298944</td>
<td></td>
<td>1623139</td>
<td>1792703</td>
</tr>
<tr>
<td></td>
<td>1280380</td>
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</tr>
<tr>
<td></td>
<td>43815</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-dominant</td>
<td>229615</td>
<td></td>
<td>349980</td>
<td>466984</td>
</tr>
<tr>
<td></td>
<td>(-6530)</td>
<td></td>
<td>(+307152)</td>
<td></td>
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<tr>
<td></td>
<td>(77980)</td>
<td></td>
<td>(+300622)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>688216</td>
<td></td>
<td>2844826</td>
<td>2932762</td>
</tr>
<tr>
<td></td>
<td>(+6530)</td>
<td></td>
<td>(+307152)</td>
<td></td>
</tr>
<tr>
<td>From Outside</td>
<td>555944</td>
<td></td>
<td>344349</td>
<td>2932762</td>
</tr>
<tr>
<td></td>
<td>2032469</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post-Reform Total</td>
<td>1244160</td>
<td></td>
<td>816964</td>
<td>5777588</td>
</tr>
<tr>
<td></td>
<td>(-6530)</td>
<td></td>
<td>(+307152)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3415842)</td>
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<td>(100.00)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(21.53)</td>
<td></td>
<td>(19.47)</td>
<td></td>
</tr>
<tr>
<td>Pre-Reform Total</td>
<td>1244160</td>
<td></td>
<td>816964</td>
<td>5476966</td>
</tr>
<tr>
<td></td>
<td>(62.37)</td>
<td></td>
<td>(14.91)</td>
<td></td>
</tr>
</tbody>
</table>

Note: Two rows at the bottom of the table explain the changes in the pre-reform and post-reform percentage share of each sector. It may be noted that the post-reform share of the non-dominant sector has risen and the same for other two sectors has declined.
280

(7.93 per cent of the total flow) can be spared for annual investment in the village.

The land reform suggested here, will create the demand for non-agricultural produces and that will stimulate the growth of the non-agricultural production also. If the consumption pattern remains the same as that of the present dominant sector, every year Rs.10,92,700 (48.42 per cent of consumption expenditure) worth of non-agricultural goods and services shall be required to meet the demand.

9.7.2. Expected changes in Vengidengal:

As far as Vengidengal is concerned, the beneficiaries of the suggested land reform shall come in both the non-dominant and intermediary sectors (Table 9.7). The present intermediary sector will not have to pay rent to non-residents (Rs.2,08,532) and also to resident rentiers (Rs.2,000). Therefore intermediary sector's level of inflow of
**Table 9.7**

TOTAL FLOW OF FUNDS (IN RUPEES) IN VARIOUS SECTOR UNDER THE PRE AND POST REFORM STRUCTURE (THE PERCENTAGE FIGURES ARE IN BRACKETS)

<table>
<thead>
<tr>
<th>Funds Releasing Sector</th>
<th>Funds Receiving Sector</th>
<th>Total</th>
<th>To Outside</th>
<th>Post-Reform total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dominant</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Intermediary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-dominant</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dominant</td>
<td>120605</td>
<td>43125</td>
<td>36538</td>
<td>202268</td>
</tr>
<tr>
<td>Intermediary</td>
<td>49145 (-2000)</td>
<td>370970</td>
<td>78445</td>
<td>498560 (+206532)</td>
</tr>
<tr>
<td>Non-dominant</td>
<td>71670</td>
<td>118315</td>
<td>49365</td>
<td>239350 (+148670)</td>
</tr>
<tr>
<td>Total</td>
<td>241420 (-2000)</td>
<td>532410</td>
<td>166348</td>
<td>2635380</td>
</tr>
<tr>
<td></td>
<td>From outside</td>
<td>178110</td>
<td>436824</td>
<td>342517</td>
</tr>
<tr>
<td></td>
<td>Post-Reform</td>
<td>419530</td>
<td>971234</td>
<td>508865 (148670)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>419530 (11.67%)</td>
<td>971234 (32.82%)</td>
<td>(148670) (55.57%)</td>
</tr>
<tr>
<td></td>
<td>Pre-Reform</td>
<td>419530</td>
<td>971234</td>
<td>508865 (26.79%)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>419530 (22.08%)</td>
<td>(51.13%)</td>
<td>(100.00%)</td>
</tr>
</tbody>
</table>

Note: Two rows at the bottom of the table explain the changes in the pre-reform and post-reform percentage share of each sector. It may be noted that the post-reform share of the non-dominant sector has risen and the same for other two sectors has declined.
fund shall rise to Rs. 11,81,766 from Rs. 9,71,234 by 22 per cent, and per capita inflow of funds will be Rs. 2,789. Similarly, the new land reform will bring a higher income of Rs. 14,88,670 to the present non-dominant sector. This amount was earlier going to the non-residents. Therefore income position of the present non-dominant sector will rise by about 300 per cent (from Rs. 5,08,865 to Rs. 19,97,535) and the per capita receipt will be about Rs. 4,360. Thus, it is found that both intermediary and non-dominant sectors, in which majority of the households are in alarming poverty at present, will be in a position to cross the poverty line.

