

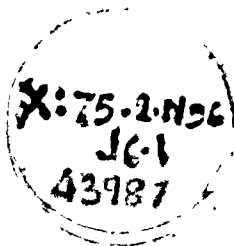
**RARE SECTION**

Rare section



PLANNING COMMISSION  
GOVERNMENT OF INDIA

*Draft*  
SECOND FIVE YEAR PLAN



PART I

*April, 1956*

GOVERNMENT OF INDIA  
PLANNING COMMISSION

THE  
SECOND FIVE YEAR PLAN

PART I

April 1956

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THE SECOND FIVE YEAR PLAN

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## INTRODUCTION

The beginning and the end of a five year plan are vital dates in the nation's history. Each five year plan is both an assessment of the past and a call for the future. It seeks to translate into practical action the aspirations and ideals of the millions in the country and gives to each of us the opportunity of service in the common cause of eliminating poverty and raising standards of living.

2. The first five year plan ended in March 1956. Its approach and outlook are part of our common thinking. It has laid the foundations for achieving the socialist pattern of society - an economic and social order, based upon the values of freedom and democracy, without caste, class and privilege, in which there will be a substantial rise in employment and production and the largest measure of social justice attainable.

3. This report sets out in draft the proposals of the Planning Commission for the second five year plan.

4. Work on the second five year plan has now been in progress for nearly two years. In April 1954 the Planning Commission requested State Governments to arrange for the preparation of district and village plans, especially in relation to agricultural production, rural industries and cooperation. The preparation of such plans was undertaken as it was felt that local initiative in formulating plans and carrying ...

carrying them out should be stimulated to the maximum extent possible. In sectors of the plan which are closely related to the welfare of large numbers of people, local planning is an essential means for securing the maximum public participation and voluntary effort.

5. It was recognised from the beginning that plans for districts and villages had to be fitted within the framework of State plans which would, in turn, take cognizance of plans prepared from the point of view of the country as a whole. Even within a State certain types of development have to be planned on a State or regional basis. Yet, it is true to say that the district is the pivot of the whole structure of planning. At this point plans from different sectors come intimately into the life of the people.

6. The study of wider aspects of national planning in the Planning Commission and in the Central Ministries also commenced during 1954. Towards the end of the year the assistance of the Indian Statistical Institute was obtained for the study of technical and statistical problems relating to national planning. A number of working papers were prepared at the Institute. In March 1955 the results of these studies and of others carried out in the Central Statistical Organisation and the Economic Divisions of the Ministry of Finance and the Planning Commission were brought together in Professor P.C. Mahalanobis's 'Draft Recommendations for the Formulation of the Second Five Year Plan' (referred to as the 'plan-frame')

and ...

and in a "Tentative Framework for the Second Five Year Plan" which was prepared by the Economic Divisions of the Ministry of Finance and the Planning Commission. These documents were considered in April 1955 by the Planning Commission's Panel of Economists, which drew up a 'Memorandum on Basic Considerations Relating to the Plan-Frame'. Members of the Panel also prepared a number of studies on individual aspects.

7. The 'plan-frame' and the other documents mentioned above were considered by the National Development Council early in May 1955. The National Development Council generally agreed with the basic approach of the draft 'plan-frame' and 'tentative framework' and with the policy considerations relating to it which were put forward in the Memorandum of the Panel of Economists. The Council also agreed that the second five year plan should be drawn up so as to be capable of leading to an increase in national income of about 25 percent over a period of five years and of providing employment opportunities to 10 to 12 million persons. Further, the Council directed that the second five year plan should be drawn up so as to give concrete expression to policy decisions relating to the socialist pattern of society

8. The documents mentioned above were released for public information and comment. All over the country between May and August 1955, the issues raised in these documents were widely discussed.

9. While the draft 'plan-frame' was thus under consideration the Central Ministries and State Governments were proceeding with ...

with the preparation of their detailed proposals for the second five year plan. Discussions with State Governments began in July and continued up to October 1955. These discussions afforded an opportunity to the Planning Commission to review the broader aspects of individual State plans in consultation with Chief Ministers. Detailed examination of the proposals of States took place in working groups in which senior officials from the Central Ministries, State Governments and the Planning Commission collaborated. On the basis of recommendations made in these discussions, State Governments have sent their revised draft plans to the Planning Commission. Detailed discussions with Central Ministries were in progress throughout the summer and concluded in the beginning of December 1955.

10. A draft memorandum embodying the proposals relating to the second five year plan was prepared at the end of December 1955 and was considered in meetings of the Standing Committee of the National Development Council and of the Consultative Committee of Members of Parliament. Later, on the 20th and 21st January, 1956 the draft memorandum was considered by the National Development Council along with recommendations which had emerged from the earlier discussions. In the light of these discussions and preliminary comments received from Central Ministries, State Governments and others on the draft memorandum, a Draft  
Outline ...

Outline was prepared and issued on the 10th February, 1956 for general information and for eliciting comments and suggestions. For the past two months the Draft Outline has been under discussion and a number of suggestions have been received. After taking these into consideration the present report has been prepared. It will be issued as a plan after it has been considered by the National Development Council and approved by Parliament.

11. The Plan which is now presented as a draft is a result of the labours of large numbers of persons in the Central Government, in the States at various levels and leaders of thought and opinion in every part of the country. In its preparation men and women in all walks of life have given generously of their time and experience. The enthusiasm and the widespread participation which have gone into the making of the Second Five Year Plan are the best augury for its fulfilment.

April 1956.

## CHAPTER I

### DEVELOPMENT OF THE ECONOMY : ACHIEVEMENT AND PERSPECTIVE

#### I

#### The First Five Year Plan.

The central objective of public policy and of national endeavour in India since Independence has been promotion of rapid and balanced economic development. The first five year plan was intended as a step in that direction. For formulating the plan, the Planning - Commission attempted a fairly comprehensive review of resources and of needs in the light of circumstances then existing. The programme of development incorporated in the plan was calculated to strengthen the economy at the base and to initiate institutional changes which would facilitate more rapid advance in the future. It also aimed at meeting certain urgent problems that had arisen out of the war and partition. In both respects, the first plan has registered significant advance. It has evoked public cooperation and enthusiasm and has given a new dimension to current thinking and policy.

2. The second five year plan has to carry forward the process initiated in the first plan period. It must provide for a larger increase in production, in investment and in employment. Simultaneously, it must accelerate the institutional changes needed to make the economy more dynamic and more progressive in terms no less of social than of economic ends. Development is a continuous process; it touches all aspects of community life and has to be viewed comprehensively. Economic planning thus extends itself into extra-economic spheres, educational, social and cultural. Each plan for a limited period becomes the starting point for more sustained effort covering longer periods, and each step in advance opens out new vistas and brings into view new problems to be solved. While planning - or programming, as it is often called - for a particular period, it is thus necessary to keep in view a more long-range perspective and to be ready to adjust and adapt the programmes in hand as this perspective becomes clearer.

3. The First Five Year Plan was conceived as a modest effort, and the solution of certain immediate problems had necessarily to be attended to on a priority basis. Even this modest effort, it was felt, would strain the resources of the community. In the first two years, the emphasis inevitably was on correcting and controlling inflationary pressures and on restoring the economy to a position of balance. The outlay on



the plan was stepped up substantially as from the third year, and the level of plan expenditure by the Central and State Governments was raised by the end of the plan period to about  $2\frac{1}{2}$  times the level in 1950-51. Over the five years, the aggregate outlay in the public sector is now expected to be somewhat below Rs.2,000 crores. This is about the level envisaged when the plan was brought out in 1952. Subsequently, additional programmes were undertaken with a view to making up the shortfalls in the earlier years and to enlarging employment opportunities. These additions, it was recognised, were in part at least substitutions for schemes in respect of which progress was slow for various reasons. The shortfall of Rs.350 crores or so in plan expenditures in terms of the revised total of about Rs.2,350 crores may with propriety be judged in this light. In any case, it is the projects executed, the works completed and the results achieved which are of more real significance than the financial outlays incurred.

4. The overall results of the first plan may be stated briefly here. National income over the five years has increased by some 18 per cent. Foodgrains production has gone up by 20 per cent; the output of cotton and of oilseeds has shown an improvement of 42 and 8 per cent respectively. Some 7 million acres of land have been brought under irrigation through major works; another 10 million have benefited through smaller works. With the increased supplies of fertiliser and seed and the further expansion of the national extension movement now in view, the outlook for continued and substantial improvements in agricultural productivity can be regarded as distinctly good. Industrial production has also increased by some 40 per cent. The generation of electric power has gone up from 6575 million Kwh. in 1950-51 to 11,000 million Kwh. in 1955-56. The output of cement, which is an important indicator of the volume of investment in the economy is estimated to have gone up from 2.7 million tons in 1950-51 to 4.8 million tons in 1955-56, and the demand for cement has of late risen sharply. Several important industrial projects in the public sector have been completed, and considerable new investment, especially in the field of producer goods and capital goods industries, has taken place in the private sector. On the other hand, little progress could be made with the installation of new capacity in iron and steel and in heavy electrical equipment, as the preliminary arrangements necessary for making a start took longer than was expected. On the whole, the results of the plan have been satisfactory. There is now increasing awareness of the need for development, and it is not without significance that there is demand all over the country for a plan that would secure more rapid advance in all directions.

5. Investment in the economy, it is now estimated, approximated Rs.3,100 crores over the five years, 1951-56. It has risen from about Rs.450 crores in 1950-51 to about Rs.790 crores in 1955-56. The following table sets out the estimated levels of national income, investment and consumption for 1950-51 and for 1955-56:-

National Income, Investment and  
Consumption - 1950-51 and 1955-56

(at 1952-53 prices)

	(Rs. crores)	
	<u>1950-51</u>	<u>1955-56</u>
1. National Income	9160	10800
2. Investment.	450	790
3. Investment as percentage of national income.	4.9	7.3
4. National Income (Index)	100	118
5. Per capita National Income (Index)	100	111
6. Per capita Consumer Expenditure (Index)	100	108

Annual estimates of investment in the plan years are difficult to make and only the broad magnitude of changes in the level of investment can be inferred. Investment in 1951-52 was at an exceptionally high level; it amounted probably to over 7 per cent of national income. But, a part of it was stock-piling, and the strain on the economy was reflected in the large import surplus. Investment appears to have fallen back to a level of 5 per cent or so in the subsequent two years. It picked up again in 1954-55 to 6 or 6.5 per cent of national income, reaching a level of 7.3 per cent in the last year of the plan. The average rate of investment over the plan period works out at about 6 per cent of national income, which cannot be regarded as impressive. A five year period is, in a sense, too short for a definitive appraisal of the trend or its significance for the future, especially when there have been considerable fluctuations in investment from year to year, but there is no doubt that investment now is running at a rate significantly higher than before the plan commenced.

6. This stepping up of investment, it will be noted,  
4.....

has not been accompanied by inflationary pressures. The following table sets forth the principal monetary and price data:

<u>Monetary and economic indicators</u>						
Unit	1950-	1951-	1952-	1953-	1954-	1955-
	51	52	53	54	55	56
1. Money supply with the public (as on last Friday of the Financial year).	Rs. crores 2,005	1,828	1,784	1,856	1,980	2,241
2. Rupee securities held by R.B.I. (as on last Friday of the Financial year).	Rs. crores 586	567	546	487	553	1,26
3. Investment of scheduled banks in rupee securities (as on last Friday of the financial year)	Rs. crores 316	296	303	319	344	360
4. Scheduled banks' advances (as on last Friday of the financial year)	Rs. crores 547	580	529	539	580	713
5. Sterling balances held by R.B.I. (as on last Friday of the financial year)	Rs. crores 884	723	724	753	730	746
6. Surplus (+) or deficit (-) on current account in the balance of payments.	Rs. crores +58	-136	+77	+57	+7	+16*
7. Wholesale prices Index No. (last week of the financial year) (Aug 1939=100)	450	378	385	397	349	390
8. Cost of living Index No. (month of March) (1949=100)	-	98	104	101	94	98@
9. Agricultural production Index No. (1949-50=100)	96	98	102	114	114	

\* This is in respect of the first 9 months.

@ This relates to December, 1955.

5....CONT).



The rate of population growth in India is not higher than in some of the advanced countries, but the annual addition of 4.5 to 5 million represents a large absolute total in terms of the resources required to maintain even existing standards. This makes it particularly difficult to increase the supply of tools and equipment per head so as to promote rapid economic development. Employment opportunities in the country have not been increasing pari passu with the increase in labour force. The increase in investment in the first plan has not been on a scale sufficient to absorb the new entrants to the labour market, and there is backlog of unemployment and underemployment to be made good. In the second plan period, investment and employment have, therefore, to be increased more rapidly. It was emphasized in the report on the first plan that development must be envisaged as a fairly long-period process, however, much a country might try to shorten it by putting forth its best effort. In formulating the second plan, this long-period perspective has to be kept in mind, even as the emergent needs of the immediate future have to be provided for.

## II

Key Factors in Development

8. Development is a process of utilising more and more effectively the resources of the community in furtherance of accepted ends. These resources are, in part, given by nature, but they can and have to be transformed by the application of new skills and knowhow. In a sense, these skills and knowhow are more important than even capital formation proper. In an underdeveloped economy the resources endowed by nature are not fully known, and new techniques of utilising them have to be developed. Exploration and prospecting are in early stages; the necessary techniques are only imperfectly known and the means of bringing them to bear on such resources as have been located and mapped out are not easy to mobilise. A continuous and progressive increase in the community's level of living presupposes not only more effective utilisation of known resources and better application of known techniques; it requires vigilant and increasing search for discovery of new resources and for adoption or development of new productive techniques.

9. It is no exaggeration to say that the most important single factor in promoting economic development is the community's readiness to develop and apply modern technology to processes of production. Advances in this field are taking place rapidly and they are of direct significance not only to the organisation of production, transport and other economic activities but also to the

wider issues relating to economic and social organisation. Underdevelopment is essentially a consequence of insufficient technological progress, and this insufficiency or lopsided development can, in turn, be traced to various political, social and psychological factors. Given the desired change in these latter, the rate of development can be related almost directly to advances in techniques. Countries which start late on their industrial career have some advantage in that they have, in the main, to take over and apply techniques that have been worked successfully in more advanced countries. But, there is need simultaneously for keeping abreast of the latest developments in science and technology, if the time lag in economic advance is to be progressively narrowed. The search for new resources and for new techniques and the readaptation of the available labour force to the new tasks which development connotes are, indeed, the foundation of development.

10. In the report on the first plan, the principal determinants of development were indicated, and it was stressed that, apart from the important questions relating to techniques and of psychological and sociological factors bearing on the community's will to progress and its capacity to make the necessary institutional adjustments, the rate of economic development would depend upon (a) the rate of growth of population, (b) the proportion of the current income of the community devoted to capital formation, and (c) the return by way of additional output on the investment thus undertaken. The likely rates of development in India over the next few decades were worked out in terms of certain assumptions regarding these parameters. These we may review in the light of experience in the first plan period and the data now available regarding the rates and determinants of development in other countries.

11. Regarding population growth, only a few observations seem necessary. Rates of population growth can be altered only over a period, and in planning for a limited period, one has to go by the results of trends which commenced earlier. Nevertheless, over a period, the outcome of developmental effort can be noticeably different if population trends are altered in the right direction. This is one of those fields in which traditional modes of thought and behaviour are apt to offer considerable resistance to rational approaches, and not many countries can be said to have any definite population policy at government level. Yet, these modes or attitudes are

changeable and are probably changing faster than is sometimes realised. The logic of facts is unmistakable and there is no doubt that under the conditions prevailing in countries like India, a high rate of population growth is bound to affect adversely the rate of economic advance and living standards per capita. Given the overall shortage of land and of capital equipment relatively to population as in India the conclusion is inescapable that an effective curb on population growth is an important condition for rapid improvement in incomes and in levels of living. This is particularly so, if one bears in mind the fact that the effect of improvements in public health and in the control of diseases and epidemics is to bring about an almost immediate increase in survival rates. While there may be differences as to the likely rates of population growth over the next 20 or 25 years, indications clearly are that even with the utmost effort which can be made - and has to be made - at this stage to bring down birth-rates, population pressure is likely to become more acute in the coming years. This highlights the need for a large and active programme aimed at restraining population growth, even as it reinforces the case for a massive developmental effort.

12. In Chapter I of the First Five Year Plan (1952 Report) a graph showing the probable trends in the growth of national income and aggregate consumption expenditure in India over the 30-year period 1951-1981 was given. The projections of national income, investment and aggregate consumption expenditure used for the purposes of this graph were designed to bring out the broad implications, in terms of effort and return, of a process of development extending to over a generation. With the help of these projections it was shown that given a continuity of effort in terms of the assumptions made the country's 1950-51 national income could be doubled by 1971-72, that is, in about 21 years time. Similarly, it was shown that the 1950-51 per capita incomes could be doubled by 1977-78, that is, in a period of about 27 years. This latter, implied a raising of the average consumption standard by about 70 per cent by 1977-78 as compared with 1950-51.

13. For purposes of these calculations, the population growth rate was assumed at 1.25 per cent per annum, for the entire period to which the projections related. It would appear more appropriate now to assume some increases in this rate. For the period 1951-61, the assumption of a 12.5 per cent rate of growth over the decade could perhaps be retained. The rates for the succeeding decades would depend upon the assumptions one makes regarding the rise in survival rates through improvements in public

health, sanitation and the like and the fall in birth-rates as a result of volitional control. There is room for differences in judgement here. In the projection now attempted, the rate of growth assumed for the decade 1961-70 is 13.3 per cent. For the decade 1971-80 the rate assumed is 14 per cent. On this basis population would total 408 million in 1960-61, 434 million in 1965-66, 465 million in 1970-71 and 499 or almost 500 million in 1975-76. These estimates are intermediate between the upper and lower estimates put forward by the Census Commissioner in the Census Report, 1951, and it can be said of them, as the Census Commissioner has said regarding his own, that they may well prove to be on the low side.

14. In the first plan report, the proportion of investment to national income was assumed to rise from 5 per cent or so in 1950-51 to about 20 per cent by 1967-68 and to remain at that level thereafter; and, the capital-output ratio was taken at 3 : 1 with a time lag of two years between the increase in investment and the increase in output. The increase in national income in the last quinquennium has been 18 per cent, that is, 7 per cent more than was originally expected. Allowing for certain special favourable factors which operated in this period, it would still appear that a more favourable capital-output ratio can be postulated for estimating the increases in national income for the next few years at any rate. The assumptions regarding the rate at which investment can be stepped up on the basis of domestic savings also need to be reviewed.

