CHAPTER 1

INTRODUCTION

- Development - Multiple Meanings
- Statement of the Problem
- Scope of the Study
- Objectives
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Development has multiple meanings. That development means overall social development is a taken for granted postulate. According to this popular notion, development is a common goal among the nations of the world because of the fact that underdevelopment is undesirable as it involves poverty, misery and human suffering. The strong belief among the people about development is that it aims to enrich human life. There is a never ending quest going on to find out ways and means to promote development at a faster pace to achieve human welfare. Planning is recognised as a tool for realising high economic growth through rise in national income. But it may not lead to proper distribution of wealth if it is centralised. Decentralised planning is considered as a democratic tool to attain proper economic growth with equity.

The two important concepts associated with decentralised planning viz. ‘growth’ and ‘equity’, invite some discussion. The first question that demands discussion is what is growth? Is it related to or synonymous with development? The concept of economic growth happened to be identified with the concept of development. In most of the earlier writings on development issues, one notices that these two terms have been used synonymously. But development is no longer considered identical with growth. It is taken to mean growth plus. There are qualitative dimensions in the development process, which may be missing in the growth of an
economy. Economic growth is a long-term increase in the per capita income of a country at constant prices\(^1\). It involves the transformation of the economy from the state of underdevelopment to a state of development, from an agrarian to an industrial society in which transformation is reflected in a sustained and steady rise in national income and per capita income\(^2\). Development is defined as a discontinuous and spontaneous change in the stationary state which forever alters and displaces equilibrium state previously existing, while growth is a gradual and steady change in the long run which comes about by a gradual increase in the rate of savings and population. Development is related to qualitative changes in economic wants, goods, incentives, institutions, productivity and knowledge or the entire social system (Kindleberger\(^3\), 1965; Schumpeter\(^4\).

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4 Development is a spontaneous development and as such the quality aspect is well recognised. See J.A. Schumpeter, “*The Theory of Economic Development*” 1934.
1934; Friedman, 1962). Thus, theoretically one can find clear difference between growth and development. The underdeveloped countries have been unable to utilise the opportunities afforded by modern material and social technology so that they have failed to supply minimum subsistence and material comfort to their population. Naturally, the concern of the developing economy is development, not growth.

Once the issue of growth versus development has been settled, there comes the next question, how can a country measure the growth or development? It is the debate of selecting or identifying a parameter to measure the development. Traditionally, development is a process of mere increase in national income. But as national income cannot say anything about standard of living of the people, emphasis was shifted towards per capita income. For this, the economists in underdeveloped countries and the western advisers have laid stress on such development strategies, which aim at rapid industrialisation, along with urbanisation, at the cost of rural

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5 See John, Friedman in Growth Centres in Regional Economic Development (ed.) N.M. Harsen 1972.

6 To know more about measurement of sustainable development see Hackett, Steven, Environmental and Natural Resources Economics: Theory, Policy and the Sustainable Society, Armonk, New York: M.E. Sharpe. In the final section on the economics of sustainable society tries to identify, model, and measure the effects of economics on a more sustainable society. The author begins the section with a general overview of economic development, then the competing sustainable development strategies, and follows with U.S. and international case studies. A section is devoted to methods of measuring sustainable development and chapter each to issues of sustainable production and consumption and issues in the economies of sustainable local communities. Specifically common-pool resource systems are discussed, 1998.
and agricultural development. Rowstow’s 7 ‘stages of growth theory’ proposing a linear path through a number of stages, and subsequent development by Nurkse’s 8 ‘vicious circle of poverty’ and ‘balanced growth theory’, Hirschman’s 9 ‘unbalanced growth theory’, Rodan’s 10 ‘big push theory’, Leibenstein’s 11 ‘critical minimum effort’ etc. are the major development theories devising a thrust for some leading sectors whereby growth will be initiated. Giving due importance to heavy and basic industries will result in a boost in the industrial development through some kind of acceleration or some other process. As a result of all these development strategies, the GNP per capita of the developing countries grew at an average rate of 3.4 per cent per annum during 1950-1975, which was a major accomplishment. But it could not solve the problems of poverty, unemployment and inequalities in such countries. These problems were given secondary importance in these theories. This is because it was

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9 Investment in leading sectors is the concern for many economists. See Hirschman "Investment Policies and 'Dualism' in Underdeveloped Countries." The American Economic Review 47, no. 5, September 1957.

