Summary and Conclusions
Summary and Conclusions

8.1 Different countries and different people live in very different circumstances. While some countries are industrialized and highly developed, some are developed reasonably, some others are less developed. Similarly, some people live in luxury, some comfortably, some are less fortunate and some other are very unfortunate as they are often unemployed, inadequately fed and clad, have little or no shelter, their health is poor and they can’t read. In spite of decades of development efforts, both the gap between rich and poor nations and inequalities within nations have widened (United Nations, 1994). This means that historically economic growth both across and within the countries of the world has grossly been an inequalitarian process and it is difficult to think of equitable economic growth either.

8.2 It can be seen from the writings of noted pre-Great Depression economists like Adam Smith (1776), David Ricardo (1817) and Karl Marx (1859) that we can't conceive of any other form of economic growth except the one which accentuates income inequalities. Kuznets (1955) postulated that the process of economic development has a strong tendency towards rising income inequalities and that such inequalities are greater in the developing countries in comparison to the developed countries. His study (1963) further suggests that inequalities in income will tend to worsen in early stage of development and having reached a peak will improve in the later stages. This assertion has come to be popularly known as the 'inverted-U' Kuznets curve. The structural changes associated with the development process manifested in the concentration of economic growth in the modern sector which offers limited employment with high wages and still higher
productivity can be an explanation for the inverted-U hypothesis. Anand and Kanbur (1986), however, noted that the relation between GNP per capita and income distribution is best fit by a U-shaped curve rather than an inverted-U curve.

The World Bank (1998) data on 15 developing countries reflect that on an average the first quintile of the population receives only 5.2 percent of the income while the top deciles and fifth quintile receive 36.0 percent and 51.8 percent respectively. For a developed country like Japan the income distribution has been found to be less inequitable with the first quintile receiving 8.7 percent, the top deciles 22.4 percent and the fifth quintile 37.5 percent. Adelman & Morris (1973) study shows that at low levels of economic development, the economy works to the relative disadvantage of lower income groups. Outlook (2004) observes that a major share of GDP growth taking place in different countries of the world is received by very small group of the population thus accentuating inequalities in the process of economic growth.

The flow of Foreign Direct Investment has been found to be grossly unequal across states in India. Guruswamy et al. (2006) find that FDI in the Indian retail sector has increased inequality in income and poverty in the country. Narasimhulu and Samdani (2006) note inter-state disparities in FDI flow, and Nagori & Ghumare (2007) observe difficulties in sharing the FDI-led income growth equitably in India. For Fu (2008) the quality of FDI flow and local absorptive capacity are important determinants of effectiveness of FDI for economic growth. Mishra and Goel (2005) suggest that mergers and acquisitions have increased the concentration of economic power in the country while Ramakrishnan (2008) argues that efficiency of merged firms is crucial for the success of mergers and acquisitions.

On the basis of the above survey of existing literature, it can be concluded with reasonable approximation that growth and equity do not go hand in hand. But glaring economic inequality is bad. Extreme economic power concentration may lead to inefficient and lack of optimal allocation of productive resources; it undermines social stability, communal harmony and solidarity; it is grossly unfair & has a tendency to foster itself; concentration begets concentration and may harm long term growth of an economy.

8.3 Growth- Inequality Trade-off

The moot question then is: are accelerated economic growth and progressive alleviation of poverty incompatible or can they be mutually inclusive? Experience suggests that the trade-off between growth and poverty is not critical. With faster economic growth, the head count poverty ratio is declining. For example, the head count ratio declined from 44.93 per cent in 1983 to 36.02 per cent in 1993-94 and further to 28.27 per cent in 2004-05 in India (Dev and Ravi, 2007) as GNP at factor cost at 1999-2000 prices grew at 5.4 per cent, 5.5 per cent, 6.6 per cent, 5.5 per cent and 7.8 per cent per annum in the sixth, seventh, eighth, ninth and tenth five year plans respectively (Government of India, Economic Survey, 2007-08). This means that with economic growth, people are receiving incomes above the poverty line. It can,
therefore, be argued that with appropriate policies, reduction of economic power concentration and sustained growth can be achieved as the compatible objectives.