15. For the first plan period, the incremental capital-output ratio works out at 1.88 : 1. This highly favourable outcome is the result partly of good monsoons and it also reflects the fact that considerable expansion in industrial output has been possible through utilisation of unutilised capacity. For the second plan period, as will be seen later, an investment of Rs. 6,200 crores is expected to result in an increase in national income of Rs. 2,700 crores. This gives a capital-output ratio of 2.3 : 1. This ratio is obtained from calculations of the estimated increases in net output in individual sectors corresponding to the investment proposed in these sectors. The ratio, in other words, is worked out broadly on the basis of the data furnished by the project-making authorities while commending these for acceptance. An element of conjecture does, however, enter into this overall estimate, as there are sectors of the economy for which increases have to be inferred from indirect evidence. A somewhat higher capital intensity than the one which prevailed in the first plan is to be expected in view of the shift in emphasis towards industrialisation. Indeed, as the shift proceeds further in subsequent plan periods, the amount of capital required



per unit of additional output should go up further. For the third, fourth and fifth plan periods, we have in the present model assumed capital-output ratios of 2.62, 3.36 and 3.70 respectively. These ratios are illustrative. Precise calculations of investment-output relations can be made only in the light of concrete programmes of development and the technical data regarding costs and output.

16. The capital-output ratio for the economy as a whole is only a shorthand description of the productivity of capital in various sectors. This productivity depends not only on the amount of capital employed, but on a large number of other factors such as the degree of technological advance associated with capital investment, the efficiency with which the new types of equipment are handled and the quality of managerial and organisational skill brought to bear on the use of capital. It has also been observed that the increment of output corresponding to a unit investment of capital has been higher for planned than for unplanned economies. In part at least this is because of the greater coordination of programmes which planning facilitates and the avoidance of booms and depressions that characterise unregulated market economies. A great deal also depends upon the composition of investment. It has been argued, for instance, that a considerable part of the favourable relationship between investment and product in the U.S.S.R. is attributable to the relatively low precedence accorded to housing. The capital-output ratio also depends upon the extent to which economic overheads are utilised. A phase of under-utilisation may have to be gone through before the full benefits of investment in economic overheads are obtained. It is on account of these diverse factors that the estimates of capital-output ratios for different countries and for different periods of time show considerable variation. By and large, taking a number of countries, the range of capital-output ratios may be said to lie between 3 : 1 and 4 : 1, although, for individual countries, and for particular periods, more favourable ratios are not unknown. In comparing the capital-output ratios assumed for India with the ratios elsewhere it may be remembered that non-monetised investment has not been included in the calculations of capital inputs. There is considerable investment of this kind in a predominantly rural economy, and

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it has to be recognised that investment which involves the direct utilisation of labour and of raw materials available locally is of particular importance and has deliberately to be fostered in the context of prevailing underemployment.

17. This leads us to the question of the likely or feasible rate of investment. In the first plan report, a marginal rate of saving of 50 per cent as from 1956-57 was assumed, and on this basis it was postulated that the rate of investment in the economy would go up to 20 per cent of national income by 1968-69, and would settle down at that level thereafter. These, it now appears, are excessively high expectations. In the projection that has now been worked out, the investment coefficient is assumed to go up from about 7.3 per cent in 1955-56 to about 11 per cent in 1960-61; it raised to 13.7 per cent by 1965-66, and to 16 per cent by 1970-71. Thereafter, it remains practically stable, rises to 17 per cent by 1975-76. A net investment rate of 16 or 17 per cent of national income is decidedly high, though not unattainable. In the western countries which started early on their industrial career, the rate of net capital formation seems to have ranged between 10 and 15 per cent. In Japan, the investment rate between 1913 and 1939 averaged 16 to 20 per cent. High investment rates varying between 15 and 20 per cent have been maintained continuously in the U.S.S.R. The data available for countries in the ECAFE region indicate that gross capital formation in Burma since 1950 has ranged from 10 to 20 per cent; in Japan from 24 to 30 per cent; in Ceylon from 10 to 13 per cent; and in the Philippines from 7 to 8.5 per cent. The comparable figure for India would be 10 to 11 per cent. In some Latin American countries, the corresponding rates have been between 15 and 29 per cent, reaching higher levels only occasionally. Some of the countries in Eastern Europe, like Czechoslovakia and Poland, for instance, have gross investment rates between 20 and 25 per cent. The rates of investment in newly developing countries can certainly be raised above present levels through appropriate investment policy and programmes initiated by the State, and it would be reasonable to assume that in India, the rate of investment can with effort be raised to levels mentioned earlier.

1. The graph attached shows the results obtained on these assumptions. National income would, in terms of the projection, be doubled in 1967-68; per capita incomes would be doubled by 1973-74. It will be noticed

that the rise in national income recorded in the first plan period having been above initial expectations, the improvement at the end of the first two plans will be as large as 47 per cent in the aggregate as compared to 25 per cent in the estimates put forward in the report on the first plan. The following table gives a synoptic view of the increasing tempo of development postulated in the model under consideration:

GROWTH IN INCOME AND INVESTMENT, 1951-76

(At 1952-53 prices)

	Ist Plan (1951-56)	2nd Plan (1956-61)	3rd Plan (1961-66)	4th Plan (1966-71)	5th Plan (1971-76)
1. National income at the end of the period (Rs. crores)	10800	13500	17260	21680	27270
2. Total net investment (Rs. crores)	3100	6200	9900	14800	20700
3. Investment as percentage of national income at the end of the period	7.3	10.7	13.7	16.0	17.0
4. Population at the end of the period (in millions)	384	408	434	465	500
5. Incremental capital-output ratio	1.88:1	2.3:1	2.62:1	3.36:1	3.70:1
6. Per capita income at the end of the period ( in Rs.)	281	331	396	466	545

It will be seen that the step-up in investment in the second and third plan periods is relatively larger than what is required later. These ten years may, therefore, be regarded as the most crucial in determining the further course of development. It is the crossing of this "threshold" at a time when living standards and the saving potential are low that calls for a measure of external assistance to supplement domestic resources.

## III

Changes in Economic Structure

19. Behind these changes in national income investment and consumption are, it need hardly be stressed, far-reaching changes in the pattern of economic activity. Development alters the level as well as the structure of demands and supplies, and these changes come about through and further promote changes in the allocation of resources. While one may describe these in aggregative terms like national income and investment, one must not lose sight of the concrete adjustments which take place and are necessary in various sectors and sub-sectors in the economy. Obviously, a doubling of national income does not mean that all products and services in the community flow in at twice the initial rate. Certain items like, say, cereals, may increase only moderately, while the other items in consumption may increase severalfold. As the community's needs are satisfied, new wants inevitably appear and these have to be met through supplies of new types of products. It is thus that the economy gets diversified and secondary and tertiary production grows. In other words, the national income stream at twice the initial level is bound to have a different composition; how different or in what respects it is not easy to predict. These changes in demand and in supply conditions need continuous study. The greater the pliability and mobility of resources, the more rapid can be the rate of growth of the economy. A corollary of economic growth is a rapidly changing occupational structure.

20. There has not been any marked change in the occupational pattern in India over the last three or four decades in spite of considerable increases in industrial production. Broadly speaking, agriculture and allied pursuits continue to absorb about 70 per cent of the working force; mining and factory industry absorb about 2.6 per cent of the working force; small enterprises, including construction, take up some 8 per cent; about 7 per cent of the working force is engaged in transport communications and trade; public administration, professions and liberal arts and domestic service account for over 10 per cent. This means that the secondary and tertiary sectors have not grown rapidly enough to make an impact on the primary sector; nor has the primary sector itself thrown up surpluses which would create conditions favourable for expansion elsewhere. Continued growth of national income and employment requires simul-

taneous development all over the economy. In agriculture and allied pursuits, the net output per worker is at present barely one-fifth of that in mining and factory establishments, and it is one-third of the net output per worker in the trade and services sector. Development involves a transfer of part of the work-force from agriculture to secondary and tertiary activities, but this, in turn, presupposes an increase in productivity in agriculture itself, if the food and raw material requirements of a developing economy are to be met. Improvements in agriculture through irrigation, supply of better seed and fertiliser and through adoption of more efficient techniques are thus the basis on which the secondary and tertiary sectors have to be expanded. These latter call for relatively large investment per worker employed, so that the degree of shift that can be secured is ultimately related to the amount of investment effort that the economy can put forth.

21. The experience of other countries in the course of their economic development discloses a general tendency for primary employment to decline relatively to employment in industrial establishments and services. The available data on occupational structure show that between 1870 and 1930 the proportion of the active population employed in agriculture declined from 54 per cent to 23 per cent in the U.S., from 42 per cent in France, and from 85 to 51 per cent in Japan. In Germany, this proportion declined from 39 per cent in 1880 to 22 per cent in 1930 and in the U.K. from 15 per cent in 1870 to 7 per cent in 1920. There is, of course, no unique relationship between the rate of growth of national income and the degree of shift in the occupational structure; the latter is also conditioned by such factors as the availability of various types of natural resources and facilities, the pattern of development, the degree of access to markets abroad and the play of various institutional factors. In the U.S.A. a two-fold increase in per capita net national product (decade average) during the period 1869-78 to 1894-03 was accompanied by a decline in the proportion of the active population engaged in agriculture from about 50 per cent in 1870 to about 37 per cent in 1900. At present, the U.S.A. has only about 12 per cent of the population on the land. In the case of Japan, a decline in the proportion of the population

engaged in agriculture from 77 per cent in 1876 to 52 per cent in 1930 was accompanied by a five-fold increase in national output. National income in Scandinavian countries and in Switzerland has grown rapidly, but these countries have a relatively larger proportion of the labour force in agriculture than countries like the U.K. and U.S.A. Recent data regarding Latin American experience also show a certain shift of labour from agriculture to industry during the post-war period which has witnessed considerable development. Between 1945 and 1950, the agricultural labour force in that region declined from 60 per cent to 57.9 per cent; in this period the capital stock of that region increased by one-third and per capita gross domestic product showed an average rate of increase of over 4 per cent per annum.

22. For India, the latest data on occupational distribution are those compiled for the 1951 census. For changes in inter-censal years, only rough guesses are possible, and it must be admitted that it is virtually impossible to detect in the short run if the occupational structure has started changing significantly. The rapid growth of towns and cities is perhaps a pointer to the impact of new forces on the occupational structure but the change is unlikely so far to have been of any noteworthy character. The objective of policy from the long-term point of view should clearly be to keep to the minimum further increases in the working force in agriculture. In this sector, effort has to be concentrated on raising production and incomes through greater productivity rather than on increasing employment in terms of numbers. In fact, after a period, there should be a fall even in absolute numbers on the land. Similarly, there is little scope for increasing the working force in traditional small industries, which are already burdened with excessive numbers; the problem here is to prevent too rapid technological unemployment and to maintain and raise incomes through improvements in equipment, techniques and organisation. The bulk of the new employment opportunities have, therefore, to be found in mining and industry, in construction and in tertiary occupations. With the best effort that can be made, some increases in the working force in agriculture may be unavoidable.

able for some years to come. By 1975-76, the proportion of the agricultural labour force to the total should come down to 60 per cent or so. But for this to happen something like a fourfold increase in the numbers engaged in mining and factory establishments has to be brought about, and the investment pattern in the plans has to be adjusted to these requirements. It is in terms like these that the task of creating new employment on an adequate scale has to be visualised. It has also to be borne in mind that the working force itself, that is, the proportion of the population seeking employment, is apt to go up in course of time - through women seeking paid work, for instance. The fact that there is considerable unemployment and under-employment in other sectors such as trade and services is a further pointer to the need for a big increase in employment opportunities in industries, in construction and in transport and communications. These developments, in turn, lead to a larger demand for labour in the tertiary sector, and many types of work which at present get done within the household become distinct commercial services. In this way develop a large number of small business and trades offering opportunities for independent work. The problem of creating additional employment opportunities is thus inseparable from that of their diversification.

IV

Physical and Financial Planning

23. These changes in the disposition of the community's manpower resources are an index of the changes that take place in the disposition of other resources as development proceeds. Or, rather, all these are interdependent changes; real resources have to grow and move in balance. Naturally, in these changes and adjustments in a single forward time view. But, planning for development involves a judgment, however limited and tentative, of how this disposition of real resources within the community has to be and can best be altered so as to give the results desired. This way of looking at the problem in terms of real resources - sometimes termed physical planning - is an attempt to work out the implications of the development effort in terms of factor allocations and product yields so as to maximise incomes and employment. The point is that while working out a programme, that is, its costs and benefits, it is necessary to look behind the financial or monetary 'veil' and to assess the implications or significance of the programme in real terms, that is, in terms of the reactions it will have on supplies and demands in at least the strategic sectors of the system. Behind an estimate of, say, Rs 100 crores by a project authority, the demand really is for so much machinery, so much building material so much labour, etc. The question is not merely one of how the finance is to be raised - although that is an important question - but whether and how the real resources of the kind just mentioned have to be obtained. Similarly, when the project is completed, the question is how its benefits will be utilised and what types of demands this will satisfy and in turn create; plans for the latter may also have to be laid out in good time if resources are not to run to waste. What is more, the mobilisation of real resources has to be viewed in the light of the programme of development as a whole and not merely in relation to individual projects. To this end, the way demands for inputs rise in various related lines in response to a planned increase in outputs at particular points has to be studied.



24. There have to be, in other words, certain balances in the plan in terms of real resources. A plan unfolds itself in first upsetting an existing balance and then establishing a new one at a higher level. One has to ask: will the supplies of the machinery needed be forthcoming? Will the necessary labour, skilled and managerial, be available? Will it be necessary to secure some of the equipment from abroad and if so, will the community be in a position to export the additional amounts required to pay for the same? Will employment opportunities on the required scale be created and will the sum-total of all effort yield the results expected in terms of national income? To an extent, a plan worked out in terms of real resources can provide for the necessary balances through the pattern of investment to be adopted, and where this cannot be done, the bottlenecks to be faced and overcome can be concretely envisaged. The tasks of training the large number of technicians and other experts can hardly be conceived in any other terms.

25. It must be emphasised that the balance to be achieved in the plan has to be both in real and financial terms. Money incomes are generated in the process of production, and supplies are utilised in response to money demands. It is important, therefore, to operate upon and modify money income flows so as to maintain a balance between the supply of consumer goods and the purchasing power available for being spent on them, between savings and investment and between receipts and payments abroad. In addition, a balance between the demand and supply of each important commodity is necessary. The required balances may, of course, be achieved in part through adjustments in prices and factor payments, through budgetary policies - and, if necessary, through physical controls; but the process as well as the means of adjustment have to be visualised in advance and have to be provided for in the plan.

26. The essence of financial planning is to ensure that demands and supplies are matched in a manner which exploits physical potentialities as fully as possible without major and unplanned changes in the price structure. Planning for balanced growth both in physical and financial terms opens up new fields for study and investigation. No economy

which is in the early stages of development can have all the necessary data to start with, and the functioning of the economic mechanism cannot be reduced to a few, simple rules or laws. The integration between physical and financial resources and the consistency between various sectoral developments have, therefore, to grow progressively, and continuous effort is necessary to secure an integration of policy and experience at each stage. Finance - or domestic finance - cannot, in any literal sense, be a bottleneck in development, since it can always be increased, but plenitude of means of payment is no assurance of the necessary real resources forthcoming, and if that is so, such plenitude can only cause further upsets in the system. The stress on financial balances is, on proper analysis, only another name for sound planning and management of the economy in terms of real needs and resources. Whether one thinks in terms of physical planning or of financial planning - the two are complementary - the object is to secure the various balances in the economy at continually higher levels.

V

Perspective and Flexibility

27. The large changes in the alignment of real resources that economic development connotes have to be kept in mind while preparing long-range or perspective plans. It may be sufficient for certain purposes to think in terms of a five year plan, but it is essential at the same time to have before the mind's eye a blue-print of developments to be undertaken over a longer period. There cannot be a complete balance between developments in each five year plan; to some extent, a measure of imbalance seeming over-expansion in some lines and under-expansion in others - may facilitate more rapid and better-balanced development over a period. Considerations of this kind apply particularly to sectors like development of power, transport and basic industries where investments are by nature "lumpy". In appraising the need for such investments an important question is what developments are envisaged over the next ten or fifteen years rather than the level of existing or immediate demands. In a developing economy, the growth of demands can be spectacular,

once the "threshold" has been crossed. It is not without significance that the picture regarding the demand for power, for instance, has changed so materially in the last few years, and fears of underutilisation and of surpluses have given place to anticipations of a situation of the opposite kind. There are also signs that the demand for steel, for fertilisers and for cement, to mention a few other instances, will rise rapidly, and the same may be expected to happen in the field of consumer goods, once incomes start on a regular and sustained upward curve. Certain developments in the field of capital goods and heavy machinery might not appear of any great importance if one had in mind only one five-year plan, but these assume a vital role in a continuing development process visualised well in advance. This expanding perspective has to be the background for formulation and execution of programmes for the immediate future; it also suggests that the formulation and technical examination of projects to be taken in hand should commence well ahead of the time for implementing them. Further, scientific advance and new techniques in the exploitation of natural resources have a direct bearing on long-range planning, but since the long range is but a summation of shorter ranges, it is essential to keep the long-range perspective constantly in view and to ensure, as far as possible, that each five year programme fits into and contributes to the developments to come.

28. If considerations like the above point to the need for envisaging programmes for a fairly long period ahead, there is need simultaneously for greater attention to plans for shorter periods within the framework of a five year plan. However important the strides in the future, the next step ahead is, for the moment, the most crucial. A five year plan has, therefore, to be broken up into annual plans or programmes, and performance must be judged more and more in terms of the tasks executed on an annual basis. This is not to say that there should be no flexibility in the matter of taking on and seeing through programmes or projects, but this flexibility must be part of the annual plans themselves rather than in the nature of ad hoc adjustments. The Central and State Governments operate in terms of an annual budget, and this offers a natural opportunity for reviewing and adjusting the broad annual phasing indicated in the five year plan.

But, this review has to be undertaken by the planning authorities on a consideration of the overall needs of the economy and the experience in respect of the fulfilment of tasks for the year about to end. There are, however, difficulties at present in the way of forming an early or precise judgment as to the progress of performance, so as to determine the size and content of the next year's programmes. There is in a federal structure a measure of delay involved in getting the data for assessing the performance in the current year well in time for deciding, in the light of this performance, upon the programmes for the coming year and the appropriate fiscal and other measures needed for the same. These difficulties can be overcome through improvements in organisation. Planning presupposes a continuous flow of information and an interchange of experiences, both upwards and downwards, between planning agencies and executive organisations at all levels. It also necessitates the making of adequate arrangements at various intermediate levels and particularly in the central planning office for expeditious processing and analysis of data. These data must relate not only to the developments in public sector but to those in the private sector as well. The two sectors have to work in unison. We should like to stress in this context the need for getting continuous and systematic information on the programmes of investment and development and the progress on them in the private sector. In advanced countries, data on investment intentions and on orders in hand and on stocks are obtained from businesses and enterprises with a view to maintaining a watch on inflationary or deflationary trends. In an underdeveloped country, these data are needed directly for working out plans and adjusting them from time to time.