If, as assumed, the non-dominant and intermediary sectors follow the consumption and investment pattern of the dominant sector, Rs. 2,68,900 (7.48 per cent of total flows) worth of asset formation will take place and Rs. 3,51,850 worth of non-agricultural goods and services will be required to satisfy the demand of Vangidengal
villagers. This will definitely lead to the establishment of industries in this region or at least stimulate the industrial development in other regions.

In the post-reform period, it is expected that there will be a definite increase in the marketable surplus which will activate the linkage effects between agricultural and non-agricultural activities. The total agricultural production is expected to go up by 115 per cent and the marketable surplus will be more than the total production at present. (The pre-reform total value of foodgrains production available to the village residents, after deducting the share crop, is Rs.6,50,300. The post-reform marketable surplus will amount to Rs.9,52,900).
CHAPTER X

CONCLUSIONS
The aims of the present study are to find out the factors that may hinder or promote the economic development in a prosperous agricultural region; to analyse the present system of flows of resources between different agrarian sectors in a village economy and to find out a solution to the problems, if any, at different stages of economic development.

It has been observed that the existing agrarian structure is the base on which the agrarian relations are established; the pattern of flows are determined; the level of economic development is decided and the direction of rural transformation is determined.

Thanjavur district, the selected agriculturally prosperous region, is often identified with the delta of the river Cauvery. Actually the district
has a deltaic part and a non-deltaic part and the
two are at present quite dissimilar in many
respects.

One of the selected two villages (Vengidengal)
has got fertile irrigated land area for centuries
and constituted mainly by the landless labourers
and small tenants. As the 90 per cent of village
land resource is owned by the non-residents, who
were the residents of the village some decades
back, quite a big quantum of the foodgrains origi­
nated in the village drains outside the village
and is invested on non-agricultural urban-based
pursuits. The outcome of this type of flow is
that the non-residents receive income from many
sources while the residents of the village, the
actual cultivators of the land, are in abject
poverty. Consequently, tensions and strained
agrarian relations between the landless mass and
land owners become a quite common phenomenon in
the rural area. This problem has rather been
fuelled by the existing land reform policies by
nurturing a good hope among the landless mass of becoming land owners. This dream has however not come true.

Another village, (Palamputhur) which seems to be recently prospering and following the foot-path of Vengidengal economy, is constituted mainly by the smaller farm households, while the larger share of the land resources is possessed by a few big farmers, who try to control and divert the economic forces in their favour. The perpetual inequality and poverty, in due course, may relegate the present small farmers to the landless labourers group and tenants, similar to what happened in Vengidengal. However on the other hand, the present control groups in the village shall be attracted by the urban life with a relatively higher standard of living, basic amenities and infrastructural facilities as well as double sources of income from agricultural and non-agricultural pursuits.
The process has got reflected in the intersectoral and intrasectoral flows of funds. The following observations need attention:

a. Economic development of an economy must be viewed from the economic structures, social stratification and occupation not in isolation but in their mutual relationship.

b. The pattern of ownership of land, the size of holdings and degree of tenancy are found to be preponderant determinants of occupation, magnitude and direction of flows of funds, levels of income, consumption, asset formation, financial transaction and also degree of monetization, indicating the standard of living of households and the economic development of the village as a whole.

c. In both the villages, the dominant sectors are controlling higher disproportionate share of flows of funds indicating the preponderant prerogative. The non-dominant sectors
have secured very low proportion of flows which implies the disadvantageous position of the sectors. Majority of the households in intermediary and non-dominant sectors are found to be in absolute poverty in both the villages.

d. The non-dominant sector of Palamputhur largely depends on the dominant sector for its major portion of income but the latter depends on outside the village. All the three sectors of Vengidengal depend to a large extent on the absentees landlords who control the whole economy from outside the village.

v. The levels of interdependence of the dominant and non-dominant sectors are at higher level as they make purchases and sales between them. As far as the intrasectoral dependence is concerned, it is very high for the intermediary sectors, moderately high for the dominant sectors and low for the non-dominant sectors in both the villages.
f. Invariably all the three sectors in both the villages have received a higher proportion of their income from production activities. However, the spending pattern differs. In both the villages, the dominant sectors have spent higher proportion of their funds on production activities, whereas for the intermediary and non-dominant sectors, this is on consumption. These facts indicate the relative economic conditions of those sectors.

g. Of the total flow occurred for production, the non-dominant sectors' shares are very less. This indicates the lower share of wages in total production costs and as a result lower income of the agricultural labourers.