10 Unless a big push is given for some sectors the development is impossible. See Rodan, Rosenstein “Notes on the Theory of the Big Push”, in Ellis, editor, Economic Development for Latin America, 1961.

11 Development is the one which can be realised through a critical minimum effort in terms of investment see Leibensten Harvey "An Interpretation of the economics Theory of Fertility: Promising Path or Bling Alley?", Journal of Economics Literature 12, 1974.
thought that with increase in GNP such problems would be automatically solved in the long run by providing employment and income to the poor.

Economists have translated this in the form of a theory called “Trickle Down theory”\(^\text{12}\). In reality, trickle down theory was a failure. But most of the economists, from the time of Adam Smith himself were persuaded to accept the principle of maximising the per capita GNP as the basis of their strategies of development because the growth of output per head, “gives man greater control over his environment and thereby increases his freedom” (Lewis)\(^\text{13}\). With the intention of realising high growth, Mahalanobis’ development model giving thrust to heavy and basic industries was adopted in India during the second plan. But the trickle down theory did not work out properly.

Dissatisfied with the GNP approach, there came another dimension of development from the point of view of economic welfare. The proponents identified economic development as an increase in the consumption of goods and services. Economic development is a sustained secular improvement in material well-being which may be reflected in an increasing flow of goods and services. This approach also could not attain

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\(^{12}\) Trickle Down theory is purely an economic phenomenon in which rapid gains from the overall growth of gross national product and income per capita would automatically bring benefits (trickle down) to the masses in the form of jobs and other economic opportunities. The main preoccupation is therefore to get the growth job done, while problems of poverty, unemployment and income distribution are perceived to be of secondary importance.

\(^{13}\) The existence of subsistence and modern sectors side by side in developing countries and the thrust for modern sector is the strategy for development. For details Arthur Lewis W. *Theory of Economic Growth*, Novello and Company Ltd, London W.I.,1954.
much popularity, as more increase in the consumption level may not be able to improve the welfare of the general public unless the distribution of national income is equitable and justifiable.

From the 1970s emphasis shifted towards the quality of the development process. Thus social indicators came to be used as alternatives to per capita income. These are often referred to as the basic needs for development, which focus on alleviation of poverty by providing basic needs to poor. The merit of social indicators is that they are concerned with ends, the ends being human development. Economic development is a means to these ends. It is this connection that economists prefer to consider Physical Quality Life Index (PQLI)\(^{14}\) and Human Development Index (HDI)\(^{15}\) in the measurement of economic development by considering the basic needs. These are alternative measures of development, which supplements rather than supplants the GNP measure of economic development. The provision for more basic needs, does lead to economic growth.

\(^{14}\) PQLI (Physical Quality of Life Index), developed by Morris & Morris, takes into account three major indicators-life expectancy at age one, in fact mortality and basic literacy at the age of 15 to measure performance in meeting the most basic needs of the people. A rising PQLI indicates that the performance of the economy is improving to the satisfaction of its members and subserving its goals a reduction in unproductive expenditures can raise the PQLI even without an increase in GNP. See Todaro, *Economic Development*, Pearson Education, 2005.