29. The second five year plan has been conceived as a broad framework within which such annual plans will be made. A plan covering a five year period has to be regarded as flexible. The second five year plan as presented in this document indicates the magnitude and significance of the tasks to be undertaken, the order of benefits resulting from the developments proposed, and the means and techniques by which resources have to be mobilised and harnessed to the task to be taken in hand. The policy implications of the plan have also been brought out in broad terms. But, planning is not a once-for-all exercise

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for a five year period; it requires a continual watch on current or incipient trends, systematic observations of technical, economic and social data and adjustments of programmes in the light of new requirements. There are, naturally, uncertainties attached to the various estimates that can be made for/ in the plan may take a little more time for completion. In a plan of the dimensions envisaged, experience may indicate fields where implementation can with advantage proceed ahead of schedule and others where progress may have to be inevitably slower. Moreover, India is not planning within a closed economy. Developments abroad, economic or, political, may necessitate adjustments in the plan. It is in view of these considerations that the plan has to be regarded as a framework within which programmes for each year have to be worked out in detail and implemented.

30. Finally, we should like to refer here to an aspect of long-range planning to which, we feel, increasing attention will be necessary in the coming years. This relates to the developmental problems of the entire underdeveloped regions of Asia and Africa. For various political and social reasons, this region has so far remained largely underdeveloped, and the economies of some of these countries have either remained isolated or have developed affiliations

with certain countries in Europe with which they had political ties. As a result, the volume of trade within this region itself has not developed sufficiently and the scope for complementary effort and mutual assistance as between countries in the region has remained largely unexplored. It is evident that as developmental planning proceeds in this region, problems of mutual adjustments in the matter of specialisation in certain lines of production and of mutually advantageous trade and exchange of know how and experience will assume increasing importance. Planning in the different countries in this region is at different stages, and it is only to be expected that the prime consideration for each country will be the fullest development of its own resources in the light of its needs and along lines it finds economically and socially most promising. Nevertheless, it is essential that the programmes of develop-

ment are so framed as to give scope for mutually advantageous exchange of products and technical knowhow. Even countries which are on the whole short of technical knowhow and personnel can still render assistance to others in a limited way. This is the basis on which cooperation within the Colombo Plan has been organised. It would be desirable to think along similar lines in respect of problems confronting this region and to arrange for interchange of ideas and of technical personnel. Planning in India has thus to be viewed in its wider regional perspective, and it has to be borne in mind that poverty, low standards of living and economic backwardness are problems of common interest, and the efforts and experiences in each country are bound to be of value to the others in the area faced with similar problems.

## CHAPTER II

### Approach to the Second Five Year Plan: Objectives and Techniques.

Significant as the achievements of the first plan have been, it is apparent that they have to be regarded as no more than a beginning. The task is not merely one of reaching any fixed or static point, such as doubling of living standards, but of generating a dynamism in the economy which will lift it to continually higher levels of material well-being and of intellectual and cultural achievements. The current levels of living in India are very low. Production is insufficient even for satisfying the minimum essential needs of the population, and a large leeway has to be made before the services and amenities of civilised life can be brought within the reach of any significant proportion of the population. There are large areas or regions of the country which are under-developed even in relation to the rest of the country and there are classes of the population which are almost untouched by modern, progressive ideas and techniques. It is necessary to proceed faster with development, and this, it must be emphasised, is possible only to the extent that a larger measure of effort, both financial and organisational is forthcoming. For several plan periods to come, it is on the mobilisation of the effort rather than on the gains and returns arising therefrom that attention has to be concentrated. These gains and returns are important, but more important is perhaps the satisfaction that a community gets from attempting a worthwhile task which gives it a chance to bend its energies to productive and socially useful purposes. The 'costs' of development, viewed in this light, are a reward in themselves. There is no doubt that given a right approach to problems of development, including social policy and institutional change, a community can draw upon the latent energies within itself to an extent which ensures development at rates much larger than nice calculations of costs and returns or inputs and outputs may sometimes suggest.

#### The Socialist Pattern of Society.

2. A rising standard of life, or material welfare as it is sometimes called, is of course not an end in itself. Essentially, it is a means to a better intellectual and cultural life.

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A society which has to devote the bulk of its working force or its working hours to the production of the bare where-withals of life is to that extent limited in its pursuit of higher ends. Economic development is intended to expand the community's productive power and to provide the environment in which there is scope for the expression and application of diverse faculties and urges. It follows that the pattern of development and the lines along which economic activity is to be directed must from the start be related to the basic objectives which society has in view. The task before an underdeveloped country is not merely to get better results within the existing framework of economic and social institutions but to mould and refashion these so that they contribute effectively to the realisation of wider - or is it deeper - social values.

3. These values or basic objectives have recently been summed up in the phrase 'socialist pattern of society'. Essentially, this means that the basic criterion for determining the lines of advance must not be private profit but social gain, and that the lines of economic advance and the structure of socio-economic relations should be so planned that they result not only in appreciable increases in national income and employment but also in greater equality in incomes and wealth. Major decisions regarding production, distribution, consumption and investment - and in fact the entire pattern of socio-economic relationships - must be made by agencies informed by social purpose. The benefits of economic development must accrue more and more to the relatively less privileged classes of society, and there should be a progressive reduction of the concentration of incomes, wealth and economic power. The problem is to create a milieu in which the small man who has so far had little opportunity of perceiving and participating in the immense possibilities of growth through organised effort, is enabled to put in his best in the interests of a higher standard of life for himself and increased prosperity for the country. In the process, he rises in economic and social status. Vertical mobility of labour is thus no less important than horizontal mobility, for nothing is more destructive of hope and more inhibitive of effort than a feeling that the accident of birth or of a poor start in

life.....



life is likely to come in the way of a capable person rising in life in terms of economic and social status. For creating the appropriate conditions, the State has to take on heavy responsibilities as the principal agency speaking for and acting on behalf of the community as a whole. The public sector has to expand rapidly. It has not only to initiate developments which the private sector is either unwilling or unable to undertake; it has to play the dominant role in shaping the entire pattern of investments in the economy, whether it makes the investments directly or whether these are made by the private sector. The private sector has to play its part within the framework of the comprehensive plan accepted by the community. The resources available for investment are thrown up in the last analysis by social processes. Private enterprise, free pricing, private management are all devices to further what are truly social ends; they can only be justified in terms of social results.

4. The use of modern technology requires large scale production and a unified control and allocation of resources in certain major lines of activity. These include exploitation of minerals and basic and capital goods industries which are major determinants of the rate of growth of the economy. The responsibility for new developments in these fields must be undertaken in the main by the State, and the existing units have also to fall in line with the emerging pattern. Public ownership, partial or complete, and public control or participation in management are specially required in those fields in which technological considerations tend towards a concentration of economic power and of wealth. In several fields, private enterprise can, under present day conditions, make little headway without assistance and support from Government, and in these cases the public or semi-public character of the resources drawn upon has to be recognised. In the rest of the economy conditions have to be created in which there is full scope for private initiative and enterprise either on an individual or on a cooperative basis. In a growing economy which gets increasingly diversified there is scope for both the public and the private sectors to expand simultaneously, but it is inevitable, if development is to proceed at the pace envisaged and to contribute effectively to the attainment of the larger social ends in view, that

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the public sector must grow not only absolutely but also relatively to the private sector.

5. The socialist pattern of society is not to be regarded as some fixed or rigid pattern. It is not rooted in any doctrine or dogma. Each country has to develop according to its own genius and traditions. Economic and social policy has to be shaped from time to time in the light of historical circumstances. It is neither necessary nor desirable that the economy should become a monolithic type or organisation offering little play for experimentation either as to forms or as to modes of functioning. Nor should expansion of the public sector mean centralisation of decision-making and of exercise of authority. In fact, the aim should be to secure an appropriate devolution of functions and to ensure to public enterprises the fullest freedom to operate within a framework of broad directives. The organisation and management of public enterprises is a field in which considerable experimentation will be necessary, and this holds, in fact, for the entire socialist pattern. What is important is a clear sense of direction, a consistent regard for certain basic values and a readiness to adapt institutions and organisations and their rules of conduct in the light of experience. The accent of the socialist pattern is on the attainment of positive goals; the raising of living standards, the enlargement of opportunities for all, the promotion of enterprise among the disadvantaged classes and the creation of a sense of partnership among all sections of the community, and these positive goals provide the criteria for basic decisions. The directive principles of State policy in the Constitution had indicated the approach in broad terms; the socialist pattern of society is a more concretised expression of this approach. Economic policy and institutional changes have to be planned in a manner that would secure economic advance along democratic and egalitarian lines. Democracy, it has been said, is a way of life rather than a particular set of institutional arrangements. The same could well be said of the socialist pattern.

#### O b j e c t i v e s

6. Within this broad approach the second five year plan has been formulated with reference to the following principal objectives:-

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- (a) a sizeable increase in national income so as to raise the level of living in the country;
- (b) rapid industrialisation with particular emphasis on the development of basic and heavy industries;
- (c) a large expansion of employment opportunities; and
- (d) reduction of inequalities in income and wealth and a more even distribution of economic power.

These objectives are interrelated. A significant increase in national income and a marked improvement in living standards cannot be secured without a substantial increase in production and investment. To this end, the building up of economic and social overheads, exploration and development of minerals and the promotion of basic industries like steel, machine building, coal and heavy chemicals are vital. For securing an advance simultaneously in all these directions, the available manpower and natural resources have to be used to the best advantage. In a country in which there is relative abundance of man-power, expansion of employment opportunities becomes an important objective in itself. Further, the process and pattern of development should reflect certain basic social values and purposes. Development should result in a diminution of economic and social inequalities and should be achieved through democratic means and processes. Economic objectives cannot be divorced from social objectives and means and objectives go together. It is only in the context of a plan which satisfies the legitimate urges of the people that a democratic society can put forward its best effort.

7. These objectives have to be pursued in a balanced way, for excessive emphasis on any one of them may damage the economy and delay the realisation of the very objective which is being stressed. Low or static standards of living, underemployment and unemployment, and to a certain extent even the gap between the average incomes and the highest incomes are all manifestations of the basic underdevelopment which characterises any economy

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depending mainly on agriculture. Rapid industrialisation and diversification of the economy is thus the core of development. But if industrialisation is to be rapid enough, the country must aim at developing basic industries and industries which make machines to make the machines needed for further development. This calls for substantial expansion in iron and steel, non-ferrous metals, coal, cement, heavy chemicals and other industries of basic importance. The limitation is, of course, the scarcity of resources and the many urgent claims on them. Nevertheless, the criterion is not merely immediate needs but the continuing and expanding needs in the coming years as development goes forward. India's known natural resources are relatively large, and in many of these fields, as in steel for instance, she is likely to have a comparative cost advantage. It is desirable to aim at proceeding farthest in the direction of developing heavy and capital goods industries which conform to this criterion.

8. Investment in basic industries creates demands for consumer goods, but it does not enlarge the supply of consumer goods in the short run; nor does it directly absorb any large quantities of labour. A balanced pattern of industrialisation, therefore, requires a well-organised effort to utilise labour for increasing the supplies of much needed consumer goods in a manner which economises the use of capital. A society in which labour is plentiful in relation to capital has to develop the art and technique of using labour-intensive modes of production effectively - and to much social advantage - in diverse fields. Indeed, in the context of prevailing unemployment, the absorption of labour becomes an important objective in itself. In using labour-intensive methods, it may well be that the cost of the product is somewhat higher. This entails a sacrifice which can be reduced through technical and organisational improvements. In any case, a measure of a sacrifice in the matter of consumption is inevitable while the economy is being strengthened at the base. The sacrifice diminishes as more power, more transport, and better tools, machinery and equipment become available for increasing the productivity of consumer goods industries, and in the long run the community gets increasingly large returns. Meanwhile, the stress on utilisation of unutilised or under-utilised labour-power alleviates the immediate problem of unemployment. Another point

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that may need stressing in this connection is that the use of labour-intensive methods often implies that a smaller proportion of the incomes generated is available for saving and reinvestment. Steps must be taken to ensure that this does not happen on any significant scale. It has to be remembered that employment at rising levels of income can be created only to the extent that the saving potential of the economy is raised.

### Employment

9. The question of increasing employment opportunities cannot be viewed separately from the programmes of investment envisaged in the plan. Employment is implicit in and follows investment, and it is, of course, a major consideration in determining the pattern of investment. The fact that the plan involves substantial stepping up of investment and development expenditures means that it will raise incomes and increase the demand for labour all round. An employment-orientated plan, however, implies much more than determining the optimum scale of investment. The creation of employment opportunities and reduction in under-employment cannot be approached merely in overall terms. The problem needs to be broken up in terms of sectors, regions and classes. Diversification of the industrial pattern, a suitable policy on location of industries, special measures to assist small scale and cottage industries maintenance of economic activity continuously at high levels, provision of adequate training facilities, measures to promote geographical and occupational mobility of labour, - all these - must be considered as elements in the programme of creating new employment on the requisite scale.

10. Studies made in the Commission indicate that the second five year plan will provide employment opportunities for the new entrants to the labour force and relieve under-employment in agriculture and in village and small industries. As a result of the plan, the working force in mining and factory establishments, in construction, in trade and transport and in services will increase relatively faster than in agriculture and allied pursuits. This in itself is a good beginning. Over a period, a larger shift in the occupational pattern away from the primary sector and into the secondary and tertiary sectors will be necessary and is to be expected. There are in the plan substantial programmes of irrigation, soil conservation, improvement of animal husbandry and agricultural improvement in

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general. These, together with the programmes relating to the village and small industries, will diminish under-employment in the rural areas. It is likely, however, that the plan will not have a sufficient impact on the carry-over of unemployment of the earlier period. Basically, it has to be remembered, unemployment in an under-developed economy is only another aspect of the problem of development. The same factors which limit the scale of effort a community can make by way of increasing the rate of development limit also the advance in the direction of employment. The plan contemplates a large expansion in construction activity both in the public and private sectors, and it should be possible to vary the volume of such activity within limits in response to the requirements of the employment situation. In this context, continuous technical studies regarding the employment component of various types of investment and of the relationship between the direct employment resulting from an act of investment and the consequential increase it leads to will be necessary.

11. From the economic as well as from the larger social view point, expansion of employment opportunities is an objective which claims high priority, but, it is important to stress the fact that over a period, the volume of employment grows only as the supply of tools and equipment on the one hand and of the wage goods on which the incomes of the newly employed come to be spent is expanded. If the essence of development is the undertaking of new tasks to build up the apparatus of production, the extent to which the available manpower in the country can be used safely for these tasks depends upon the degree to which the supply of wage goods like food, cloth, sugar, and house-room can be augmented quickly. Improvements in productivity in these lines are thus of vital import from the point of view of employment itself. It is only a truism that the problem of unemployment of an endemic kind is not acutest in the countries in which productivity is high because of the use of machinery and new techniques but in those in which low productivity limits the overall size of incomes, inhibit the use of labour on works which do not add immediately to the supply of currently needed consumer goods and keeps down the size of the market. While it is imperative that in a country with an abundant supply of manpower, labour-intensive modes of production should receive preference all along the line, it is nonetheless true that labour-saving devices in particular lines are often a necessary condition for increasing employment opportunities in the system as a whole. The objective, it need hardly be stated, is employment at reasonable and rising levels of incomes.

Industrial Policy

12. The second five year plan accords high priority to industrialisation, and especially to the development of basic and heavy industries. A large expansion of public enterprise in the sphere of industrial and mineral development is envisaged. The main responsibility for these programmes rests upon the Central Government. The carrying through of these new programmes will entail, besides the financial investment required, a great deal of strengthening of the organisational and administrative personnel available to Government. It will also necessitate the adoption of expeditious procedures in the matter of taking decisions and executing them. It is, in fact, intended to strengthen further the programmes of development in respect of heavy industries, oil exploration and coal and to make a beginning with the development of atomic energy. It cannot be emphasized too strongly that unless steps are taken to augment rapidly the output of the means of production and to build up the fuel and energy resources which are so vital to development, the scale and pace of advance in the coming years will be inhibited. The dynamism of the second plan lies to a considerable extent in these new programmes, on the fulfilment of which effort has to be concentrated. The results which the second plan promises are impressive, but correspondingly large is the effort that it calls forth by way of mobilisation and application of real and financial resources.

13. These developments in the public sector have to be viewed together with those envisaged in the private sector. The increase in the output of goods and services to be secured over the plan period is the result of developments in both these sectors. The two sectors have to function in unison and are to be viewed as parts of a single mechanism. The plan as a whole can go through only on the basis of simultaneous and balanced development in the two sectors. The plan incorporates the investment decisions taken by the public authorities, and the corresponding outputs or benefits can easily be estimated. As to the private sector, Government policy can influence private decisions through fiscal measures, through licensing and, to the extent necessary, through direct physical allocations so as to promote and to facilitate the realisation of the targets proposed. A large part of the private sector

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consists of millions of small producers scattered all over the country. Investment estimates and targets in these fields can only be in the nature of broad indications. Even in the field of organised industry and business for which more data are available and which are more amenable to incentives or curbs offered or introduced by Government, there cannot obviously be the same degree of closeness or integration between resources and performance as in the case of activities directly undertaken by Government. Various investments in the public sector, such as for irrigation, power and transport, for instance, increase the production potential of the private sector, and the producers or enterprises concerned can be expected to take advantage of these facilities. Given an appropriate structure of relative prices, which Government can and has to control and influence, the desired allocation of resources in the private sector can be induced. In fact, it is appropriate to think more and more in terms of an interpenetration of the public and private sectors rather than of two separate sectors.

14. These are general considerations bearing on the formulation of industrial policy in the context of planning. The Government of India's industrial policy since independence has been shaped broadly in terms of the comprehensive Industrial Policy Resolution of 1948. That Resolution emphasised clearly the responsibility of Government in the matter of promoting, assisting and regulating the development of industry in the national interest. It envisages for the public sector an increasingly active role. While it reiterated the inherent right of the State to acquire any industrial undertaking whenever the public interest requires it, it laid down, in view of the circumstances then existing, a certain demarcation of fields for the public and private sectors. The Resolution is being reviewed and recast in the light of the experience gained and the requirements of the economy in the context of developmental planning. The 1948 Resolution reserves the manufacture of arms and ammunition, the production and control of atomic energy and the ownership and management of railways exclusively to the Central Government. It states specifically that in an emergency Government has always the power to take over any industry vital for national defence. In the case of six designated industries the Resolution places

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upon the State the exclusive responsibility for establishing new undertakings, but the State may secure the cooperation of private enterprise where necessary in the public interest. The rest of the industrial field the Resolution left open to private enterprise, individual as well as cooperative. It was envisaged, however, that the State would also progressively participate in this field; nor would it hesitate to intervene whenever the progress of an industry under private enterprise was unsatisfactory. The Resolution also listed 18 industries of importance for Central regulation and control. It is proposed now to restate the policy approach, to review these three lists and to indicate afresh the fields to be reserved for public enterprise, the fields in which public enterprise has to take on larger responsibility, and the fields in which private enterprise is to function subject to overall regulation and control.