h. The magnitude of flow of funds for consumption may elucidate the levels of living of the sectors. Of the total consumption expenditure, the shares of non-dominant sectors are at the minimum. However the same sectors have spent higher proportion of consumption expenditure on food items and lower proportion on other items such as cloth and education.
i. The size of flows of funds for financial transactions and assets formation is found to be very small in the flow matrices. Again, the shares of non-dominant sectors of both the villages are found to be very less.

j. Coming to the forms of flows, 70 per cent of the total flows have been monetized. The degree of monetization is little higher in Palamputhur (72 per cent) compared to that in Vengidengal (68 per cent). The intersectoral comparison shows that the degree of monetization is very high (84 per cent) in dominant sector of Palamputhur and very low in the non-dominant sector (59 per cent) of the same village. The degree of monetization may be considered as an indicator of economic development.

k. In brief, the rich farmers and absentee landlords enjoy a series of economic gains at the cost of the economically depressed sections in the villages. They have better control over the village economic systems and also are able to
divert the same in their favour.

10.2. **Strategy for Development**

First, the applicability of the Hirschman's development strategy for the present village structure is tested. As the backward and forward linkages derived from the production flow tables for the villages have not taken into account the role of non-residents, a different strategy is sought to suit the existing structure in the village. Secondly, the government strategies are briefly reviewed and found to be non-effective which could not alter the existing agrarian structure, the main cause for the economic backwardness of the villages. Besides, the Land Reform Acts passed by the Tamil Nadu State Legislature are, due to the loopholes and lacunae, not bold enough to uproot the present unequal agrarian structure. The inclusion of residential clause in the land reform acts and the effective implementation of the same may yield some fruits required.
Therefore the following radical land reforms are suggested to be supplemented with the existing reform policies.

a. The lands cultivated by the non-resident landlords should be equally redistributed to the landless agricultural labourers, and

b. The lands owned by the non-residents and religious organisations should be distributed to the cultivating tenants who cultivate less than 6-2/3 acres of land.

The envisaged impact of these enactments, if effectively done, has been assessed through the post-reform flow tables. It is observed that the non-dominant and intermediary sectors may vanish as the net income and cultivated area of them go up; egalitarian society may be envisaged; tensions and agrarian unrests may be eliminated; the value of rural assets may be multiplied by the availability of more and more investible surplus of funds and the
enlarged opportunities for other activities such as construction; artisan industries, cattle and poultry farming etc.; the residents' demand for foodgrains may naturally be fulfilled; and ultimately the prosperity of the village resources may be utilized for the prosperous life of the people in the village.

Regarding the impact of the suggested reforms on other economies, it may be predicted that non-agricultural population shall be well-fed as the availability of marketable surplus goes up; the industrial field may be further stimulated by the increased demand for the goods and services from the rural area; the exodus to urban area and the resulting problems may be eradicated at the anvil itself by productively engaging all the agricultural population in the farms and eventually by establishing effective forward and backward linkages between agricultural and non-agricultural sectors a balanced economy.
may be developed with social justice.

10.3. Limitations:

Though the present study is confined only to two villages in a region, in so far as the pattern of flow of resources is concerned what is true of these two villages may be more or less true of the other villages in the respective zones of Thanjavur district, where the socio-economic background is almost similar. With some minor exceptions, therefore, the same conclusions may be extended to all the Thanjavur villages.

The following are the major limitations of the present study:

1. The studies aiming at intersectoral flows are generally based on the data from secondary sources. However, the present study analysing the intersectoral flows of funds among the socio-economic sectors at the micro-level constituted by producing as well as consuming rural households
depends on the primary data collected from all the households in the selected villages. There are obviously field level difficulties in collecting such primary data which could be used in a flow matrix. At certain levels, crude estimates become inevitable.

ii. Though the idea of construction of flow tables has been shaped by the input-output framework, the present flow tables and actual input-output table framework differ to some extent. The inflow of funds (i.e. sales of goods and services) have been given in the columns and the outflow of funds (i.e. purchase of goods and services) have been recorded in the rows. However, this type of new arrangement has been found to be appropriate for the present type of study and analysis.
iii. Since the flows of funds are related to various types of occupation groups, in some cases, the crude estimations have been found to be inevitable. Also, the income generated in the villages and expenditure incurred outside the villages by the non-resident land owners have been estimated on the basis of the averages of that of the residents.

iv. Finally, Hirschman's development strategy based on input-output framework has been tried in Chapter 1A to suggest a strategy for rural development. However as it is an innovative step to assign priorities to the socio-economic sectors in the rural economy based on the above strategy, it may not be highly appropriate one to the existing structure.
With all the above limitations, it may be safely concluded that the use of flow matrices based on primary data for the micro-level analysis of structure and functioning of rural economies appears to give rich dividends.