\(^{15}\) HDI-Human Development Index-developed by the United Nations Development Programmes (UNDP) is based on social indicators of life expectancy, adult literacy and years of schooling. Countries whose GDP rank is higher than their HDI rank have considerable potential for distributing the benefits of higher incomes more equitably. But they have been less successful in channelising economic prosperity into better lives for their people. On the other hand, countries whose HDI rank is higher than their GNP ranks, suggest that they have effectively improved the lives of their people.
In the early 1980s, the peculiar circumstances in the world pushed the basic needs strategy in to the background. Many countries embarked on programmes of stabilisation and structural adjustments, including policies of liberalisation and privatisation, which involves reducing the role of government, removing subsidies, liberalising prices and opening of economics to flows of international trade and finance. These have led to reduction in government spending on social services like health and education and finally the concern for the poor has been pushed into the background.

During this period of liberalisation & privatisation, Prof. Amartya Sen16 emphasised on the concept of promoting human capabilities. According to Sen the standard of living of a society should not be judged by GNP per capita and the supply of particular goods, but by people’s capabilities. That is, what a person can or cannot do, or can or cannot be. The expansion of these capabilities implies freedom of choices……political, social, economic and cultural freedom. When practically analysing, it is advisable to confine the concept of human capabilities, which relate to economic capabilities. The UNDP incorporated Sen’s views in its first Human Development Report in 1990. It defined human development as “a process of enlarging people’s choices that are created by expanding human capabilities. Income is one of the choices, but it is not the only choice”. The modern view

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does not deny the positive impact of the growth of GNP, but it calls for additional policy actions to accelerate the expansion of these freedoms, together with equity and justice as the primary determinants of development.

All over the world, the questions of growth with equity and social and environmental justice have generated a series of debates on the validity and feasibility of modern development. The context of the debates was that the dominant paradigm of development had not only failed in achieving its proclaimed goals but also succeeded in widening the economic inequalities among people all over the world in an amazing proportion. These were caused by technical defects at the level of administration that delayed development. On the contrary, opponents viewed these as the result of the existing paradigm of development. According to them, the existing paradigm will do injustice to the people and nature. Here equity has no place in development. They put equity first and took development to mean much more than economic growth.

The anti-developmentalists are of the opinion that economic growth is not possible in the present situation in underdeveloped countries, as it will only enlarge the widening gap between the rich and the poor sections. But

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modern development economists are of the view that economic development cannot cope with environmental and social justice. In order to attain sustained economic growth\textsuperscript{18}, for the time being or at least in the initial stages, some areas must remain underdeveloped. From the very early time onwards this debate has been there. Responding to this debate, some people argued that the problem is with development activities\ldots\ldots..implementation from “Top to Bottom”. Even though, there was expectation about the “Trickle Down Policy” many economists like H. W. Singer\textsuperscript{19}, Joan Robinson\textsuperscript{20} etc., on the basis of the experience of our economy, argued that the “trickle down” policy is only a myth. Singer\textsuperscript{21} stated “Automatic trickle down is most Unlikely, since there is unequal access to the opportunities of producing or obtaining the income from incremental GNP. It is the richer groups which have privileged access and are likely to appropriate the increased GNP, producing even


Daly discusses the major environmental debate surrounding “sustainable development.” He argues that the idea of sustainable development has become a catchword for environmentalists and in international finance. He believes that sustainable development is being used in ways that are vacuous, certainly wrong, and probably dangerous. The necessary solutions that he offers turn out to be much more radical than people suppose. Daly challenges the conventional notion that growth is always good. He challenges environmentalist orthodoxy and argues that the current focus on ‘sustainable development’ is misguided and that the phrase has become meaningless. This important piece of major economist’s work, and relevant reading for people engaged in the debates about the environment and sustainable development.


\textsuperscript{20} Development is not reaching to the bottom to many western thinkers. See Joan Robinson, The Economics of Imperfect Competition, 1933.

\textsuperscript{21} Ibid
sharper inequalities in income distribution at least up to the medium income levels”. Once inequality is allowed, it is difficult to remove it, whatever be the capacity of trickle down policy.