8.4 The Economic Role of Government

It has been postulated that the government ought to critically deal with the issues of growth and distribution. Lord Keynes (1936), in his epoch making work "The General Theory of Employment, Interest and Money", for the first time, recognised the importance of the economic role of the government in the process of economic growth and development. In view of the success of Keynesian policies in pulling out the American economy from the Great Depression of the 1930s, governments world over, since then whether of capitalist, socialist or mixed economies, have been keeping a serious watch on the distribution of the proceeds of economic growth among various sections of the society.

India, being a mixed economy, emphasized the role of the government in achieving rising GNP per capita since the beginning of the planned development process. Yet there are questions with regard to the effectiveness of the check and balance policies of the government of the country. Doubts still exist in the minds of the economists and social scientists regarding the success of such policies in countering the growth of monopoly, concentration of economic power and inequality in the distribution of income and wealth. Questions are also raised with respect to the effect of the reduction and removal of restrictions such as licencing, reservation and MRTPs on preventing the growth from going lopsided during the plan period, specifically in the post-reform era. The effectiveness of the LPG policy of the government of India is also viewed with suspicion both from the stand point of sustainability of growth and its power to reduce the enclave type of growth during the recent years. The strength of the growth oriented policies like privatization, trade liberalization and liberalization of foreign direct investment in the face of distributive justice is also viewed critically with askance.
8.5 The Study & Objectives

In view of the above, there is a need for a thorough study of such issues and the present study has been a modest attempt towards this end.

The objectives of the study are as follows:

- To highlight the macro economic policy measures of the government of India with respect to economic power concentration during the plan period with special reference to economic reforms.

- To review the growth performance of the Indian economy since 1990-91.

- To examine the trend and extent of concentration of monopoly power in India with the help of the macro economic indicators covering both the pre and post-reform period.

- To study the extent of state-wise concentration of investment (domestic as well as foreign) especially during the post reform period.

- To assess the impact of mergers and multi-mergers on economic power concentration during the post liberalization period in India.

- To analyse the effect of MNCs behaviour on economic power concentration since 1991.

8.6 The Hypotheses

In accordance with the aforesaid objectives the following hypotheses have been formulated and tested through the study.
i) Economic reforms have succeeded in putting the Indian economy into a higher and optimistic growth trajectory.

ii) Macroeconomic reforms have led to augmented profit, growing joblessness, intensification of poverty, large industry concentration, increasing sectoral imbalances and rising interstate income inequalities.

iii) Economic reforms led growth of domestic investments has favoured the comparatively less developed states and labour intensive industries relative to developed states and more capital intensive industries.

iv) FDI inflow since 1991 has a strong bias in favour of the industrialized and richer states.

v) Mergers and acquisitions have accentuated economic power concentration rather than enhancing their operating performance in the country.

vi) FDI inflow and FTCs through the MNC route have been favourable to the relatively high income states and heavy and high technology capital intensive industries.

vii) MNCs have a lower reinvestment − profit ratio relative to the domestic companies and hence the former are comparatively less egalitarian in their operations.

8.7 Methodology

The investigation has been conducted on the basis of secondary data collected from the publications of the Reserve Bank of India, Central Statistical Organisation, National Sample Survey Organisation, Center for Monitoring Indian Economy, The Economic Survey, SIA News Letters etc. Relevant data relating to macroeconomic parameters such as national income, saving and investments, poverty, unemployment, per capita NSDP, rural and agricultural banking and credit, factory sector, mergers and acquisitions, FDI, FTCs and MNCs for the pre- and post-reform periods have been processed and analysed for drawing conclusions using simple statistical
tools like ratios, percentages, correlation analysis, covariance, F-statistic, P-statistic and Wilcoxon Mann-Whitney Test in the study.