15. The ownership and the right to exploit and develop mineral resources vest in the State. These resources are of vital importance for the country's industrial development and it is essential that their exploitation should be governed by public purpose and contribute to the maximum to the furtherance of national development. This can best be secured by the State itself undertaking the further development and exploitation of these resources. There may be special cases where the importance of the mineral concerned may not warrant public ownership and management. There may be others where the State may desire to associate private enterprise with it for reasons of public interest. In any case, the principal responsibility for further mineral development must lie with the State.

16. In the industrial field proper, new units producing basic capital goods and heavy machinery must be under public ownership and management. Even here there may be scope in particular cases and in certain circumstances for undertakings owned and operated jointly by the State and private enterprise. In other industries where Government assists substantially by providing long-term finance, it should explore the possibilities of equity participation in preference to giving loans on fixed interest, and ensure through such participation or otherwise a reasonable share for itself in management. Enumeration and classification of industries to be placed in the various categories is at present under scrutiny and will be decided

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upon shortly. The point to emphasise is that the increasing role of the public sector and its duty to provide entrepreneurship and management over a wide field must be clearly recognised, and action must be initiated to equip it for the efficient discharge of these responsibilities.

17. The Industrial Policy Resolution of 1948 also indicates the approach to the problem of cottage and small industries. A great deal of further thinking has been done on this subject since then. It is evident that from the point of view of development as well as the creation of new employment opportunities, this is a crucial sector of the economy. The need to promote, modernise and reorganise these industries is paramount. The problem is one of devising effective policies as well as of making suitable organisational arrangements. Unregulated or haphazard application of modern techniques in all spheres of production is apt to create or aggravate technological unemployment. There is need for regulation here. This is not to suggest that a freezing of existing techniques is at all indicated by considerations of economic or social policy. It only means that conditions have to be created in which modern techniques can be adopted and introduced more and more in these lines of production and that the transition should be orderly. One of the handicaps of workers in traditional industries is the lack of space and other facilities since, in most cases, it is a part of the house that is used as a workshop. It will be desirable, therefore, to organise in rural areas community workshops where workers in different types of industries can come together and carry on their production activities in a suitable environment. There is similarly need for encouraging small and medium-scale enterprise through a number of industrial estates with facilities for transport, power and the like provided by public authorities. In spheres in which it is possible to increase employment and output through village and small industries and where these industries are capable of using improved techniques progressively, it is necessary to think in terms of integral programmes of production covering factories as well as small units of production. The second five year plan has laid special stress on increasing the supply of consumer goods by using existing skills and equipment and steadily introducing technical improvements in the village and small industries sector. This sector has to be organised more

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and more on cooperative lines so as to enable the small producer to secure the advantages of buying raw materials and selling his products on a large scale, of getting access to institutional credit and of utilising improved methods and techniques. An integral programme of production may in some cases work on the basis of differential taxation, in others, a buying over at stated prices and a state-sponsored or cooperative marketing arrangement may be needed.

18. The problem is not to be reviewed as one of merely safeguarding the interests of workers in existing cottage or handicraft units or of maintaining the demand for existing types of cottage industry products. It is also - and increasingly - one of finding new types of products and trying out new modes or techniques of production which cater more effectively to the new demand created by rising incomes. It is the promotional rather than the protective aspect of policy which has to become more and more important in the adaptation and reorganisation proposed in this sector. If cottage and small industries have not fared well so far, one reason is the stagnancy of the economy and the consequent lack of demand. The increase in investment activity which developmental planning involves will increase existing demands and create new ones. In a country like India with vast distances and a large potential market, the demands can and ought to be met through production in efficient, decentralised units. There are other reasons also which weigh in favour of a wide diffusion of industry. Up to a point the growth of large towns and cities is a necessary accompaniment of industrialisation. The availability of power, transport, banking and other facilities in concentrated areas provides certain economies which make for an aggregation of industry in big towns and cities. Beyond a point, however, there are social costs like emergence of slums and increased incidence of ill-health. With the development of transport and communications and extension of power to smaller towns and rural areas, the economic advantage in favour of highly concentrated areas also narrows. From this point of view as also for raising incomes in rural and semi-urban areas, the development of small industries deserves special attention. Only thus is it possible to draw upon the large reservoir of skills and talents available over the vast areas of the country.

#### Reduction in Inequalities

19. Economic development has in the past often been associated with growing inequalities of

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income and wealth. The gains of development accrue in the early stages to a small class of businessmen and manufacturers, whereas the immediate impact of the application of new techniques in agriculture and in traditional industry has often meant growing unemployment or under-employment among large numbers of people. In course of time this trend gets corrected partly through the development of countervailing power of trade unions and partly through state action undertaken in response to the growth of democratic ideas. The problem before under-developed countries embarking upon development at this late stage is so to plan the alignment of productive resources and of class relationships as to combine development with reduction in economic and social equality; the process and pattern of development has, in essence, to be socialised. There are existing inequalities of income and wealth which need to be corrected and care has to be taken to secure that development does not create further inequalities and widen the existing disparities. The process of reducing inequalities is a two-fold one. It must raise incomes at the lowest levels and it must simultaneously reduce incomes at the top. The former is, basically, the more important aspect, but early and purposeful action in regard to the second aspect is also called for. Development along these lines has not so far been attempted on any significant scale under democratic conditions. There are no historical parallels or plans of action which could be regarded as providing an answer to this special problem facing underdeveloped countries. The problem will have to be faced pragmatically, and it will call forth a great deal of flexibility and experimentation in the matter of techniques. It is important to ensure that in reducing inequalities no damage occurs to the productive system as would jeopardise the task of development itself, or imperil the very processes of democratic change which it is the objective of policy to strengthen. On the other hand, regard for democratic and orderly change cannot be allowed to become a sanction for existing or new inequities.

20. It must be stressed that reduction in inequalities in income and wealth can follow only from the totality of measures and institutional changes undertaken as part of the plan. The pattern of investment proposed in the plan, the direction to economic activity given by state action, the impact of fiscal devices used for mobilising the resources needed for the plan, the expansion of social services, and the institutional changes in the sphere of land ownership and management,

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the functioning of joint stock companies and the managing agency system and the growth of the cooperative sector under state sponsorship all these determine the points at which new incomes will be generated and the manner of their distribution. It is the essence of a planned approach that all these measures should be harmonised and brought to a focus in a manner that would ensure an enlargement of incomes and opportunities at the lower end and a reduction of wealth and privilege at the upper end.

21. Fiscal measures have an important part to play in reducing inequalities of income and wealth. It has to be recognised, however, that some of the measures which might reduce inequalities are apt to react adversely on incentives. The Indian income tax is highly progressive, and apparently, the scope for enlarging public revenues or reducing inequalities through a stepping up of these rates is not large. The Taxation Enquiry Commission stressed in this context the need for measures to check evasion. It also mentioned "a widening of the taxation of wealth and property" as "a possible means of reducing inequalities". The adaptation of the tax system to the requirements of development in the context of the objectives defined is necessarily a problem for continuous study, and official as well as non-official research organisations will have to apply themselves to an examination and elucidation of the implications of various possible changes that can be made in the tax structure.

22. It is possible that rather far-reaching changes in the tax system will be required, if the more well-to-do classes of society are to be called upon to make a larger contribution to the resources for development without losing in the process the incentive to work harder or to save more. It has recently been suggested that the substitution of expenditure for income as the basis for personal taxation, coupled with measures to tax wealth, can bring about this result. The idea of an expenditure tax has been discussed by economists on several occasions in the past. There is a growing body of expert opinion in favour of an expenditure tax. There are, however, administrative problems which have to be resolved before a change of this character can be made. It may be that an experimental approach on a limited scale may have to be adopted initially. Experience in more advanced countries seems to indicate that progressive income taxes on the scales that are now prevalent are in reality not so effective, firstly

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because the incomes by way of capital gains escape such taxation, and secondly because there is a great deal of evasion in various ways. A tax based on expenditure may encourage saving, and, in theory at any rate, it is a more effective instrument than an income tax for moderating inflationary or deflationary tendencies.

23. The most important single factor responsible for inequalities of income and wealth is the ownership of property. Incomes from work are by no means equal, but in part at any rate, they have some justification in terms of productivity or relative scarcity. Some types of work are, however, remunerated more liberally than others for reasons which are not directly connected with productivity. Differential monetary rewards are often a matter of tradition and existing psychological or social rigidities. It has also to be borne in mind that capacity to work effectively at higher levels depends on a person's education and training, and these are a matter of the accident of birth or circumstances. A large expansion of general and technical education for all classes of people irrespective of their paying capacity is over a period a potent equaliser. The point is that while inequalities in incomes from work have to be corrected, the case for taxation based specifically on wealth or property needs to be carefully examined. The ownership of property signifies taxable capacity additional to that arising from the income accruing from the property in question. The fact that income from wealth is taxed when it accrues, does not rebut the case for a separate, moderate, tax on wealth. There are problems of valuation here, and there are large possibilities of avoidance or evasion through non-reporting transfers and the like. But, given the objective of reducing inequalities of income and wealth and of raising the resources needed for development from classes which have incomes or wealth far above the average, these administrative problems have to be faced.

24. Mention may be made finally of the fact that the yield from estate duty has so far been negligible. Evidently, the estate duty will have to be supplemented by gift taxes, if the object in view is not to be frustrated. There are various alternative systems possible here and there are ways of differentiating a tax in terms of the size of the gift, the degree of relationship of the beneficiary to the giver

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and the amount of property which the beneficiary already has. Gift taxes can yield considerable revenues without impairing incentives, and they are an important part of the machinery of taxation based on wealth and on expenditure.

25. The foregoing observations are not meant to indicate that any or all of the measures mentioned can be adopted immediately. But, they do suggest that further work on the incidence of these taxes, their effect on incentives and their administrative implications should be undertaken. In the nature of things some of these measures are apt to yield their full benefits only over a period of time, but there should be no hesitation in initiating changes in the desired direction if on an examination of the case the changes suggested promise to assist in the realisation of the objective in view.

26. A reduction in inequalities has to proceed from both ends. On the one hand, measures have to be taken to reduce excessive concentration of wealth and incomes at higher levels, and, on the other, incomes in general, and particularly at the lowest levels have to be raised. The proposal for a ceiling on incomes that has often been put forward has to be judged in this light, and it is important in this connection to stress the substance rather than the form of the proposal. Obviously, a ceiling cannot be imposed merely by legislation. There are, besides wage and salary incomes, incomes from property and from entrepreneurship the regulation of which raises quite complex issues. A ceiling on incomes has little significance unless it also involves a ceiling on property. Incomes from property or from business are difficult to regulate, except in so far as they come under the normal system of personal taxation. A ceiling effective as from a specific date, is in fact, a concept inappropriate to a society which seeks orderly, democratic change, and any attempt to apply it in any rigid or mechanical way is likely to end up in failure.

27. It is through progressive adaptation of the tax system along lines mentioned earlier and through institutional changes which place an increasing proportion of the community's surpluses in the hands of public authorities that an effective reduction in the incomes and spending power accruing to the few can be brought about. Promotion of cooperative forms of production, elimination of functionless rent-receivers, substitution of private, usurious credit by institutional credit, control of private monopoly and an enlargement of the public sector in strategic lines of production and trade are of far-reaching significance in this context. A

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ceiling on incomes is, in other words, the end-product of a process; it cannot be a beginning. The quicker the advance towards the socialist pattern which, as stated above, is the totality of economic and social institutions- the more rapidly will economic disparities disappear. In any realistic analysis, the approach to this problem has to be through a change in the conditions that create and perpetuate inequalities. It need hardly be stated that in this approach a floor to incomes or in other words - a guarantee of a certain minimum national standard of the essentials of civilised life is no less important than the ceiling at top levels.

28. This brings us to the question of regional disparities. In any comprehensive plan of development, it is axiomatic that the special needs of the less developed areas should receive due attention. The pattern of investment must be so devised as to lead to balanced regional development. The problem is particularly difficult in the early stages when the total resources available are very inadequate in relation to needs. But, more and more, as development proceeds and large resources become available for investment, the stress of developmental programmes should be on extending the benefit of investments to underdeveloped regions. Only thus can a diversified economy be built up. These considerations have been kept in mind while formulating the second five year plan, but they are certain to claim even greater attention in the plans to come.

29. The question was discussed recently by the National Development Council and it has been agreed in principle that within the resources available, every effort must be made to provide for balanced development in different parts of the country. The problem has to be approached in a variety of ways. In the first place, the National Development Council has recommended programmes for setting up decentralised industrial production. Secondly, it has been suggested that in the location of new enterprises, whether public or private, considerations should be given to the need for developing a balanced economy for different parts of the country. Some industries have to be located in particular area in view of the availability of the necessary raw materials or of other natural resources. But, there are other industries in regard to the location of which, on economic considerations, there is a field of choice. Often, the disadvantages of comparative cost are only reflection of the lack of basic development. Once this is taken in hand, the initial handicaps progressively disappear. A wide diffusion of development nuclei is essential from this point of view. Thirdly, steps have to be taken to promote greater mobility of labour between different parts of the country, and to organise schemes of migration and settlement from more to less densely populated areas. The National Development Council recommended that there should be  
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continuous study of the problem of diminishing regional disparities and a suitable set of indicators of regional development evolved. These approaches have to be kept in view while programming development in the public sector as also in the administration of licensing policy for new industrial units in the private sector.

#### Economic Policy and Techniques

30. The basic approach and the principal objectives outlined above will govern the direction and content of economic policy in the plan period. The function of economic policy in the context of the plan is not merely to mobilise the financial resources needed, but also to promote in all ways it can a pattern of consumption and of utilisation of real resources which conforms to the requirements of the plan. In crucial fields, the desired allocation of resources follows directly from action initiated by the State; investment by public authorities is thus a major instrument of policy. The criteria of public investment are broader than those which govern private investment. The public sector can take a longer view of the requirements of the economy, and it need not therefore discount future incomes at the same rate at which a private investor or entrepreneur does. The public authorities have to carry out and assist a programme of complementary investments such that they make in the aggregate a larger contribution to the national product than isolated investments determined by considerations of costs and returns within a limited perspective would make possible. Simultaneously, over a large field of economic activity the role of economic policy in a mixed economy is to influence the course of private investment through appropriate changes in relative prices and profitability. The techniques through which this is done are, therefore, of vital importance from the point of view of the fulfilment of the plan.

31. A plan is not merely a statement or list of things to be done; it involves an agreement as to how these things are to be done. A democratic system of planning eschews direct commandeering of resources and it operates mainly through the price mechanism. There are, broadly speaking two types of techniques through which the objectives in view have to be attained. Firstly, there is the over-all regulation of economic activity through fiscal and monetary policy, and, secondly, there are devices like export and import controls, licensing of industries or trades, price controls and allocations which influence and regulate economic activity in particular sectors or sub-sectors of the economy. There has been of late a good deal of discussion as to whether planning should confine

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itself to the former type of control or whether it should extend to the latter type also. Overall fiscal and monetary discipline, it would appear, can go a long way towards regulating the ebb and flow of economic activity, and differential taxation can assist in channeling resources at the margin in certain direction. There is little doubt, however, that a comprehensive plan which aims at raising the investment in the economy substantially and has a definite order of priorities in view cannot be seen through on the basis merely of overall fiscal and monetary control. The second type of controls mentioned above is thus inescapable.

32. In a developing economy the basic trend of governmental operations in the fiscal and monetary field is inevitably expansionist. Expenditures could be stepped up and credit made available in ampler measure, should recessionary trends unexpectedly appear. However, the problem in the main is likely to be one of regulating inflationary pressures. Generation of new demands somewhat ahead of supplies is part of the strategy of development. It follows that a curtailment of public expenditure and other curbing devices can and ought to be used only in the last resort. It could perhaps be argued that if a country had ample supplies of foreign exchange it could correct the emergence of inflationary pressure at home by augmenting domestic supplies through larger imports. But, foreign exchange is one of the scarcest resources to be rigorously economised. The plan postulates the use not only of current earnings but also of a part of accumulated reserves and of external assistance for the execution of the tasks in hand. Foreign exchange policy as well as the policy in regard to exports and imports has necessarily to be dovetailed into the implementation of developmental programmes. There are in an underdeveloped economy many contingent demands on resources. Agricultural production may fall short of the mark for reasons beyond human control. Other bottlenecks may emerge. There is always a certain lag between the creation of new incomes and the increase in available supplies on which they can be spent. Yet a developmental programme cannot be abandoned or scaled down at the first appearance of difficulties or bottlenecks. A measure of risk has to be taken. This means that there must be corresponding preparedness to adopt physical controls and allocations as necessary; and, these controls and allocations, as experience has shown, cannot work unless they form a fairly integrated...

integrated system. Nor can they function without a psychological preparedness on the part of the people, and for this, the necessary climate of opinion and understanding has to be created. If controls are administratively cumbersome and may act as disincentives lack of them may create inequalities to the prejudice especially of classes that need protection most.

33. It would, of course, be desirable on psychological as well as administrative grounds to avoid as far as possible control and rationing of the necessities of life like, for instance, foodgrains. On the other hand, high or rising prices of primary necessities are apt to create serious difficulties. The basic remedy for a situation of scarcity or shortage is, of course, an increase in supplies, and, to an extent when domestic supplies are deficient, imports may be inescapable. It is not possible however to rely too far on imports; the necessary imports may either not be available or may involve diverting resources from other important uses. The same may hold for a diversion of domestic resources from investment into consumption. Physical controls may thus become necessary, if the entire plan is not/be disturbed. Thus, controls on essential consumption cannot be ruled out in particular situations. Perhaps, the point to emphasise is that these controls should not be regarded as sufficient by themselves, and their imposition should be accompanied by measures simultaneously to increase supplies.

34. It is of particular importance in this context that Government should build up buffer stocks of foodgrains and other strategic commodities, and operate on them so as to moderate price fluctuations. Underdeveloped economies are highly sensitive to small changes in supply relatively to demand; a slight deficiency pushes up prices excessively, and a small surplus manifests itself in sharp price declines. Domestic commodity reserves, judiciously operated on, are a no less important device for price stabilisation than the usual mechanism of building up and utilising foreign exchange reserves. The maintenance by Government of an adequate foodgrains reserves at all times so as to be able to meet an adverse situation effectively and promptly is a necessary safeguard against the inflationary pressures implicit in a big developmental programme. In principle, this applies not only to foodgrains but also to important raw materials and a few other

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consumer goods. The extent to which such operations can be extended depends upon the soundness of administrative arrangements and the creation of the necessary facilities for storage and for quick transport and distribution. In the case of foodgrains, the case for maintaining adequate stocks and for open market operations with a view to correcting adverse price trends is especially strong and deserves high priority. The plan provides for an addition of 2 million tons of storage capacity through the Central and State Warehousing Corporations. It is important to ensure an early completion of this programme.