India had also incorporated the growth with equity concept in the fourth and subsequent plans. Again the problems are never ending. It could not also fairly distribute the benefits, and the development process was very slow. This is substantiated by Raj Krishna\textsuperscript{22} through his concept “Hindu Rate of Growth”\textsuperscript{23}. As a result, continuous efforts through various plans have not realised the objective of growth or the multiple dimensions of growth. Many started questioning the relevance of development.

Whether development or growth, if it is measured by income, one major issue is that it does not accommodate the distributional aspect of development. The problem of absolute poverty in India is more acute and reduction of it is possible only through an improvement in the income distribution. Since there is a widespread concern on the positive effects of growth on poverty reduction over the last quarter century or so, concerns of income distribution seem to have taken a key role. But there are many measurement problems. The procedure is little bit complicated. Again one

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\textsuperscript{22} “A review of the economic development of India” in the last 3 decades reveals an astonishing fact: a number of the indicators of development have remained stuck at very unsatisfactory levels. The stability of numerous parameters would not be a matter of concern but for the fact that their stable values epitomise a large and growing mass of unrelieved suffering.....”. Raj Krishna. See Krishna Raj (1954) “Stagnant Parameters” Seminar Paper, Jan 84, in N. Nagaraj in Indian Economy Since1980. Also see, “Virtuous Growth or Polarisation”, EPW Aug. 5, 2000.
\textsuperscript{23} The growth rate during the 70s and 80s centred around 3 per cent. This phenomenon was noticed by Raj Krishna and termed as ‘Hindu rate of growth”
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more problem is: If there is fair distribution and not high per capita income, what is the benefit?” Hence the concept of “Growth with Equity” has been recognised. Many have suggested that the growth is to be measured in terms of equal distribution of income and wealth. Studies conducted by World Bank and other various International Organisations emphasised the need for relating economic growth with equal distribution.

Development is thus a multi-dimensional concept. Development economists, recognising the multi-dimensional aspect of it, have proposed various theories for the realisation of economic growth. Over the past fifty years, “Development Economics” has undergone many changes. As a result, the emphasis has shifted from income to the promotion of welfare, to the creation of employment, to redistribution of income, to basic human needs, to structured adjustment and to sustainable development.

All the above-stated problems are due to the problems of development administration. Centralised planning for nearly five decades has created islands of affluence, leaving major part of the country in penury and neglect. Illiteracy, ill health and poverty continued to plague the country with no perceptible improvement. The trickle down approach followed hitherto did not help to percolate the fruits of development in a

desired manner. As a solution to this, economists like Gundar Frank\textsuperscript{25}, Paul Baran\textsuperscript{26}, Samir Rihani\textsuperscript{27}, Wallerstein\textsuperscript{28} and others, have made a debate regarding democratic decentralisation. Both developmentalists as well as critiques encourage this. Democratic decentralisation can bring local-level self-reliance, reduction of community dependency, removal of local exploitation of the poor, upliftment of low-income groups….Dalits, empowerment of women etc. through peoples’ participation. That is, a radical change itself is possible.

The idea of grass root level planning gained ground and the necessity of strengthening the system of governance at that level and empowering the people in the development process was recognised. The 73\textsuperscript{rd} and 74\textsuperscript{th} Amendments to the constitution provided the necessary institutional mechanism for trying out a totally different development paradigm with people on the centre stage, identifying the necessities themselves and finding solutions and answers to their problems. Kerala was the first state to grab the opportunity. The political change in the state

\textsuperscript{25} Gundar Frank, “The Underdevelopment of Development”, with M.F. Frank, in Savoie, editor, \textit{Equity and Efficiency in Economic Development}.

\textsuperscript{26} See Paul Baran, \textit{The Political Economy of Growth}, 1957.