8.8 Conceptual frame work

The study emphasizes improvement of human wellbeing as the major objective of government policies. Welfare (W) is viewed as a function of GNP growth (G), employment (E), inequality (I) and poverty (P) and can be expressed as,

\[ W = f(G, E, I, P) \]

with G and E impacting positively and I and P negatively on W.

Growth of national income has been accepted as a major of economic growth while unemployment, poverty, interstate income inequality etc. have been used to focus on economic power concentration.

A broad outline of the consequences of concentration of economic power shows that it creates uneven distribution of income and wealth which is considered as economically unsound, politically untenable and socially unfair. It also keeps diluting the welfare objective of the government of a mixed economy.

A critical review of the policies of the government of India with regard to concentration of economic power in the country disclosed that both the Constitution of India and the Parliament of the country have focused on control of economic power concentration during the process of growth. Adhering to the directive principles of state policy of the Constitution and also the Parliament the objectives of establishing a socialistic pattern of society in a mixed economy framework has been accepted. The Government of India has taken several measures like legislative and other regulations; monetary and fiscal policies; active participation by the state in the economic life and so
on to fight concentration of economic power in the process of growth. Specifically the government of India has taken a series of anti-concentration, employment generation and poverty alleviation programmes during the plan period. These include containing monopoly and large industry houses, land reforms, community development programs such as Pradhan Mantri Gram Sadak Yojana (PMGSY), Indira Awas Yojana (IAY), Swaranjayanti Gram Swarozgar Yojana (SGSY), Sampoorna Grameen Rozgar Yojana (SGRY), Swarna Jayanti Shahari Rozgar Yojana (SJSRY), Aam Admi Bima Yojana (AABY), Rashtriya Swasthya Bima Yojana (RSBY), National Old Age Pension Scheme (NOAPS), Ujjawala Scheme (US) for Prevention of Trafficking and Rescue, Rehabilitation and Reintegration of Victims of Trafficking for Commercial Sexual Exploitation, National Rural Employment Guarantee Scheme (NREGS), Mid-day Meal Scheme (MMS), Rajiv Gandhi National Drinking Water Mission (RGNDWM), National Rural Health Mission (NRHM) and Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

To examine issues of economic growth and concentration of economic power the concepts like national income, aggregate employment, poverty, saving & investment, institutional credit to agriculture, growth of small scale industries, mergers & acquisitions and retained earnings of the MNCs have been defined and used in our study and their relationship with concentration of economic power and income inequality have been critically reviewed.

8.9 Macroeconomic Policy Till the Mid – 1980s: A Review

Truly speaking macroeconomic policy making started in India with the formulation and implementation of the First Five Year Plan in 1950-51. But till the mid-1980s the strategy of planning remained basically biased towards the heavy industries and the public sector within the contours of a mixed economy. Large and wide spread government control on the industry sector as well as on the external trade sector within the broad frameworks of the ‘Licence Permit Raj’ were the basic tools of macroeconomic policy. Needless to say it failed to give a big push to the economy in terms of the required rate
of growth of the country's national income. This resulted in the 'Hindu Rate of Growth', increase in unemployment, growing incidence of poverty and accentuation of economic power concentration in the country. The other serious results of the heavy industry - Licence-Permit Raj - centric development strategy were proliferation of fiscal imbalance, ballooning inflationary pressures and unmanageable balance of payments situation. In view of these, the government of India, towards the mid-1980s, thought out a long term perspective of economic management with relaxation of controls, infusing competition, modernization of industries, a bigger role for the private sector and fiscal restructuring and reoriented macroeconomic policies towards these ends. However, such reforms were largely ad-hoc and grossly non-serious and hence failed to bear desired outcomes which ultimately assumed crisis dimensions towards the end of the 1980s. This forced the government of India to introduce and implement a massive economic reforms package with emphasis on liberalization, privatization and globalization popularly known as the LPG policy. Thus, there appeared extensive liberalization of economic management policies and drastic downsizing of government activities and operations in the Indian economy. However, experts in the macroeconomic policy and development strategy of the government of India argued that economic reforms have been working towards furthering monopoly and economic power concentration in the economy. It is, therefore, stimulating to investigate the distributive issues of the reform programmes.