35. The maintenance of buffer stocks of foodgrains should enable Government to mitigate sharp fluctuations in prices. Simultaneously, measures will be necessary from time to time to correct price trends in respect of commercial crops; for, there must be a reasonable relationship between the prices obtained by the grower for alternative crops, and the price incentive should work in the direction of encouraging a pattern of crop production which accords with the requirements of the plan. To this end, the mechanism of import and export controls and of import and export duties has to be relied upon to a considerable extent. It is necessary in this context to ensure, as far as possible, that announcements of export or import quotas are timed so as to benefit the producer rather than the middleman. In the case of cotton, the range of price fluctuations is regulated through fixation of floor and ceiling prices, and for sugarcane, the cane prices payable by factories are announced by Government well in advance of the sowing season. Changes in exports or imports are, however, necessary from time to time for making the Government's price policy effective. Some of the agricultural commodities, like oilseeds, for instance, are subject to strong speculative influences, and it is to be hoped that the regulation of forward markets through the Forward Markets Commission will bring the unhealthy speculation in some of these markets under effective control. Incidentally, it must be stated here that excessive speculation does not accord with a planned economy, and it must be regulated and controlled not only through appropriate rules of trading within the commodity exchanges, but through all devices at the disposal of Government including general as well as selective credit control.

36. It remains to advert briefly to the role of an adequate financial and credit mechanism in promoting development - overall and in particular directions. It will be noted that important steps towards an orientation of this mechanism to the needs of development have been taken in the first plan period. The Imperial Bank of India - the biggest commercial bank in the country - has been converted into a public-owned and public-managed State Bank with a view to the expansion and institutionalisation of rural credit. The Reserve Bank of India not only discharges its regulatory functions in the sphere of currency, credit and foreign exchange; it assists actively in the development of cooperative credit agencies. The far-reaching recommendations of the Rural Credit Survey Committee in respect of the reorganisation of rural credit under the sponsorship of the Reserve Bank and the State are being implemented. The task involved in making credit at reasonable rates available all over the rural areas is formidable, but the new and integrated approach involving joint and coordinated action by cooperative agencies, the Reserve Bank and The State, envisaged in the new reorganisation proposals, will make a rapid advance possible.

37. In the industrial sphere, the Industrial Finance Corporation and the Industrial Credit and Investment Corporation are designed to meet the special needs of the private sector, and the National Industrial Development Corporation will enable Government to take up promotional and developmental work along new lines. Special institutions are needed for assistance to and promotion of small businesses, and a beginning has been made in this direction through the establishment of State Finance Corporations and the Central Small Industries Corporation. It may be necessary also to develop further institutions which could provide the nucleus for a properly organised new issue market especially as a diminishing role is being envisaged for the managing agency system. The recent decision to nationalise life insurance has added another potent instrument to the repertory of the public sector for raising savings and for regulating and directing the flow of funds in accordance with the requirements of the Plan.

38. Briefly, a planned approach to development necessitates an integration of economic and social policies inter-se in terms of the objectives and priorities on which the plan is based. The techniques to be employed may and have to vary in the light of requirements. In some cases fiscal or price incentives may have to be relied on; in others, a licensing system may be essential; in still others, fixation of profit margins, allocations of scarce raw materials or other regulatory devices may be necessary. Sanctions of capital issues, foreign exchange allocations, differential tax incentives, financial assistance in suitable cases and the general direction and control of commercial, financial and industrial institutions are a recognised part of the apparatus of planning. A plan is an attempt to improve upon the results that can be achieved under an unregulated and uncoordinated play of profit incentives and decisions. It must, therefore, involve certain restraints. If the targets of planned investment are to be achieved, means have to be found to secure that the necessary resources do in fact become available and are not devoted to consumption, and it is necessary to ensure that the sacrifices involved are shared equitably. For directioning resources for the plan as well as for promoting and facilitating a balanced attainment of the economic and social objectives in view, the plan has to have sanctions or regulatory devices which operate within the existing structure. But, more and more, the structure itself has to change so that the desired balance of incentives and restraints gets built into it instead of having to be brought about through ad hoc controls and correctives.

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## CHAPTER III

### THE PLAN IN OUTLINE

The broad objectives and rationale of the second five year plan have been set forth in the preceding chapter. The plan is intended to carry forward and accelerate the process of development initiated in the first plan period. The principal task is to secure an increase in national income by about 25 per cent over the five years, to enlarge employment opportunities at a rate sufficient to absorb the increase in labour force consequent on the increase in population and to take a major stride forward in the direction of industrialisation so as to prepare the ground for more rapid advance in the plan periods to come. The second five year plan is in one sense a continuation of the developmental effort commenced in the first plan; but there is inevitably a shift in priorities with a larger accent on industrialisation, especially the development of heavy industry, and the necessary ancillaries like transport. The acceptance of the goal of a socialist pattern of society reflects itself not only in the relative proportions of investment proposed in the public and private sectors but also in the approaches to institutional change both in the rural and in the urban sector. The fulfilment of the tasks outlined in the plan requires coordinated effort in both the public and private sectors, but the role of the public sector is the crucial one.

#### Plan Outlay and Allocations

2. The total developmental outlay of the Central and State Governments over the period of the plan works out at Rs. 4800 crores. The distribution of this outlay by major heads of development is as under:-

#### Distribution of plan outlay by major heads of development

	First Five Year Plan		Second Five Year Plan	
	Total provision (Rs. crores)	Per cent	Total provision (Rs. crores)	per cent
(1)	(2)		(3)	
1. Agriculture & Community Development	357	15	569	12
(a) Agriculture	267	11	369	8
(b) National Extension & Community Development	90	4	200	4

Contd...2

	(1)	(2)	(3)	
II. Irrigation & Power	<u>661</u>	<u>28</u>	<u>912</u>	<u>19</u>
(a) Irrigation & flood control	395	17	482	10
(b) Power (including small town and rural electrification programme)	266	11	430	9
III Industries & Minerals	<u>179</u>	<u>7</u>	<u>887</u>	<u>18</u>
(a) Large-scale industries, scientific research and minerals	149	6	687	14
(b) Village and small-scale industries	30	1	200	4
IV Transport & Communications	<u>557</u>	<u>24</u>	<u>1383</u>	<u>29</u>
(a) Railways	268	12	900	19
(b) Roads & Road transport schemes	142	6	263	6
(c) Shipping, Ports and Harbours and Inland water transport	63	2	101	2
(d) Post and Telegraphs, Civil Aviation, Broadcasting and other communications	84	4	119	2
V Social Services, Housing and Rehabilitation	<u>533</u>	<u>23</u>	<u>946</u>	<u>20</u>
(a) Education	169	7	307	6
(b) Health (including water supply and sanitation programmes)	140	6	274	6
(c) Labour and labour welfare, welfare of backward classes and scheduled tribes and social welfare	39	2	155	
(d) Housing	49	2	120	
(e) Rehabilitation	136	6	90	
VI Miscellaneous	<u>69</u>	<u>3</u>	<u>103</u>	<u>2</u>
Total	2356*	100	4800	100

\* Exclusive of the States' share of expenditure of Centrally sponsored schemes mainly under Social Services, Agriculture & Community Projects.



The total outlay mentioned above does not include all expenditures by local bodies on development schemes; only such expenditure on these schemes as is financed by State Governments is included in the allocation shown in the plan. The total outlay as presented here also does not include the contributions in cash or in kind which are made by the local population participating in developmental work within their localities. These contributions are likely to be of considerable significance in terms of investment in the areas concerned even though they might not make any marked difference to the national totals.

3. The allocations under major heads of development shown above indicate the relative shift in priorities as between the first plan and the second plan. Industries and minerals claim about 18 per cent of the total public sector outlay in the second plan as compared to 7 per cent in the first plan. In absolute terms, the step up in the outlay on industries and minerals is very large - nearly 400 per cent. The actual outlay under this head in the first plan was less than 50 per cent of the allocation. Judged in this light the increase in the provision for industries and minerals in the second plan is even larger than a comparison of the initial allocations would suggest. It will be observed that of the total outlay of Rs. 887 crores on industries and minerals, Rs. 687 crores is for large scale industries including minerals, while Rs. 200 crores is for promotion of village and small scale industries.

4. Transport and communications account for 29 per cent of the total outlay in the plan period. While the development programme of the railways absorbs 19 per cent of the total outlay as compared to 12 per cent in the first plan, the allocations for roads and road transport schemes shipping, post and telegraphs and other communications form in the aggregate a somewhat smaller proportion of the total than in the first plan. In absolute terms, of course, the outlay on these latter is being stepped up significantly.

5. Some 19 per cent of the total outlay of the Central and State Governments is to be devoted to irrigation and power and another 12 per cent to agriculture and community development. The aggregate expenditure under these two heads works out at Rs. 1481 crores. Although there is a relative shift in priorities as between agriculture and industry, increased production of food and raw materials must remain not only for the second plan period but for several years to come a major desideratum. The demand for food and raw materials is bound to increase rapidly as industrialisation proceeds and incomes increase.

There cannot, therefore, be any relaxation of efforts to increase agricultural productivity. Of the total provision of Rs. 482 crores for irrigation and flood control Rs. 209 crores is on schemes which continue from the last plan, the balance of Rs. 273 crores being in respect of new schemes. The development of power is vital both for agriculture and for industry. The provision of Rs. 430 crores in the plan for power development includes roughly Rs. 160 crores on schemes continuing from the first plan and Rs. 270 crores on new schemes. The programmes for irrigation and power have been conceived as part of a wider programme of increasing the area under irrigation from Government works twofold and of increasing the supply of power sixfold over a period of about 15 years. The provision of Rs. 200 crores for national extension and community development is tentative and is being reviewed in consultation with State Governments.

6. Social services, housing and rehabilitation, together with certain miscellaneous items, take up 22 per cent of the total outlay in the second plan as compared to 26 per cent in the first plan. In terms of percentages to total outlay under social services and related items, the allocations to education, health and housing are practically the same as in the first plan; in absolute terms they are significantly higher. Thus the provision of Rs. 307 crores for education in the second plan is a little less than twice as large as that made in the first plan. The same is true of health. It must also be remembered that the plan includes only that part of the outlay on social services which is required for increasing the level of development reached at the end of the first plan. If allowance is made for the committed portion of the expenditure on social services which is not included in the plan, the share of social services in developmental outlay would be considerably larger.

7. Of the total developmental outlay of Rs. 4800 crores, Rs. 2560 crores represents expenditure to be incurred by the Centre and Rs. 2240 crores is the total of plan expenditures by all the State Governments taken together. The break-up of the outlay by States separately is shown in Appendix I. The classification of outlay between the Centre and the States in the second five year plan is a little different from that followed in the first five year plan. In the first plan, in addition to the schemes to be implemented by the Central Ministries, a number of programmes which were sponsored and assisted by the Central Government through various Ministries were shown at the Centre. Expenditure found on a matching basis by the States for these schemes was, however, intended to form part of State plans. This led to certain

difficulties in the presentation of plans. In the second five year plan, the general principle followed is that plans of States should include to the maximum extent possible all programmes to be implemented by them or by public authorities or local boards or special boards set up by them. The fact that for any particular programme carried out in the State either the whole or part of the resources come from the Central Government or from agencies set up by it does not, as a rule, affect the principle that the programme should be included within the State plan. While this principle has been generally applied, at this stage there are a few items which belong to State plans but some part of the expenditure is still shown at the Centre. For instance, in Housing, Welfare of Backward Classes and Village and Small Industries part of the amounts shown at the Centre are likely to be allocated between States when certain proposals or other details which are under consideration have been agreed upon.

8. The distribution of the outlay of the Centre and of the States separately under major heads of development is shown in the table below:-

	(Rs. crores)				Total
	Centre	Part 'A'	Part 'B'	Part 'C'	
Agriculture & Community Development	66	361	111	31	569
Irrigation & Power	105	567	216	24	912
Industry	747	96	37	7	887
Transport & Communications	1202	120	40	21	1383
Social Services including Rehabilitation	396	393	118	39	946
Miscellaneous	44	43	13	9	103
<b>Total</b>	<b>2560</b>	<b>1580</b>	<b>535</b>	<b>125</b>	<b>4800</b>

9. The Central Ministries as well as the State Governments have worked out a phasing of their plans year by year. An examination of this phasing showed a somewhat excessive concentration of expenditure in the first two or three years of the plan. A part of this concentration was accounted for by the increasing momentum of expenditure on projects carried over from the first plan and are already in an advanced stage of.

execution, and it is necessary that such projects should be completed as early as possible so that they yield the benefits expected. This means correspondingly that the outlay on the new projects should be so phased that the total expenditure on the plan, both by the Centre and by the States, shows a steadily rising trend over the plan period. This is necessary as much from the point of view of matching expenditures and resources as for ensuring that employment is stepped up steadily as the plan proceeds. As has been mentioned earlier, the second plan is to be regarded as a framework within which detailed annual plans are worked out in the light of an examination of the financial and real resources available. The phasing of the plan has necessarily to be flexible. It is, however, necessary to have in readiness a well-worked out annual phasing of outlays from the start, as in many cases orders have to be placed in advance for machinery and equipment and preliminary work commenced by way of setting up the necessary administrative and field staff.

#### Investment in the Second Plan

10. Of the total expenditure of Rs. 4800 crores Rs. 3800 crores represents investment, i.e. expenditure on building up of productive assets, and Rs. 1000 crores is what may broadly be termed as current developmental expenditure. A rough break-up of the two types of expenditure under major heads is shown in the following table:-

<u>(1)</u>	<u>(Rs. crores)</u>		<u>Total outlay (4)</u>
	<u>Investment outlay (2)</u>	<u>Current outlay (3)</u>	
I. Agriculture & Community Development	<u>339</u>	<u>230</u>	<u>569</u>
(a) Agriculture	200	169	369
(b) National Extension & Community Development	<u>130</u>	<u>61</u>	<u>200</u>
II. Irrigation & Power	<u>863</u>	<u>50</u>	<u>912</u>
(a) Irrigation & Flood control	452	30	482
(b) Power (including small town and rural electrification programmes)	<u>410</u>	<u>20</u>	<u>430</u>
III. Industries & Minerals	<u>787</u>	<u>100</u>	<u>887</u>

<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
(a) Large-scale Industries, Scientific Research and minerals	667	20	687
(b) Village and Small-scale Industries	120	80	200
IV. Transport and Communications	<u>1333</u>	<u>50</u>	<u>1383</u>
V. Social Services, Housing and Rehabilitation	<u>456</u>	<u>490</u>	<u>946</u>
VI. Miscellaneous	<u>23</u>	<u>80</u>	<u>103</u>
Total:	<u>3800</u>	<u>1000</u>	<u>4800</u>

This break-up is intended to provide only a broad indication. The presentation of budgets at the Centre and in the States does not at present run in terms of a clear-cut distinction between current expenditure and investment/character, and in the capital account, it is necessary to distinguish between direct expenditure on capital formation and loans expenditure which leads to the creation of productive assets elsewhere in the system. There are also transfers from time to time from revenue account to capital account and vice versa of certain types of expenditure the precise import of which in national accounting ~~accounting~~ terms is not readily recognisable. Nor have the projects and schemes included in the plan been worked out fully by the authorities concerned in terms of investment expenditure proper and current developmental expenditure. There is, it may be mentioned in this context, need for a reclassification of Government accounts both at the Centre and in the States so as to bring out more clearly the nature of expenditure in terms of the overall aggregates such as national income or expenditure and its breakup between consumption and investment. This work has been taken in hand.

There are in the revenue account some items of an investment

11. The programme of investment of Rs. 3800 crores in the public sector must be judged in relation to the investment programmes envisaged for the private sector. The targets of production and development represent the combined result of investment in both the sectors, and it is evident that the development programmes in the two sectors have to proceed at a pace and in a manner that ensure a balanced growth in outputs. Dependable estimates of total investment in the private sector are not available, and it is not possible to present anything more than a broad guess of the likely trends over the next five years.

Judging from rough calculations regarding the trends of investment over the last five years and taking into account the known investment programmes in the organised industrial sector, the likely level of investment in the private sector over the second plan period might be put at Rs.2400 crores, broken down as follows:-

	(Rs. crores)
1. Organised industry and mining	550
2. Plantations, electricity undertakings and transport other than railways	100
3. Construction	1050
4. Agriculture and village and small industries	300
5. Stocks	400
Total	<u>2,400</u>

12. In the first plan period, total investment in the economy appears - very roughly - to have been around Rs. 3100 crores, the investment in the private sector being a little more than half the total. The target for the second plan period works out at Rs.6200 crores, and for reasons stated earlier, the share of the public sector in the total investment records a substantial rise. The ratio of public to private investment in the second plan is 61:39 as compared to 50:50 envisaged in the first plan. Investment through the public sector is scheduled to go up 2½ times, and the increase in investment in the private sector is expected to be of the order of 50 per cent.

#### Targets of Production and Development

13. The size and pattern of plan outlay as indicated in the earlier section give a measure of the over-all effort and the priorities envisaged in the plan. Within this broad framework, the plan must outline the concrete programmes of development to be taken in hand and make an assessment of the results to be achieved. The programmes of development in different spheres are reviewed in detail in later chapters of this

Report. A brief indication of these programmes, however, is given in subsequent paragraphs. The principal targets of production and development to be achieved over the second plan period as a result of the investments proposed both in the public and private sectors are set forth below:-

	1950-51	1955-56	1960-61	Percentage increase in 1960-61 over 1955-56
	1	2	3	4
<b>I. AGRICULTURE</b>				
1. Foodgrains (million tons)	54.0*	65.0	75.0	15
2. Cotton ( " bales )	2.9	4.2	5.5	31
3. Sugarcane-raw gum ( " tons)	5.6	5.8	7.1	22
4. Oilseeds (million tons)	5.1	5.5	7.0	27
5. Jute ( " bales )	3.3	4.0	5.0	25
6. Tea ( " pounds )	613	644	700	9
7. National Extension Blocks (Nos.)	Nil	500	3,800	660
8. Community Development Blocks (Nos.)	Nil	622	1,120	80
9. Population served by National Extension & Community Development Programme (million persons)	Nil	80	325	306
10. Village Panchayats (Thousand Nos.)	83	118	200	70
<b>II. IRRIGATION &amp; POWER</b>				
1. Area irrigated (million acres)	51	67	88	31
2. Electricity (installed capacity) (million k.w.)	2.3	3.4	6.8	100
<b>III. MINERALS</b>				
1. Iron Ore (million tons)	3.0	4.3**	12.5	191
2. Coal ( " tons)	32.3 <sup>a</sup>	38.0 <sup>a</sup>	60.0 <sup>a</sup>	58

(\*) Relates to the year 1949-50

(\*\*) Relates to the calendar year 1954

(a) Figures relate to calendar years.