\textsuperscript{27} Samir Rihani’s core argument is that development must occur at the local level and that it will follow only when agents are able to freely interact. The greater the possible number of interactions the greater the complexity of the system; more complex systems have a greater chance to adapt and grow- See Samir Rihani, \textit{Complex system, theory and practice}, New York 2002. p. 238. Also see Samir Rihani \textit{imperialism and unequal development} New York Monthly review press, 1997.

also provided the opportunity at the right time. As the government could realise the inefficiency of local development needs being planned and settled at the states or central capital, it decided to gain people’s cooperation in the IX plan and thereby making it a peoples’ programme. It enabled the common village man to contribute his mite to the development process. People are no longer the benefactors of plans imposed from above. They are out to shape their own destinies on a new earth under a resplendent sky aglow with starry expectations.

There have been a number of studies showing the merits and demerits of the people’s campaign. These studies largely concentrate on micro-level studies. It is essential to see how far the programme is successful in a macro context, at least at the district level. So, a study on decentralised planning with reference to certain regional area, may be helpful to understand whether decentralised planning has been successful in realising our goals. The present study fills this gap.

**Statement of the Problem**

It has been realised that development is essential to realise human welfare. Planning has been accepted as a means to realise this. The centralised planning adopted in various developing countries including India definitely provided some sort of growth. But the poor have been continuously neglected in all kinds of planning programmes. Alternatives were worked out. Different proposals were made earlier. The thrust was on
development or growth, which resulted in unequal distribution of wealth. So the most effective alternative proposed was growth with justice or redistribution. Decentralised planning has been recognised as a good means of attaining growth with equitable distribution. Among different forms of decentralisation, democratic decentralisation is a good means of realising development with redistribution, particularly at local levels. Kerala adopted democratic decentralisation under the title “Peoples’ Plan”. It is essential to see the success of the campaign in the state economy.

**Scope of the study**

The topic comes under the border area between Economics and Political Science. The political process is the factor shaping the decentralisation process. Hence it can be labelled inter-disciplinary topic, which is really the scope of the study. Further, decentralised planning has been introduced in the year 1996-97, in order to realise high material growth, on the one hand, and promote quality of human life, on the other. A study to look into the performance of decentralised programmes that have been initiated in Kerala is helpful to give a clear picture of the problem. The results of the study may have wider scope for local-level planners and policy framers of the state.

**Objectives**

1. To evaluate the extent of utilisation of funds allotted to the Panchayats
2. To see the development programmes in realising the goals of decentralised planning, such as promotion of general welfare, reduction of poverty, etc.

3. To analyse the allocation and impact of decentralised programmes on different sectors of the economy.

4. To analyse whether decentralised planning is the right strategy for realising sustainable development.

Nature and Limitations of Study

In the decentralised planning exercise during the IX plan, all the districts in Kerala State were given equal importance. All districts carried out the decentralised planning process with equal enthusiasm and similar procedures. So, any district can be selected for this study. Kottayam district was selected for the study, because it has the distinction of achieving effective implementation of decentralised planning.

The present study covers a period of five years corresponding to the IX Five Year Plan from 1997 to 2002. This time period of five years is necessary and sufficient to study the results of decentralised planning exercise implemented in Kerala. The secondary data published by the Department of Local Bodies, Kerala, and Panchayat Reports are relied upon. There are a number of limitations for this data. The first one is, it is not possible to get data regarding sub-sectors like health, education, manufacturing etc. Secondly, the utilisation and allocation across various
sectors for all panchayats are not available. The sector-wise analysis becomes difficult for this problem. Thirdly, the performance aspect cannot be studied in terms of all parameters due to the lack of data.

**Techniques Used for Collecting Data and Analysis**

A few panchayats were selected on the basis of performance depicted in the secondary data. It was proposed to select one panchayat each in four groups–High performance, Moderate performance, Poor performance and Very Poor performance.

One panchayat in each category for all blocks was selected. The beneficiaries were selected through random sampling method. Primary data, confined to Kottayam district, about the beneficiaries in the selected panchayats were collected by the participatory method. A structured interview schedule is inappropriate and hence, the participatory method is widely recognised as a method to collect data relating to inter-disciplinary problems.