8.10 Macroeconomic Performance & Economic Power Concentration

Analysis of the effect of the government policies and reform programmes on growth & economic power concentration and income inequality in terms of the trend and structure of growth of national income, growth of saving and investment, employment scenario, poverty level and income distribution shows that the Indian economy has grown by leaps and bounds during the planning period. A favourable outcome of the structural adjustment programme and broad economic reform implementations since 1991 has accelerated economic growth from a roughly 3.5 percent (Hindu rate of
growth) till the mid-1980s to approximately 6 per cent (Sardar rate of growth) during post reform period. It is, however, argued that it may be difficult to sustain such robust growth since it is largely rootless (driven by non commodity producing modern service sector enlargement), grossly jobless (characterized by staggering unemployment) and dangerously ruthless (with growth coexisting with extensive poverty and wide interstate income inequalities). That the GDP growth rate has declined in 2007-08 over 2006-07 and is projected to slowdown further in 2008-09 is a testimony to this effect. Thus the hypothesis that economic reforms have succeeded in putting the Indian economy into a higher growth trajectory has been established but the recent slow down doesn’t promise high optimism.

Profit of the factory sector of the country has grown exponentially since the mid-1980s. More particularly during the post-reform period it has been quite outstanding. During the liberalization period, the industry sector of India has been making increasingly bigger profits relative to investments.

But in the game of ‘survival of the fittest’ posed by the liberalization policy introduced since 1991, it is discovered that only the top100 companies in the country have accumulated enough economic strength and the growth of the small industry sector has decelerated. While analyzing profit, employees’ emoluments and employees’ welfare in the factory sector it has been found that all the indicators protecting employees’ interest (as considered in the study) have shown a declining trend over the years. The share of wages in the total invested capital of the entire factory sector gradually declined since 1984-85 and by 2004-05 it stood at almost half of that in 1984-85. Wages as percentage of the total profit has substantially declined since the mid-1980s. The decline has been more precarious during the post-reform period as compared to the period before reforms. It is, therefore, concluded that competition has made the Indian industry sector appropriate increasing profit at the cost of the employees. The share of employees’ emolument in the value of output further justifies the fact that concentration in the factory sector of the country in terms of wealth appropriation at the cost of workers has been a feature of economic growth since 1991.
Employment and unemployment situations are also considered as important parameters to explain concentration of economic power and income inequality in a growing economy. Our study reveals that the impact of reforms on employment has been largely disappointing. The rate of employment growth has declined particularly in the countryside and unemployment rate has increased since 1991. There has occurred an increasing feminization of the rural workforce and that too in low paid jobs. Overall, the employment scenario of India proves that the country's growth is becoming increasingly 'capital intensive' and capitalistic in nature. It is paradoxical that reforms have created jobless growth and concentration of economic gain in few elite hands.

Poverty may also explain economic power concentration in the process of growth. Poverty rates being higher in some states and lower in some others, even when national income keeps increasing, shows regional concentration of income at the national level. The finding of our study with respect to poverty is disheartening. The analysis brought home the fact that, along with increase in national income, the head count poverty ratio in eight states such as Orissa, Bihar, Madhya Pradesh, Uttar Pradesh, Maharashtra, Tamil Nadu, Karnataka and West Bengal has remained very high. There has also been an increase in the absolute number of poor people in Madhya Pradesh, Maharashtra, Orissa, Rajasthan and Uttar Pradesh. The poverty concentration has been quite alarming in a few states like Bihar, Madhya Pradesh, Maharashtra, Uttar Pradesh and West Bengal which together comprised 65.84 per cent of the total poor in the country in 2004-05. The most industrially advanced state Maharashtra and comparatively economically better states West Bengal witnessing high incidence of poverty prove intra-state concentration of income. It is clear that concentration of income has taken place both at the national and at the state level proving that the economic reforms have been anti-poor.
An analysis of inter-state disparity in the levels of per capita NSDP suggests that the gaps between the developed and the less developed states in the country have widened specifically during the post reform period. The social indicators such as education and health also speak about the nature and extent of income distribution in a country. Considering both these parameters for explaining concentration of economic power in India our study shows that in the name of fiscal prudence and downsizing, the government has been largely unresponsive to human welfare and the reforms have been anti-people. However, despite the government’s gradual withdrawal from the social sector, our HDI score has improved. But this could be partly because of the country’s high per capita income and largely because of our people’s availing of private sector provisions on account of their growing concern for health and education.