	1	2	3	4
<b>IV. LARGE-SCALE INDUSTRIES</b>				
1. Finished steel (million tons)	1.1	1.3	4.3	231
2. Pig iron (for sale to foundries) (million tons)	-	0.38	0.75	97
3. Aluminium (000 tons)	3.7	7.5	25.0	233
4. Heavy steel forgings for sale (000 tons)	Nil	Nil	12	-
5. Heavy steel castings for sale (000 tons)	Nil	Nil	15	-
6. Steel structural fabrications (000 tons)	N.A.	180	500	178
7. Machine Tools (graded) (value in Rs. lakhs)	31.8	75	300	300
8. Cement Machinery (do)	N.A.	56**	200	257
9. Sugar Machinery (do)	N.A.	29**	250	779
10. Textile Machinery (Cotton & Jute) (do)	N.A.	412	1950	373
11. Paper Machinery (do)	Neg.	Neg.	400	-
12. Power Driven Pumps -				
Centrifugal (000 Nos.)	34	40	86	115
13. Diesel Engines (000 H.P.)	N.A.	100	205	105
14. Automobiles (Nos.)	16,500	23,000	57,000	147
15. Railway Locomotives (Nos.)	3	170	400	135
16. Tractors (Nos.)	..	..	1,600	--
17. Cement (million tons)	2.7	4.8	13	171
18. Fertilisers:				
(a) Nitrogenous (in terms of Ammn. Sulphate) (000 tons)	46	380	1,600	321
(b) Superphosphate (000 tons)	55	100	600	500
19. Sulphuric Acid (000 tons)	99	160	470	194
20. Soda Ash (000 tons)	45	80	228	185
21. Caustic Soda (000 tons)	11	35	135	286
22. Petroleum Refinery - (million tons)	..	2.5	3.8	52
23. Electric Transformers 33 K.V. and below (000 KVA)	179	520	880	65
24. Electric Cables (ACSR Conductors) (tons)	1,420	9,000	18,000	100
25. Electric Motors (000 H.P.)	99	240	600	150
26. Cotton Textiles				
27. Sugar (million tons)	1.1	1.7	2.3	35
28. Paper & Paper Board (000 tons)	114	180	350	94
29. Bicycles (organised sector only) (000 Nos.)	101	500	1,000	100

\*\* Relates to the calendar year 1954.



	1	2	3	4
30. Sewing Machines (Organised sector only) (000 Nos.)	33	90	220	144
31. Electric Fans (000 Nos.)	194	275	450	64
<b>V. TRANSPORT AND COMMUNICATIONS</b>				
(a) Railways:				
(1) Passenger train miles (millions)	95	108	124	15
(2) Freight carried (million tons)	91	120	162	35
(b) Roads:				
(1) National Highways (000 miles)	11.9	13.0	13.6	5
(2) Surfaced Roads (000 miles)	97.0	102.0	111.0	9
(c) Shipping:				
(1) Coastal & Adjacent* (lakh GRT)	2.2	3.2	4.3	34
(2) Overseas** (lakh GRT)	1.7	2.8	4.7	68
(d) Ports:				
Handling capacity (million tons)	20	26	33.8	30
(e) Posts & Telegraphs:				
(1) Post Offices (000 Nos)	36	53	73	38
(2) Telegraph Offices (000 Nos.)	3.6	4.9	6.3	28
(3) Number of telephones (000 Nos.)	168	268	448	67
<b>VI. EDUCATION</b>				
1. School-going children as percentage of children in the respective age groups:-				
(a) Primary Stage (6-11 age group)	42.0	50.0	60.0	
(b) Middle Stage (11-14 age group)	14.0	17.0	19.0	
(c) High/Higher Secondary Stage (14-17 age group)	6.4	9.0	10.0	
2. Elementary/Basic Schools (lakhs)				
Teachers in Primary/Middle Secondary Schools (lakhs)	2.23	2.83	3.48	23
Teachers Training Institutions (Nos.)	7.4	9.7	12.1	25
	835	835	1,080	22

(\*) Inclusive of tankers

(\*\*) Inclusive of tramp tonnage

	1	2	3	4
5. Enrolment in Teachers Training Institutions (000 Nos.)	75.6	91.0	111.4	22
<b>VII. HEALTH</b>				
1. Medical Institutions (000 Nos)	8.6	10	12.6	26
2. Hospital beds (000 Nos.)	113	125	155	24
3. Doctors (000 Nos.)	59	70	85	21
4. Nurses (000 Nos.)	17	22	31	41
5. Midwives (000 Nos.)	.18	26	32	23
6. Nurse-Dais & Dais (000 Nos.)	4	6	41	583
7. Health Assistants and Sanitary Inspectors (000 Nos.)	3.5	4	7	75

#### Agriculture and Community Development

14. The first five year plan has already initiated the process of increasing productivity in agriculture. Foodgrains production has increased by 11 million tons, i.e. by 20 per cent, over the last five years and the increase in agricultural production as a whole has been of the order of 15 per cent. As a result of the effort that is now proposed, agricultural production is expected to increase by 18 per cent over the second plan period. The lines on which efforts have to be made for increasing the productivity of land are already familiar. The provision of irrigation facilities, better seeds, fertilizers and the spread of improved techniques of cultivation will offer scope for expansion for many years to come. In addition to carrying forward these programmes, the second five year plan is designed to bring about greater diversification in agricultural production. As levels of living in the country improve and the industrial structure gets more broad-based it becomes necessary to devote increasing attention to cash crops and to the production of subsidiary foods such as vegetables, fruits, dairy products, fish, meat and eggs. Another aspect of agricultural development which will receive greater attention in the second plan relates to the institutional arrangements for promoting land use and land management on more efficient lines and for ensuring a greater degree of social justice among the classes dependent on land.

15. The target for additional production of foodgrains in the second plan is placed at 10 million tons, i.e. an increase of 16 per cent from 65 million tons in 1955-56 to 75 million tons in 1960-61. As a result, the consumption of foodgrains in the country would increase from the present level of 17.2 oz. to 18.3 oz. per adult per day. The increase in foodgrains production would be distributed roughly as follows:-

		(million tons)
Rice	..	4.0 to 5.0
Wheat	..	1.5 to 2.0
Other cereals	.	2.0 to 2.5
Pulses	..	1.5

Somewhat larger increases in production are envisaged for cotton (31 per cent), sugarcane (22 per cent), oil-seeds (27 per cent). About a million more acres are expected to be brought under cultivation for sugarcane as a result of additional irrigation facilities. If the target for sugarcane is realised, it will be possible to increase the consumption of sugar in the country from 1.4 to 1.75 oz. per adult per day. Apart from the increase in production that is proposed, special efforts will be necessary to improve the quality of domestically produced jute and to increase the proportion of long staple varieties in the outturn of cotton.

16. The increase in agricultural production that is proposed for the second plan is modest both in relation to the achievements of the first plan and the higher developmental outlay that is now proposed. The provision for agriculture and community development is being increased from Rs. 372 crores in the first plan to Rs. 569 crores in the second plan. In part, the somewhat modest targets for additional production of foodgrains, cotton, oil-seeds and sugarcane reflect the shift in emphasis in favour of the ancillary pursuits of dairying, horticulture, poultry-farming and fishing as well as on improved quality. Some allowance has also to be made for the favourable monsoons in the later years of the first plan. Even so, with effort, the targets outlined here should, we feel, be exceeded. It will be seen later that, even on the assumption of normal monsoons, an increase in food production by 10 million tons over the next five years will not remove the need for imports of foodgrains. In view of the heavy strain on the payments position of the country, it is imperative that every effort should be made to improve upon the targets laid down here.

17. Among the programmes to be taken in hand for increasing agricultural production, precedence will continue to be given to the provision of irrigation facilities. During the second five year plan, 21 million acres of land are expected to receive irrigation, 12 million acres from large and medium irrigation schemes and 9 million acres from minor irrigation works. The consumption of nitrogenous fertilizers is expected to increase from 610,000 tons in 1955 to 1.8 million tons in 1960. Some 3,000 seed multiplication farms covering a total area of about 93,000 acres will be established and land reclamation and improvement programmes extending over  $3\frac{1}{2}$  million acres of land will be undertaken.

18. The plan provides for considerable increases in the supply of protective foods like fruits and vegetables; a sum of Rs. 8 to 9 crores has been provided for promoting fruit and vegetable cultivation. The production in the allied occupations of fisheries, forestry and dairying is also expected to register substantial increases. The provision for animal husbandry and fisheries in the second plan amounts to Rs. 68 crores as against Rs. 26 crores in the first plan. During the first plan 600 key villages and 150 artificial insemination centres were established; these are to be increased to 1,268 and 256 respectively. Veterinary dispensaries which increased from 2,000 to 2,650 in the first plan are expected to increase by another 1,900 during the second plan. The plan also contemplates the establishment of 36 milk supply unions, 12 cooperative creameries and 7 milk drying plants. Off-shore and deep sea fishing is to be expanded and for this purpose additional exploratory off-shore fishing stations will be established on the western and eastern Coasts and in the Andaman Islands.

19. Perhaps the most significant feature of the first five year plan was the emphasis it placed on the community development and national extension programme. The basic aim of this programme is to improve the economic condition of the people by spreading the knowledge of better techniques and to instil in them a desire for higher standards of living and a spirit of self-help and cooperation. Extension services and community organisations are one of the principal sources of vitality in democratic planning. Nearly one-fourth of the country has already been covered by this programme and the response of the people has been encouraging as seen from the fact that the voluntary contribution by the people

in community project areas has amounted to about 60 per cent of the expenditure incurred by Government. It is proposed to carry forward the programmes of community development and national extension so as to cover the entire country by the end of the second plan. A provision of Rs. 200 crores is tentatively made in the plan for this purpose.

20. The second plan makes a provision of Rs. 50 crores for cooperation, marketing and warehouses. The integrated scheme of credit, marketing and production recommended by the Rural Credit Survey Committee is to be jointly implemented by the State Bank, the Reserve Bank and the Government and work has already been taken in hand in pursuance of the Committee's recommendations. In particular, the programme of building a network of warehouses all over the country will be carried through with expedition. It is estimated that cooperative agencies will be able to handle about 10 per cent of the marketable surplus by the end of the second plan. In the meanwhile, greater emphasis is being placed on the extension of regulated markets in the country. The total number of such markets is expected to be doubled by the end of the plan. Over a period, the object of institutional reforms in the field of agriculture is to apply the cooperative principle to a steadily increasing range of activities. It has been found by experience that the growth of cooperative movement in the sense of a spontaneous coming together of small and needy persons in the interests of larger production or more equitable distribution cannot be rapid enough. It becomes incumbent on the State, therefore, to sponsor and assist actively in the reorganisation and development of the cooperative movement. A comprehensive programme is being formulated to this end.

#### Irrigation and Power

21. The total area under irrigation in the country has increased from 51 million acres to 67 million acres over the first plan period. An additional area of 21 million acres is expected to come under irrigation by the end of the second plan with the result that the irrigated area in the country would increase by some 75 per cent in ten years. Of the 21 million acres to be brought under irrigation in the second plan period, some 12 million acres will benefit from large and medium projects and 9 million acres from minor irrigation works.

22. The bulk of the additional irrigation from large and medium projects is expected as a result of the completion of the programmes continuing from the first plan (some 9 million acres) whereas new projects included in the second plan will account for additional irrigation of some 3 million acres. On completion, the irrigation potential of the major and medium projects started in the second plan would be of the order of 15 million acres. The benefit from major and medium irrigation projects is expected to flow more or less evenly over the second plan period - at the rate of 2 million acres per year over the first three years and some 3 million acres per year over the last two years.

23. In view of the need for a steady increase in agricultural output, it is proposed to devote increasing attention to medium-sized projects. The first five year plan provided for 7 irrigation projects costing more than Rs. 30 crores, 6 costing between Rs. 10 and 30 crores, 54 costing between Rs. 1 and 10 crores and about 200 costing less than Rs. 1 crore each. In the second plan, of the 188 new irrigation projects to be taken in hand, there is none which is expected to cost more than Rs. 30 crores, some ten will cost between Rs. 10 and 30 crores, 43 between Rs. 1 and 10 crores and the remaining 136 will cost less than Rs. 1 crore each. Apart from their quick-yielding nature, medium sized projects offer greater scope for spreading the benefits of irrigation more evenly among different regions.

24. Among programmes of minor irrigation, mention may be made of the proposed outlay of Rs. 20 crores for the construction of 3,581 tubewells with a view to providing irrigation facilities for 916,000 acres. In addition, the exploratory programme of drilling deep tubewells which was begun in the first plan for assessing the possibilities of exploiting ground water resources for irrigation will be continued in the second plan.

25. At the beginning of the first five year plan, the total installed capacity for the generation of electricity in the country was 2.3 million kw. The first plan Report envisaged an increase in power capacity of some 7 million kw. in 15 years. The installed capacity for power generation has already increased by 1.1 million kw. over the first plan period and an increase of another 3.4 million kw. over the second plan period is envisaged. A substantial increase - of 100 per cent. - in the capacity for power generation in the next five years is

is essential in view of the considerable emphasis on industrialisation in the second plan. Since this emphasis has to be continued in subsequent plan periods, the original target of an increase of 7 million kw. in power capacity by 1965-66 has to be raised to about 15 million kw.

26. The consumption of electricity in the country is expected to increase from 14 units per capita in 1950-51 to 25 units in 1955-56 and 50 units in 1960-61. By the end of the first plan, about 95 per cent of the towns with a population of 20,000 or more and some 40 per cent of the towns with a population between 10,000 and 20,000 would be assured electricity. The aim in the second plan is to provide electricity to all towns with a population of 10,000 or more and to 85 per cent of the towns with a population between 5,000 and 10,000. The provision of electric supply to villages and small towns with a population of less than 5,000 entails heavy expenditure. The programme for rural electrification has, therefore, to be spread over a fairly long period. In the second five year plan, a provision of Rs.75 crores is made for this programme, and it is expected that the number of small towns and villages receiving power supply will increase from 5300 in 1956 to 13900 in 1961.

27. The bulk of the additional capacity for power generation in the country will be in the public sector with the result that the State will soon have a dominant position in this field. The total installed capacity in the public sector is expected to increase from 0.6 million kw. in 1950-51 to 4.3 million kw. in 1960-61 with the result that the share of the public sector in the total capacity for power generation in the country would increase from 25 to 63 per cent over the ten years. The significance of this can also be seen from the fact that the total investment of the public sector in electricity undertakings has increased from Rs. 40 crores in 1950-51 to some Rs. 270 crores in 1955-56 and is expected further to increase to Rs.680 crores by 1960-61.

#### Industrial and Mineral Development

28. The major point of departure in the second plan is the precedence that is accorded to the public sector in industrial and mineral development. Governmental initiative in the development of agriculture, power, transport and social services is already an established feature of economic planning in India. But projects of industrial and mineral development have hitherto not figured prominently in the investment

plans of the public sector. Thus in the first plan a total provision of Rs. 94 crores was made for the establishment of large-scale industries in the public sector as against an estimated programme of new investment in the private sector of Rs. 233 crores. In the second plan, the provision of Rs. 687 crores for large-scale industries and mining (including scientific research) in the public sector compares favourably with the estimated new investment of Rs. 550 crores for industries and mining in the private sector (excluding plantations and electricity undertakings). While the private sector is expected to play an important part in the process of industrialisation, there is a pronounced shift in emphasis in favour of the public sector.

29. Practically the whole of the proposed outlay of Rs. 687 crores in the public sector is for development of basic industries such as iron and steel, coal, fertilizers, heavy engineering and heavy electrical equipment. During the second plan three steel plants of one million tons ingot capacity each will be established in the public sector at Rourkela, Bhilai and Durgapur. In addition, at one of these plants, 350,000 tons of pig iron will be produced for sale. Steel production at the Mysore Iron and Steel Works is to be expanded to 100,000 tons. The combined output of finished steel from all the projects in the public sector is expected to be of the order of 2 million tons by the end of the second plan.

30. The programme for the establishment of heavy engineering industries includes a heavy steel foundry at the Chittaranjan Locomotive factory for meeting the requirements of railways for heavy castings and the establishment of heavy foundries, forge shops and structural shops under the auspices of the M.I.D.C. Arrangements are being made for the manufacture of heavy electrical equipment in the public sector. The Chittaranjan Locomotive factory is to be expanded so as to increase its output of locomotives to 300 per annum as against 120 per year at present. The Integral Coach Factory which went into production in 1955 will be completed by 1959 and will then produce 350 coaches per annum. Provision has also been made for a new metre gauge coach factory.

31. In view of the paucity of coal deposits in Southern India high priority has been given to the multi-purpose Lignite Project at Nelveli in South Arcot district. Under this project 3.2 million tons of lignite are to be produced and used for (1) generation of power in a station of 211,000 kw. capacity, (2) production of carbonised briquettes in a carbonisation plant of about 700,000 tons annual capacity, and (3) production of 70,000 tons of fixed nitrogen



in the form of urea and sulphate nitrate. Besides the fertilizer factory to be established in South Arcot, two more fertilizer factories are proposed to be set up. One of these to be located at Mangal, will produce nitro-lime-stone corresponding to 70,000 tons of fixed nitrogen per annum. It will also produce 7 to 10 tons of heavy water per annum. The third fertilizer factory is expected to be established at Rourkela and will produce nitro-lime-stone equivalent to 80,000 tons of fixed nitrogen per annum. In addition, the Sindri Fertilizer Factory will be expanded so as to increase its output from 70,000 tons of nitrogen at present to 117,000 tons.

32. Several of the projects completed during the first plan such as the D.D.T. plant, Hindustan Cables, the National Instruments Factory and the Indian Telephone Industries will be expanded. It is also proposed to establish a second D.D.T. plant in Travancore-Cochin. Among the projects included in the plans of States, mention may be made of the Durgapur coke-oven plant and the manufacture of electric porcelain insulators and transformers in Mysore.

33. The bulk of the investment in the private sector is also for the development of basic industries. Substantial programmes of expansion are envisaged for the iron and steel industry in the private sector and the capacity of the industry is expected to increase from 1.25 million tons of finished steel at present to 2.3 million tons by 1958. It is proposed to increase the production of cement from 4.8 million tons at present to 13 million tons by the end of the plan. Large as these increases in output might seem, they are in reality barely adequate for meeting the increasing demands in the country.