About 200 beneficiaries of the people’s planning were interviewed for their reports and opinions. They were selected on the basis of purposeful sampling from the 74 grama panchayats in Kottayam district. They belong to various sections among the population – viz. lower class, middle class and upper class or roughly BPL and APL. The participatory method was also employed among the selected beneficiaries in order to evaluate the cost and benefit of the development programmes, initiated by the panchayats. The detailed discussions with panchayat authorities, social
activists, political leaders, prominent citizens, beneficiaries, key resource persons etc. were part of data collection. Focus group discussion was conducted among them.

The secondary data collected are from various government offices, panchayats, document reports of the three-tier panchayats, publications, reference books, Planning Board, documents, census reports, etc.

Analysis of data was done using statistical methods like averages and percentages. The analysed data are presented in tables.

**Methodology- Framework for Interpretation**

Data have been interpreted by converting the raw data supplied by Panchayat Reports and the Department of Local Bodies into percentages. Block–wise and panchayat- wise interpretation is done first. Category-wise and sector-wise data interpretation was also done with the help of percentages. The same method was used for sector-wise analysis. The data collected from the beneficiaries were largely descriptive in nature. The data was also recorded and then translated into descriptive form. Interpretation is made after processing the descriptive data collected from beneficiaries.

**Chapter Scheme of Study**

The study has seven chapters. The first chapter is an introduction to the study. It contains a detailed discussion of the title, followed by brief statement of the topic and research problems. The scope and objectives of
the study are then stated. This is followed by a discussion on the nature and limitation of the data along with the techniques used for collecting data and their analysis. The framework of interpretation is sketched out under methodology. Finally, the pattern of organisation of the thesis in terms of contents and chapters are listed.

The second chapter is an overview of development debates. It starts with discussion on equity as a strong pillar of development. This debate is followed by development gap and India, and then two perspectives of development debates viz. the liberal interventionist school and the Radical populist school along with development debates in the age of globalisation. The common eclectic views, coupled with growth with equity under decentralised planning, are also discussed in the chapter.

The third chapter is about the review of literature on “Decentralised Planning”. It starts with the question whether development planning is centralised or decentralised. It goes on discussing planning in India and then decentralised planning. This is followed by democratic decentralisation, which consists of discussion on criteria like deconcentration, delegation, devolution and privatisation. The background of decentralised planning and the need for decentralised planning in India are sketched out. The empirical findings at international, national and state level studies have further been narrated along with a detailed discussion on decentralised
planning in Kerala. A few observations on Kerala experience is the final theme of this chapter.

Fourth chapter is an attempt to evaluate the development programmes. Since Kottayam district is taken as the field of study, the anatomy of the district with various types of facts and figures are included. An overview of all panchayats’ development reports, is also presented. Finally an assessment of the degree of success of the decentralised planning in terms of fund utilisation is made.

The fifth chapter is an analysis on category-wise programmes. The three components like general category, special component plan and ST/SC Plan allocations, have been analysed in the context of all blocks and panchayats. The sixth chapter considers the sector-wise impact of decentralised planning in the panchayats. Production, service and infrastructure are the three sectors for which funds have been allocated. The extent to which these sectors got the share of utilised funds is analysed. The sustainable development29 in the Kerala context and its importance at the district and panchayat level are explained. The results of interviews with a select group of beneficiaries, are also presented in this chapter.

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29 The goal of sustainable development is that through changes in allocation, distribution, and scale development will be for all people of all generations. Sustainable development is defined as the means of living within environmental constraints of absorptive and regenerative capacities. These constraints are both global (climate change, ozone shield damage) and local (soil erosion, deforestation). See Costanza, Robert et al. *An Introduction to Ecological Economics*. Boca Raton, Florida: St. Lucie Press, 1997.
The last chapter presents the summary and conclusion. The major findings of the study are presented first. This is followed by policy implications of the study, significance of the study and conclusion of the study.