India is still considered as an agricultural economy with a huge rural sector. The impact of reform on this sector is really disturbing. The flow of institutional credit into the country’s agricultural sector has been examined in the study for this purpose. The analysis shows that the percentage of rural branches of commercial banks has progressively declined during the post-liberalization period, as the RBI liberalized the policy for the closure of rural branches on grounds of lack of availability of deposits and profitability. This has undoubtedly left the rural farmers’ problem of financial resources unsolved. Increasing cases of ‘farmer suicide’ appearing every other day in the country are a proof of poor farmers still being exploited by the village money lenders and utterly neglected by the government mechanism even as the economy is doing well at the macro level.

Thus the hypothesis that macro economic reforms have led to augmented profit, declining share of wages, growing unemployment, heightening misery or the poor, decelerating growth of the SSI sector, and rising interstate disparities has been validated.
Investment and economic power concentration

Investment plays a crucial role in the process of economic growth. Macro level data suggest that the gross domestic capital formation has been on the increase in the country since India embarked on the strategy of planned economic development and more so during the post-reform period. But in order to know whether the growth of investment has been evenly distributed across the country and whether its influence on employment has been the same everywhere, one must look at its cross-state status.

The regional distribution of domestic investment indicates that the already developed states possess a greater strength to attract bigger investments than the rest thus furthering the concentration of economic power in the country. The lower employment generation in the relatively less developed states may be due to inadequate investment made therein. The industry-wise concentration reveals that the investment has been concentrating primarily in the heavy and basic industries. The small-scale sector and the other employment intensive industries have not been benefiting much from the growing investment in the economy. One may conclude from this that the increase in investment made by the industry sector of the country has been poor in creating large-scale employment opportunities in order to solve the problem of unemployment and poverty. It has been rather accentuating monopoly capital concentration in the country in a few industrial concerns.

Thus the hypothesis that growing investment has helped balanced regional development as well as balanced industrial growth in the post liberalization India has been rejected and the hypothesis that domestic investment has favoured the capital intensive and high technology industries has been established.

India being a capital deficient economy has laid lots of emphasis on foreign capital as a source of its economic growth. The government of India liberalized its FDI policy significantly during the 1990s. As a result, foreign capital flow into the country has increased leaps and bounds. But how has it impacted on concentration of economic power? The regional distribution of
FDI suggests that investment from abroad has been flowing mainly into the developed areas and states neglecting the poor ones. More importantly, states like Maharashtra and Gujarat, which are known to be far more developed than other states, have been witnessing FDI flow in an increasing order whereas less developed states have been loosing out. The situation is seen to worsen during the post reform period. This explains growing regional concentration of foreign capital in the country along with economic growth. Hence our hypothesis that FDI flow is biased towards the industrialized and richer states has been proved.

8.12 Mergers and acquisitions, and economic power concentration

The post-reform Indian economy has undergone a major transformation and structural change in terms of relaxation of restrictions, drastic public sector restructuring and substantial modifications in industrial and business policies. All these have made India’s economic and business environment intensely competitive where industrial concerns have no option but to focus on ‘size and competence’. This has led to the dominance of mergers and acquisitions operation in the Indian economy especially since 1991. However, when mergers and acquisitions appear to be aggressive business strategies in a liberalized developing economy like India from the wealth maximization point of view, they have caused wealth concentration hazards and income inequality problems in the country.