34. The programmes of development in the private sector provide for a substantial increase in the production of machinery in the country, including machinery for cotton textiles, jute, sugar, paper, cement, agriculture and road making. The chemical industry which has already registered a sizeable advance in the first plan period will achieve significant diversification and growth in output. The production of soda ash and caustic soda, for example, is to be increased to four times the present level. The third oil refinery at Visakhapatnam will be completed by 1957 and an increase in the production capacity for power and industrial alcohol from 28 to 36 million gallons is envisaged.

35. Among consumer goods industries, the output of paper and paper board is expected to be doubled and that of sugar is to increase by some 35 per cent. The production of vegetable oils is expected to increase from 1.6 to 1.95 million tons.

Substantial plans of development for rayon, drugs and pharmaceuticals are also included in the plan for the private sector. The targets for mill yarn and mill cloth are under consideration pending a detailed examination of the potentialities of the Ambar Charkha. At a minimum, the target for consumption of cotton cloth of all types is to be raised to 18 yards per head, and indications are that a larger increase may, in fact, be necessary.

36. The net output of factory establishments is expected to increase by 64 per cent in response to the programmes of development in the public and private sectors. The emphasis on capital goods industries can be seen from the fact that the net output of these industries is expected to increase by some 150 per cent. India is still in the early stages of the development of basic industries. The next few steps in industrial development are fairly clear in view of the large and growing requirements which are at present met to a significant extent by imports. As these pressing needs are satisfied and the superstructure of basic industries grows, it will be necessary to visualise an integrated programme of development for basic capital goods industries, for organised consumer goods industries and for village and small scale industries.

37. The output of minerals in the country is expected to increase by 58 per cent over the second plan period. Mention may be made particularly of coal in view of the large increase in requirements that is implied in the programmes of industrial and transport development. The present production of coal in the country is of the order of 38 million tons. The bulk of this production is in the private sector, the share of the public sector being only 4.5 million tons. It is proposed to increase the production of coal by some 22 million tons in the next five years, some 12 million tons in the public sector and the remaining 10 million tons in the private sector.

38. The second five year plan provides for a sum of Rs 200 crores for the development of village and small industries. Of this, Rs 66.5 crores are

tentatively earmarked for the handloom industry, Rs 55 crores for small-scale industries, Rs 48.4 crores for Khadi and other village industries, and the rest for other industries and for administrative overheads. Precise targets of production for village and small industries will be determined in the light of a closer examination of the potentialities and the policies to be followed in relation to them are not yet determined.

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#### Transport and Communications

39. Of the total amount of Rs 1383 crores set apart for transport and communications in the public sector plan, Rs 900 crores are provided for railways. In addition, the railways will spend some Rs 225 crores for normal replacement. The backlog of replacement accumulated during the war and the early post-war years has not been made good so far and a sizeable increase in traffic is expected over the second plan period mainly in response to the programmes of industrial and mineral development. The volume of goods traffic is expected to increase from 120 million tons in 1955-56 to about 181 million tons in 1960-61, i.e. by 50 per cent, and it is felt that even the large outlay of Rs 900 crores may not suffice to enable the railways to lift all the additional goods traffic that is offered. It is in view of this that the plan provides for an increase of only 3 per cent per annum in passenger traffic. This order of increase in passenger service will not help much in relieving present over-crowding. The plan outlay of Rs 900 crores also includes no provision for the construction of new lines to open up parts of the country not served by railways at present. The provision in the plan for new lines is confined to those required for operational purposes and for the new industrial projects. Altogether, if the railways are to meet all the demands made on them, special attention will have to be paid to improvements in operational efficiency.

40. The railway plan provides for doubling of 1607 miles of track, conversion of 265 miles of metre gauge lines into broad gauge, electrification over sections totalling 826 miles and dieselisation over 1293 miles. Provision is also made for the

construction of 842 miles of new lines and for the renewal of 8000 miles of obsolete track.

41. With a total capital investment of about Rs 960 crores at present the railways are the largest single national undertaking. Apart from providing the bulk of transport facilities, the railways run a large number of industrial enterprises for meeting their requirements. These enterprises are to be greatly expanded during the second plan period. The significance of the programmes of industrial development in relation to railway requirements can be seen from the fact that as against the total purchase of 2258 locomotives, 107,247 wagons and 11,364 coaches in the second plan period the output of locomotives, wagons and coaches at the end of the second plan is expected to reach the level of 400, 30,000 and 1800 per annum respectively. In the second plan period, the railways will need to import materials and equipment worth Rs 425 crores - Rs 137 crores for steel, Rs 81 crores for locomotives - and the rest for rolling stock including wagons. In view of the proposed increases in industrial production over the next five years, the dependence of railways on imports will diminish considerably in subsequent plan periods.

42. The second plan makes a provision of Rs 268 crores for roads, road transport and tourism, Rs 97 crores for shipping, ports, harbours and inland water transport, Rs 43 crores for civil air transport and Rs 76 crores for communications and broadcasting. In the Nagpur Plan (1943) for road development, it was proposed that over a period of 20 years, no village in a well-developed agricultural area should remain more than five miles from a main road. By the end of the First Plan about one-third of this target would be achieved. With the investment proposed under roads for the second plan, the target set in the Nagpur Plan, except in respect of bridges, is expected to be realised by 1960-61. Road transport nationalisation programme is to be suitably phased and the State Governments are expected to add to their existing fleet about 5000 vehicles. The capacity of the major ports is to be increased by 30 per cent and minor ports in the

maritime States are to be further developed. The Plan also provides for an extensive programme for the development of light houses. The total tonnage of ships is expected to be increased from 6,00,000 GRT at the end of the First Plan to 9,00,000 GRT at the end of the Second Plan after allowing for the obsolescence of 90,000 GRT. The Hindustan Shipyard is to be expanded and a dry dock is to be constructed at Visakhapatnam. The Indian Airlines Corporation and the Air India International have sizeable programmes for purchase of additional aircrafts and for improving their operational facilities. Post offices which increased from 36,000 to 55,000 in the First Plan are to be increased to 73,000 in the Second Plan. To meet the growing demands of national programmes and for ensuring country-wide listening, a 100 KW short-wave transmitter as well as a 100 medium-wave transmitter will be set up at Delhi and 50 KW short-wave transmitters will be provided at Calcutta, Bombay and Madras. About 72,000 community receivers will be installed in villages with a population of 1,000 and above.

#### Social Services

43. The total outlay on social services in the plan is placed at Rs 946 crores or about twice the provision made in the first plan. The continuing emphasis on the development of educational and medical facilities as well as on the advancement of industrial labour, displaced persons and other underprivileged classes is an integral part of the socialistic pattern of society which seeks to achieve a greater degree of equality of opportunities in the country.

44. One of the Directive Principles in the Constitution is that within a period of 10 years as from 1950, free and compulsory primary education for all children until the age of 14 would be provided. Actually, by 1960-61 according to the targets proposed now only 60 per cent of the children in the age-group 6 to 11 and 19 per cent of the children in the age-group 11 to 14 would be attending schools. The number of pupils will increase by 6.6 million.

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at the primary stage and 8 lakhs at the middle stage. These targets will require the establishment of 60,000 new primary schools and 5,000 middle schools. At the secondary stage it is proposed to provide increasing diversification of courses. In each sector of development, technical personnel will be needed in rapidly increasing numbers. It is, therefore, proposed to increase the out-turn of graduates in engineering from 3600 in 1955 to 6000 in 1960 and of engineering diploma holders from 4900 to about 8000 during the same period.

45. The basic difficulty in extending health services in the country lies in the lack of trained personnel in sufficient numbers. Consequently, it is proposed to increase the supply of doctors, nurses, and health assistants by 21, 41 and 75 per cent respectively in the second plan. An increase of 24 per cent in the number of hospital beds is also envisaged. A sum of Rs 4 crores is set apart for family planning and it is expected that about 300 urban and 2000 rural clinics will be set up during the plan period.

46. With the proposed outlay of Rs 120 crores on housing it is estimated that within the period of the second plan about 1.2 million dwelling units will be constructed by the public authorities. The plan provides for an outlay of Rs 26 crores for implementing schemes relating to labour. Apart from the provision for welfare centres and of training facilities on an extended scale, it is proposed to increase the number of employment exchanges in the country from 131 to 256. The various activities initiated in the first plan for the welfare of the backward classes will be continued on an expanded scale. Greater assistance will be given to the various voluntary agencies for social welfare. Programmes for rehabilitation of displaced persons will have to be continued in the second plan. A sum of Rs 90 crores has been provided for this purpose.

#### National Income, Consumption & Employment

47. The targets of achievement and the programmes of development to be taken in hand in different

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sectors have been outlined in the earlier sections. The sumtotal of developments in various fields is reflected in the movement of national income. The expected increase in national income during the first and second plan period is given in the table below:

Net National Product by Industrial Origin

(Rs crores at 1952-55 prices)

	<u>1950-51</u>	<u>1955-56</u>	<u>1960-61</u>	Percentage	
				<u>increase</u> <u>1951-56</u>	<u>during</u> <u>1956-6</u>
1. Agriculture & allied pursuits	4450	5230	6170	18	18
2. Mining	80	95	150	19	58
3. Factory establishments	590	840	1380	43	64
4. Small enterprises	740	840	1085	14	30
5. Construction	180	220	295	22	34
6. Commerce, transport and communications	1650	1875	2300	14	23
7. Professions and services including Government Administration	1420	1700	2100	20	23
8. TOTAL NATIONAL PRODUCT	9110	10800	13480	18	25
9. Per capita income (Rs)	254	281	330	11	18

48. For the major sectors of agriculture, mining and factory establishments the estimates of net output are based largely on the detailed targets of production set out earlier. But in the case of other sectors such as commerce, professions and other services which are largely outside the purview of the plan, only an indirect estimate is possible. Nonetheless, it would appear that national income will increase from Rs 10800 crores in 1955-56 to about Rs 13480 crores in 1960-61 (at constant prices) i.e.

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net/ by about 25 per cent. This will mean an increase of about 18 per cent in per capita income (from Rs 281 in 1955-56 to Rs 330 in 1960-61) as against an increase of 11 per cent over the first plan period (from Rs 254 to Rs 281). It will be seen that despite the substantial increase in the output of mining and factory establishments that is envisaged, the structure of the economy will change only marginally over the plan period. Thus the share of agriculture and allied pursuits in total national income will decline from 48 per cent in 1955-56 to 46 per cent in 1960-61, and that of mining and factory establishments will increase correspondingly from 9 to 11 per cent. It is this fact which underlines the need for a continuing emphasis on industrialisation during subsequent plan periods.

49. The average level of consumption in the country will not increase as fast as national income, inasmuch as a larger proportion of domestic output will have to be saved and invested. The following table gives a rough phasing of national income, investment, domestic savings and consumption expenditure over the second plan period with comparable data for 1950-51 and 1955-56:

Savings, Investment and National Income

(Rs crores: 1952-53 prices)

	<u>1950-51</u>	<u>1955-56</u>	<u>1956-57</u>	<u>1957-58</u>	<u>1958-59</u>	<u>1959-60</u>	<u>1960-61</u>
1. National Income	9,160	10,800	11,200	11,650	12,200	12,830	13,500
2. Net investment	<del>448</del>	<del>790</del>	<del>620</del> 965	1,130	1,290	1,370	1,440
3. Net inflow of foreign resources -	<del>7</del>	<del>34</del>	<del>1100</del> 150	250	320	250	130
4. Net Domestic savings (2-3)	<del>455</del>	<del>756</del>	<del>5100</del> 815	885	<del>970</del> 790	1,120	1,310
5. Consumption Expenditure (1-4)	8705	10,044	10,385	10,765	1,230	11,710	12,190
6. Investment as per cent of National income (2 as % of 1)	4.89	7.31	8.61	9.74	10.57	10.68	10.67
7. Domestic savings as per cent of National Income (4 as % of 1)	4.97	7.00	7.28	7.60	8.00	8.73	9.71

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50. The phasing of national income, investment and savings over the second plan period as given in the table above is illustrative. In actual practice, the course of national income increase and the growth in related magnitudes may not seem so smooth; the performance in some years may be above expectations, and in some below. But, it will be seen that the programme of investment envisaged for the second plan period requires, broadly speaking, a step up in the rate of domestic saving from some 7 per cent of national income in 1955-56 to about 10 per cent of national income in 1960-61 - even after making allowance for a net inflow of foreign resources of Rs 1100 crores. Total consumption expenditure in the country, therefore, may be expected to increase by some 21 to 22 per cent as against the increase in national income by 25 per cent. The corresponding increase in total consumption over the first plan period amounts to some 15 per cent.

51. It may be emphasised that if foreign resources of the order of Rs 1100 crores are not forthcoming, it would be necessary to restrict the growth in consumption to a correspondingly greater extent. Indeed, the postulated increase in consumption itself rests on the assumption that national income would increase by 25 per cent in response to an investment programme of Rs 6200 crores and that the necessary rate of saving for achieving this order of investment will materialise. The problem of mobilizing resources as required is discussed in the next chapter. But it is noteworthy that the essence of economic development lies precisely in this that unless increases in consumption are held in check to the extent required for realising the rate of investment, the expected increase in national income and standards of consumption will not materialise. It is also clear that an investment of Rs 6200 crores will result in an increase of 25 per cent in national income only if a number of assumptions are satisfied - assumptions about coordination in planning, the avoidance of waste, the requisite effort at organisation and leadership for enlisting the support and cooperation of the people in taking to improved methods of production and for creating a climate favourable for development. The

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achievements of a plan cannot be read simply from a list of programmes. They depend primarily on the energy and organisational ability brought to bear on the implementation of programmes and policy measures at all levels.

52. Problems relating to employment pattern and policies and the employment potential of the plan are discussed in another chapter. Additional employment likely to be generated over the second plan period in sectors other than agriculture is estimated at 8 million. In this estimate only full-time employment has been taken into account. There are in the plan programmes of development such as irrigation and land reclamation which will reduce underemployment to some extent and may also absorb new persons. In the present socio-economic structure in the rural areas the distribution of a given quantum of work or income cannot be split up as between employment for the underemployed and full-time employment as such. With the increase in agricultural production envisaged in the plan and the substantial increase in employment opportunities outside agriculture, there will be a significant increase in incomes and a reduction in underemployment in the primary sector. The promotion and reorganisation of village and small industries along the lines suggested in the plan will provide fuller employment to large numbers of persons engaged in these industries. Altogether, in aggregative terms, the plan offers the hope of a sufficient increase in the demand for labour to match the increase in the labour force amounting to 10 million.

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Appendix I  
Plan Outlay by States

	(Rs crores)	
	First Plan after adjustments	Second Plan
	1	2
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Andhra	70.6	119.0
Assam	21.3	57.9
Bihar	66.1	194.2
Bombay	159.9	266.5
Madhya Pradesh	48.2	123.7
Madras	92.8	173.1
Orissa	21.2	99.9
Punjab	34.4	126.3
Uttar Pradesh	129.8	253.2
West Bengal	76.5	153.7
<u>TOTAL 'A' STATES</u>	<u>720.8</u>	<u>1567.5</u>
Hyderabad	47.0	100.2
Madhya Bharat	22.6	67.3
Mysore	49.4	80.6
Pepsu	10.0	36.3
Rajasthan	25.5	97.3
Saurashtra	26.8	47.7
Travancore-Cochin	31.3	72.0
Jammu & Kashmir	12.7	33.9
<u>TOTAL 'B' STATES</u>	<u>225.3</u>	<u>535.3</u>
Ajmer	1.3	7.9
Bhopal	5.5	14.3
Coorg	1.2	3.8
Delhi	6.8	17.0
Himachal Pradesh	5.7	14.7
Kutch	3.3	7.9
Manipur	1.5	6.2
Tripura	2.3	8.5
Vindhya Pradesh	7.4	24.9
<u>TOTAL 'C' STATES</u>	<u>35.5</u>	<u>105.2</u>
Andman & Nicobar Islands	-	5.9
North East Frontier Agency	-	9.5
Pondicherry	0.8	4.8
<u>TOTAL</u>	<u>0.8</u>	<u>20.2</u>
Centre's share of D.V.C.		12.2
<u>GRANT TOTAL</u>	<u>982.4</u>	<u>2240.4</u>

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## CHAPTER IV

### Finance and Foreign Exchange

It is proposed in this chapter to indicate the lines along which the financial resources needed for the plan are to be raised and to deal with some of the important policy issues that arise in this connection. The problem of mobilising resources has to be viewed in the light of the requirements both of the public and of the private sector, as they both draw upon the same pool of savings, and care has to be taken to ensure an adequacy not only of domestic finance but also of foreign exchange.

2. Basically, the issue is whether and how domestic savings to the requisite extent can be mobilised in the aggregate. This depends on a judgement not only as to the desirability of limiting consumption beyond a point, but also of the suitability, in the given economic and social set-up, of the means or techniques to be used for the purpose. The latter is an important consideration in shaping taxation and other economic policies in a democratic state, and especially in the context of the private sector functioning side by side with the public sector. It has also to be borne in mind that an underdeveloped country with a limited range of exports cannot increase its earnings from exports at will within a short period; nor can it curtail imports to any large extent without jeopardising the plan. Foreign exchange resources thus present a distinct problem which has to be approached in more specific terms than the overall adequacy or otherwise of domestic savings.

### Finance for the Public Sector

3. The scheme of financing envisaged for seeing through the developmental programme of the Central and State Governments aggregating to Rs. 4,800 crores is as follows:

	<u>(Rs. crores)</u>
1. Surplus from current revenues	800
(a) at existing (1955-56) rates of taxation	350
(b) additional taxation	450
2. Borrowings from the public	1200
(a) market loans	700
(b) small savings	500
3. Other budgetary sources	400
(a) Railways' contribution to the development programme.	150
(b) Provident funds and other deposit heads	250
4. External assistance	800
5. Deficit financing	1200
6. Uncovered gap	400
Total:	<u>4800</u>

IV

The budgetary resources that can be raised by the Central and State Governments through taxation, borrowing and other receipts amount to Rs. 2,400 crores. A further Rs. 1,200 crores, it is suggested, can be raised through deficit financing. Adding to this Rs. 800 crores by way of resources from abroad, the total of resources for the implementation of the programmes in the public sector works out at Rs. 4,400 crores. This leaves a gap of Rs. 400 crores, the means of raising which will have to be decided upon later. It is difficult to cut down a plan which has already been pruned at successive stages: this would involve in a democratic, federal structure a protracted process of readjustments and reallocations. It is recognised, however, that the gap has ultimately to be filled by raising additional domestic resources, and given the limits to deficit financing to which reference is made later, as also the fact that the scheme of financing as outlined here already relies heavily on borrowing, the only possible source that can be drawn upon for meeting this gap is taxation.