We have attempted to test whether the relative size of target and acquiring firms makes a difference to the outcome of the mergers as measured by the post-merger operating performance of the acquiring firms in the Indian industry. This has been done with a view to explaining the occurrence and extent of wealth concentration in India due to mergers and acquisitions. As regards the acquiring firms, the analysis of pre and post-merger operating performance ratios suggests that for cases where relative size was small or moderate there has been a decline in net profit margin and return on capital employed, along with an increase in financial leverage after mergers. On the
contrary, hardly any difference was observed between the pre-and-post merger operating performance ratios for cases where the relative size was bigger. Moreover, in case of relative size of the target firm being more than that of the acquiring firm, there has been significant decline in returns on net worth and capital employed and a marginal increase in financial leverage. Thus, it can be concluded that mergers in the Indian economy have been leading to capital and asset accumulation rather than enhancing the operating performance of the companies concerned. This would mean unnecessary asset concentration in the merging companies which neither benefits much the companies themselves nor the society at large. A major reason behind such a dismal performance of the merging companies measured terms of operating performance could be mismanagement of resources and lack of coordination and control.

The case of multiple mergers, as analysed in the study, has also been seen to support the hypothesis that mergers and acquisitions have been fueling economic power concentration in India. Multiple mergers have been accumulating increasing strength in terms of sales, assets, long-term debt, operating profit, net profit and cash flow. Side by side the control firms have also been swelling up fast in terms of price-earning ratio. Hence, it can be concluded that the multiple merger cases have been accentuating the process of wealth accumulation in the country and our hypothesis that mergers and acquisitions have accentuated economic power concentration has, therefore been established. The situation has been more acute during the post-liberalization period because of the government’s extensive liberal attitude.

8.13 Transnational Companies and Concentration of Economic Power

In the recent times, multinational corporations have been increasingly accepted and appreciated world wide for their critical role in the sphere of growth of international trade, capital flows, technology transfer, dissemination of business and marketing skills, and promotion of managerial philosophies.
They have been considered as the catalytic agents of maximizing the global output, the global employment and the global trade by presenting unique opportunities to countries across the globe. However, all is not well with their operation in the developing countries. Along with massive opportunities thrown by them they also pose serious threats to the development in such countries during their operation. Since the main motive of such business giants is maximization of return on their investment they hardly pay any heed to the serious economic problems such as unemployment, poverty and economic power concentration in the growing less developed countries. Giving employment to a small number of workers in the high wage sectors MNCs suction out large profits to their countries of origin rather than reinvesting them in the countries where such huge profits are made. This may be considered as a case of drainage of resources from the poor host countries leading to the aggravation of the problem of income and wealth inequalities in such countries.

With a view to understanding the impact of MNC activities on economic power concentration the study considered the following parameters: (i) sector-wise and region wise distribution of FDI inflow; (ii) sector-wise and state-wise distribution of FTCs; and (iii) retained earnings of domestic companies and MNCs.

It has been observed that, as regards investment, MNCs have been mainly targeting the highly technology oriented but less employment intensive sectors. This slows down the employment generating capacity of the economy as it goes against the growth of the small scale and labour intensive industries. The region-wise distribution of FDI equity flow also tells a similar story. **MNCs are seen to concentrate basically in the commercially and industrially developed areas aggravating the problem of lop-sided development in the economy.**

Foreign Technical Collaborations are often considered as a powerful method for MNCs to get in the different countries for spreading their businesses. The sector-wise as well as state-wise distribution of FTCs suggest that just like the
case of FDI, FTCs have also been mainly centering round the highly industrialized states like Maharashtra, Tamil Nadu, Gujarat and Karnataka.

Thus, both in terms of FDI and FTCs, MNCs have been concentrating on developed states/regions and also highly technology oriented less employment intensive sectors of the country. It may, therefore, be argued that **MNC activities have been aggravating regional disparity in the country.**

The study opines that the policy relaxations with regard to foreign capital and foreign technology during the post reform period have strengthened the MNC base in the country which may be appreciated from the point of view of the growth of national income. But considering its regional and sectoral dimensions it may be said that not all the states and regions benefit equally from the MNC activities. This is a clear case of concentration of economic power and income inequality emerging due to the business done by the multinational corporations in the country.

As foreign-owned companies MNCs may not be interested in the real long-term development of the nation where they are operating and as such may not like to reinvest the profits earned by them in that country. Instead, they may be more interested in taking the returns back to their own country either in the form of dividend or by way of any other means such as transfer pricing. Keeping this in mind, the study hypothesised that MNCs do not reinvest the retained earnings as much as the domestic companies do in India which might have contributed to MNC wealth concentration.

In order to examine the above hypothesis, a study of 100 companies (50 domestic and 50 multinational) drawn from PROWESS of CMIE was made. It appeared from the analysis that the domestic companies have been going to the extent of asset expansion beyond their retained earnings. Contrary to them, MNCs' asset expansion has been just equal to the amount they retain. The growth rate of profit after tax was found to be lower for the multinationals than for the domestic companies which may be due to the former resorting to transfer pricing. While comparing the growth rates of after tax profit with retained earnings it was found that the growth rate of profits after tax is much
higher than the growth rate in retained earnings in case of MNCs whereas a direct relationship between the two was observed in the case of domestic companies. The study also indicated that the domestic and multinational companies manage their retained earnings with different motives. While domestic companies operate to help economic growth, the multinationals fuel inequality.

Thus MNC's operations have a strong tendency towards monopoly capital concentration. It proves our hypothesis that MNCs have a lower reinvestment-profit ratio in comparison to domestic companies and hence the former are operationally less egalitarian.

8.14 Policy Implications and Suggestions

The aforestated finding of the study and the observations made thereon have the following policy implications.

i. The service sector driven high economic growth has raised issues of sectoral imbalances and sustainability. Extra sincere efforts are, therefore, necessary to deal with the situation. There is an urgent need of a second Green Revolution in agriculture to counter the agricultural crisis being faced in the country. Public investment in agri-infrastructure, particularly in irrigation and water management, agricultural R&D, Primary education etc. should be stepped up and land reforms should be improved for the purpose. Our entrepreneurs have responded to policy changes vary successfully. But there is need for fragmenting commodity production into smaller units for better sharing of income and employment generation. Semi skilled labour intensive manufacturing as in automobile components, chemicals and pharmaceuticals may be promoted for the purpose. This will reduce over crowding in agriculture, increase value addition and ensure a less unequal distribution of income.
ii. Rural areas and rural workers enjoy a comparative advantage in terms of cheap labour. Greater connectivity and improved communications must be further geared up in such areas to do miracle for accelerated growth with a more equal income distribution.

iii. The process of economic growth since reforms in 1991 has been characterized by internal colonization of the poor and marginalized sections. This calls for an alternative development strategy with focus on deepening democracy and broad based popular participation. Therefore, social audits need to be integrated into the implementation of various public policies and investment projects.

iv. A policy for modification of the size distribution of income at upper and lower levels has become a necessity to deal with the present when the economy facing 'grows men decay' kind of a situation. Expanded public provision of goods of common consumption and progressive taxation may be enforced. Policies may be designed to alter the functional distribution of income by changing relative factor prices.

v. It has been a fact that good economics is most often relegated by bad politics. The Government must stay away from unsustainable populist policy and concentrate more on improving Governance and effective implementation of programs.

8.15 Scope for further research

Over the years considerable interest has developed in research on economic growth and inequality. Expectedly, many of these researches including the present one have attempted to fill up the research gaps in this field. But gaps still persist because the present study is not the final word.

Our study focuses on national income, the factory sector, unemployment, poverty, interstate inequalities, FDIs, FTCs, MNCs, mergers and acquisitions
etc. broadly at the macro level. In view of the growing importance of micro level studies in decentralized planning and participatory development, there is considerable scope for analyzing growth and equality at the state level and even at a more disaggregated level of planning. Similarly it can be of greater policy relevance for examining growth and inequality in respect of particular sectors. Assessment of growth and inequality across states and sectors can also be of far greater significance.

In fact researches on growth and inequality at the state level and across states as also in respect of particular sectors and across sectors will have a rich pay off.