4. The estimate of Rs. 350 crores as the balance available from current revenues at existing rates for financing expenditures under the plan has been arrived at after a detailed examination of the total revenue receipts of the Central and State Governments. In working out this estimate, provision has been made for only minimum increases in expenditure under non-development heads such as defence and administration. The maintenance expenditure on social services and similar developmental items at the level reached by the end of 1955-56 has also been allowed for, as expenditure of this type is not included in the plan. The total receipts of the Central and State Governments over the five-year period are estimated at Rs. 5,000 crores at the rates of taxation prevalent in 1955-56. Of this, the non-developmental expenditures mentioned above and the maintenance expenditure under developmental heads will take up about Rs. 4650 crores, which leaves a balance, as mentioned above, of Rs. 350 crores available for meeting plan expenditures. It is necessary to stress the point that a careful watch on non-developmental expenditure will be necessary in order to obtain for the plan the estimated amount of Rs. 350 crores from revenues at existing rates. Should these go up, or should there be any significant loss of revenues on account of the adoption of social measures such as prohibition, there will have to be a corresponding effort simultaneously to raise further resources, if the contribution of current revenues to the plan is not to go down.

5. The target for additional taxation of Rs. 450 crores mentioned above represents the minimum that has to be attempted. In arriving at this figure the recommendations of the Taxation Enquiry Commission have been taken into

account, and it has been assumed that steps will be taken to implement these as early as possible after the commencement of the plan. The State Governments are expected to raise between them a total of Rs. 225 crores, and the Centre is to raise a like amount. On this basis the contribution of tax resources to the plan amounts to Rs. 800 crores which is only one-sixth of the total resources required. This contribution, as we indicate later, is, in our view, inadequate in relation to needs and a further tax effort will be called for, if the plan is to be implemented fully and inflationary pressures are to be kept down to the minimum.

6. The response to government borrowing programmes has been encouraging in recent years, and the target of Rs. 115 crores set in the first plan has been exceeded by about Rs. 85 crores. The improvement in the demand for government loans has occurred mainly in the last two years, the net offtake of new loans in these years being about Rs. 100 crores a year. During the period, the holdings of rupee securities (other than treasury bills) by the Reserve Bank have shown a decline of Rs. 90 crores, which indicates that the net absorption of securities by the market (including commercial banks) has been of the order of Rs. 290 crores. If account is taken of the sales of securities held in reserve by the Central and State Governments, the net absorption of securities by the market would in fact be larger.

7. The estimate of Rs. 700 crores of borrowing from the public over the second plan period - an average of Rs. 140 crores a year - thus assumes that the annual receipts from this source will on an average be about 40 per cent higher than they have been of late. While this is not in itself an over-ambitious target, it has to be borne in mind that the total amount of loans maturing in the course of the second plan is Rs. 430 crores. Gross borrowings over the period will, therefore, have to be of the order of Rs. 1130 crores. Judged in this light, and especially in the context of a brisk demand for funds in the private sector, the task of mobilising net private savings amounting to Rs. 700 crores in this way for purposes of public investment cannot be regarded as easy of fulfilment. In this connection, the possibility of extending the scope of social security schemes must be fully explored. These schemes are a means of giving a fair deal to employees, but they serve as a valuable source of additional savings. The net accumulations in provident funds and similar schemes are already an important source of finance for public loans, and it is to be expected that their importance will grow in the coming years. The nationalisation of life insurance, which is intended to foster the insurance habit, should also prove a growing source of demand for public loans.

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8. The collections under small savings have been placed at Rs.,500 crores over the second plan period. The receipts under this head have gone upsteadily in the last few years - from Rs. 33 crores in 1950-51 to Rs. 65 crores in 1955-56. A target of Rs. 100 crores a year on an average over the second plan period will require a further substantial stepping up of these collections. The small savings drive will have to be intensified for the purpose, and a countrywide campaign reaching down to every family and with sufficient follow-up right upto the lowest level is called for. We suggest in this connection that a close examination be made of the strata reached so far by the small savings movement both in urban and in rural areas, and a concerted effort undertaken by State Governments and by non-official agencies to carry the message of the plan all over the country and to bring into the small savings movement all the areas and classes that have so far not been covered. The aim should be to induce every citizen of the country to make a contribution, however small, to the task of transforming the economy.

9. The contribution of the railways to the financing of their plan of Rs. 900 crores has been placed at Rs. 150 crores. In the first plan period the railways contributed Rs. 115 crores towards the estimated outlay on the railway plan of Rs. 267 crores. In the second plan period the railways' own contribution to their plan is a much smaller proportion of the total. In view of this, a contribution of Rs. 150 crores is to be regarded as the minimum the railways must achieve. It is understandable that the railways should draw upon the general exchequer to a significant extent at a time when the new developments envisaged in the economy require the railways to shoulder large additional responsibilities in a short space of time. Nevertheless, we would like to reiterate the point that the railways, like all developing enterprises, whether public or private, should endeavour to provide a sizable part of their needs for expansion from their own resources. In the period of the second plan a considerable expansion in railway traffic is anticipated. Part of this will, however, be of a type which does not raise earnings proportionately, but still railway earnings as a whole will go up. There may, on the other hand, be some unavoidable increases in working expenses. Even so, it would appear that part of the contribution from the railways should be forthcoming at existing rates in response to the growth of demand. Part will have to be found by selective adjustments in rates and freights. Considering the strain on the financial resources of Government which the second plan involves, we would in fact recommend that the railways exert their utmost to

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raise their contribution above the level of Rs. 150 crores which has been indicated for them.

10. The estimate of Rs. 250 crores under provident funds and other deposit heads is a projection of the current trends of receipts under these heads. The net accumulations of the Centre by way of provident funds are estimated at Rs. 17 crores for 1955-56 and for the States the corresponding receipts in 1955-56 work out at Rs. 6.6 crores. As against this total of Rs. 23.6 crores, it is reasonable to assume receipts amounting to Rs. 150 crores under this head for the second plan period. The remaining Rs. 100 crores represents recoveries of loans and advances made by the Centre and the States and miscellaneous capital receipts.

11. The total of resources mentioned so far amounts to Rs. 2400 crores. The problem is to find nothr Rs. 2400 crores. Some 50 per cent of this, that is, Rs. 1200 crores can at the outside be raised through deficit financing. The plan takes credit for external resources aggregating to Rs. 800 crores. In the first plan period, the utilisation of external assistance amounted to Rs. 40 crores a year. An average of Rs. 160 crores a year proposed in the scheme of financing presented above thus represents a large increase in the inflow of resources from abroad. The estimate is related to the foreign exchange requirements of the plan, and in the nature of things, it cannot be said in advance with any certainty whether resources of the required order would in fact be forthcoming.

12. It is obvious that the second five year plan will strain the financial resources of the country. A measure of strain is implicit in any development plan, for, by definition, a plan is an attempt to raise the rate of investment above what it would otherwise have been. It follows that correspondingly larger effort is necessary to secure the resources needed. It is from this point of view and in the light of the continuing requirements of the economy over a number of years that the task of mobilising resources has to be approached. Domestic savings have to be stepped up continuously and progressively, as shown in Chapter I, in order to secure the objective of rapidly rising investment and national income.

Savings in relation to Public Investment

13. The problem of financing the development programmes in the public sector may be looked at in another way. Of the total outlay of Rs. 4800 crores over the five-year period, approximately Rs. 1000 crores represents expenditure of a current nature for increasing the scale



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of developmental activities under heads like education, health, scientific research, national extension and the like. Such expenditure does not result directly in the creation of productive assets and is, by convention, regarded as non-investment expenditure. Expenditure of this character has to be met from current resources. The investment component of the plan aggregating to Rs. 4800 crores is Rs. 3800 crores and this could be financed through borrowing. In a developing economy, in which expenditures on capital formation are growing rapidly, it would, in fact, be desirable to finance a part of them from the surpluses obtained by taxation. This principle was stressed in the report on the first plan, and it needs stressing again.

14. In the scheme of financing envisaged for the plan, tax receipts provide for only Rs. 800 crores as against the requirements of Rs. 1000 crores by way of current expenditures. The contribution of the railways amounting to Rs. 150 crores must, in addition, be regarded as a contribution from current earnings. This means that the total current revenues available for the plan amount to Rs. 950 crores as against the estimated current outlay of Rs. 1000 crores. There is thus no 'public saving' available for financing the investment outlay of Rs. 3800 crores; there is, in fact, a dissaving of Rs. 50 crores. In other words, the entire capital formation of Rs. 3800 crores - and a little more - will have to be financed by a draft on private savings. Allowing for Rs. 800 crores of external assistance as a separate category since it represents savings from abroad, and reckoning in the proposed drawing down of accumulated sterling balances by Rs. 200 crores, the amount of current private savings within the economy to be channelled into public investment would work out at Rs. 2850 crores. Even if we assume further that the uncovered gap of Rs. 400 crores will ultimately be found from public savings, the transfer to the public sector of private savings will have to be of the order of Rs. 450 crores.

15. Would it be reasonable to assume that private savings of the order of Rs. 2450 crores would become available to the public exchequer? In this context, it will be seen, the distinction between market borrowings, small savings and deficit financing is of minor importance. All these are devices for diverting

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private savings, either voluntary or forced through price rises, to the public exchequer. The manner in which - and the extent to which - private savings get transferred to the public sector depends essentially upon the willingness of the public to hold their assets in different forms ; cash, negotiable public loans and small savings certificates or deposits. So long as the total savings transferred are adequate, it is a matter of comparative indifference whether they take the form of subscriptions to loans or of small savings or are held in the form of currency created by the State. The first essential point, then, is whether private savings can be expected to be larger than the requirements for private investment by the amount that is needed by the State. Sufficiency of private savings in this sense can be postulated only if the necessary overall constraints on consumption are operative. In other words, the smaller the proportion of public savings available directly to the state in the form of surplus tax receipts or profits of public enterprises, the greater is the need for other measures or techniques for keeping down consumption within the desired limit.

16. If measures for increasing the overall rate of savings in the economy to the desired extent are not taken, any attempt on the part of the State to appropriate for itself resources on the scale envisaged here will inevitably lead to inflationary pressures - for these latter are only a symptom of the shortage of savings in relation to the competing claims from the different sectors of the economy. It must be emphasised in this context that the control of inflationary pressures and the maintenance of public confidence in the stability of the currency are prime requisites of successful policy for mobilising savings. The contrast between the experience of the earlier and later years of the first plan in the matter of response to government loans is sufficient indication of the fact that public loans and small savings succeed best in an atmosphere of financial stability when the avenues for speculative

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investment are few and the outlook as to the value of money is considered favourable.

Deficit Financing

17. This brings us to the question of the scope and limits of deficit financing. We should like first of all to make a few observations on the concept of deficit financing. The term deficit financing can be used in different senses. In some countries, all borrowings of Government - long-term as well as short-term - are reckoned as deficit financing. In India the practice has been to exclude the receipts from Government's long-term borrowings from deficit financing. In the first plan report it was stated that the essence of deficit financing was government spending in excess of government receipts in the shape of taxes, earnings from state enterprises, loans from the public, deposits and funds and other miscellaneous sources. This definition is based on two underlying principles. Firstly, it stresses the fact that a deficit must be judged not merely in terms of revenue account but must take into account all transactions on revenue as well as on capital account and of both the Centre and the States. Secondly, in defining what type of financing constitutes deficit financing the criterion should, by and large, be whether or not the transaction in question tends to increase money supply. The first of these two principles is clearly unexceptionable. The second raises the question whether it is possible to infer directly and in any precise way the impact of a particular type of budgetary operation on monetary circulation merely in terms of the type of operation. Withdrawals from cash balances and increases in floating debt normally tend to increase money supply and are as such recognised as part of deficit financing. But, in regard to the latter, it could be asked if all short-term borrowing necessarily leads to an increase in money supply, or whether, one ought not to distinguish between short-term borrowing from the central bank, from the commercial banks and from the public at large. There is, in principle, a case for such distinctions - both in the case of short-term and long-term borrowing by government. In so far as government expenditure is financed by central bank credit, there is a direct increase in currency in circulation. Purchase of government securities by commercial banks is also not on par with the purchase of these securities

by the public directly. While the monetary impact of government's borrowings will differ according to type of subscriber, it would clearly be impracticable to record government's borrowings operations on this basis. Nor does the ownership of public debt remain with the same persons or institutions that bought it to begin with. This is an area in which fiscal policy of Government and the monetary policy of the central bank get intermingled and it is difficult to isolate the impact of one from that of the other. The only practical course is to adopt a convenient convention which under prevailing practices gives as near an approximation to the purpose in hand as possible. In India, where the normal practice is not to rely on the central bank for subscription to new issues of long-term securities and where short-term debt of the government is largely held by the central bank, the present practice of defining a deficit in terms of withdrawals of cash balances and net increases in floating debt gives, on the whole, a reasonably reliable indication of the impact of the budget on the money supply. We should, however, emphasize the point that there is no substitute for a close analysis, in a given context, of all relevant budgetary, monetary and foreign exchange transactions. Indeed, the significance of a given increase in money supply has itself to be assessed with reference to a number of other circumstances.

18. We may mention as an illustration the treatment in the first plan report of sales of securities by the central and state governments from their cash balance investment accounts. These transactions were then regarded as deficit financing. The underlying assumption was that in the circumstances of the time such sales would in effect have to be absorbed by the Reserve Bank. This has not happened in fact, with the result that the sales of old securities have not resulted in an increase in money supply. Thus, whereas on one assumption sale of securities from reserves is tantamount to deficit financing, it will have the same effect as borrowing from the public in another situation. Whether one includes the sale of securities from reserves in deficit financing or not, it is clear that in judging the effect of such sales on money supply it will be necessary to bear in mind other related data such as the change in the holdings of securities by the central bank.

19. The point is that there is no single definition of deficit financing which may be regarded as satisfactory from all points of view. If the intention is to measure the income deficit of government and

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to indicate to what extent government has to draw upon private savings, then evidently the shortfall in public savings as compared to public investment is the appropriate measure and all forms of borrowing minus the net surplus on current account could be regarded as deficit financing. This would, however, not necessarily indicate the inflationary potential of the budget, and whether to use the term deficit financing or not in this context is a matter of taste or convention. In the last analysis whether or to what extent a particular mode of financing will be inflationary is a matter of analysis taking into account the entire trend of money and income flows in the economy.

20. Coming to an assessment of the likely reactions of the proposed deficit financing in the plan, it may be noted that against the deficit financing of Rs.1200 crores, we must set off the drawing down of sterling balances by Rs. 200 crores. The remaining deficit of Rs. 1000 crores represents the net addition to currency in response to the government's budgetary operations. This may be expected to result in a secondary expansion of credit by banks. The ability of banks to create such credit is limited by the fact that the people in India have a distinct preference for holding currency rather than bank money, so that an initial accretion to the cash held by banks permits a relatively small increase in bank credit. If we assume that the ratio between currency in circulation and deposit money remains unaltered money supply would show something like a 66 per cent increase over the plan period. National income over this period is expected to increase by 25 per cent and we may assume that an increase of the same order in money supply would in any case be safe. Some allowance must also be made for the increased monetisation of the economy and for the increased demand for cash as levels of living improve and the convenience of holding cash comes within the reach of a larger proportion of the people. Even so, the expansion of money supply of the order mentioned cannot but be regarded as the outside limit.

21. Deficit financing will augment the ability of banks to extend credit to the private sector. Such expansion will be needed and will have beneficial results upto a point. Care will, however, have to be taken to prevent excessive credit expansion which may react adversely on prices and to ensure that credit does not flow into speculation to the detriment of productive activity. The Reserve Bank has wide powers of supervision and control over commercial banks. It can vary its own accommodation to the banks and can issue directives to them under certain circumstances. Quantitative as well as

qualitative controls on credit, including variations from time to time in the relationship to be maintained between the liabilities of banks and their reserves, should, we suggest, be regarded as an important accompaniment to the scheme of deficit financing we have recommended. Judicious and flexible credit policy and the use of various techniques which have developed recently in the sphere of selective credit control hold promise of balancing the expansionary risks which deficit financing inevitably involves. Central banking policy along these lines can and has to play a vital role in steering the economy on an even course.

22. We have had occasion in an earlier chapter to mention some of the safeguards that can be adopted against the adverse consequences of deficit financing, and they need no more than a brief mention here. A major safeguard is building up of sufficiently large stocks of foodgrains in order to counteract inflationary pressures that may emerge from time to time. No amount of prudence in financial management can by itself eliminate completely the risk of inflation in any economy attempting to develop rapidly. The best defence against inflation is, in a sense, to keep clear of it, but a policy of "playing safe" is not always conducive to development. A measure of risk has to be undertaken, and the most effective insurance against this risk is command over reserve stocks of food-grains - and a few other essential commodities - which can be used to augment the supplies in the market as and **when necessary**. Prices of food and cloth occupy a strategic position in the Indian economy. So long as these can be maintained at reasonable levels, the cost of living of the large bulk of the population can be kept under control. Increases in prices of other commodities would be a matter of comparative unimportance, although any excessive rise in prices anywhere in the system does carry the danger of a drawing away of resources into low-priority uses. Corrective action can, however, take care of such a situation. A further defence against inflation is discriminating but prompt use of the instrument of taxation to prevent excessive increases in consumption in certain lines and to mop up the **excess** profits or windfall gains that deficit financing tends to generate. Finally, physical controls, including rationing and allocations, can be used to prevent consumption from increasing beyond a

particular level and for economising scarce materials or scarce productive resources. But experience of the past suggests that physical controls, especially on essential and staple consumer goods, are not a device that can be relied upon to function effectively or equitably for any great length of time. This makes it all the more necessary to utilise to the full all the other available safeguards and correctives, for a curtailment of the plan itself **can**, in the nature of things, be thought of only in a situation of extreme difficulty.

#### Resources of State Governments

23. So far we have considered the resources position of the Central and State governments in the aggregate as against the total plan of Rs. 4800 crores. We may now analyse separately the resources position of State Governments. Appendix I at the end of this chapter sets forth the relevant data, and the following table presents in summary form the contribution Part A and Part B States are expected to make towards the financing of their plans:

#### Financial resources of Part A and Part B States

	<u>1950-61</u> (Rs. crores)		
	<u>Part A</u> <u>States</u>	<u>Part B</u> <u>States</u>	<u>Total</u>
<u>Size of the Plan.</u>	1567.5	535.3	2102.8
<u>Resources on Revenue Account</u>	312.3	24.4	336.7
Balance from the revenue account at existing rates of taxation.	115.3	(-) 17.5	97.8
Additional taxation	172.0	44.0	216.0
Share of additional taxation at the Centre.	49.1	8.1	57.2
Interest charges on loans from the public * (-)	24.1	(-) 10.2	(-) 34.3
<u>Resources on capital account</u>	392.3	125.1	517.4
Contribution from capital account.	7.8	(-) 4.2	3.6
Loans from the public (gross)	210.0	90.0	300.0
Share of small savings.	158.5	21.5	180.0
Liquidation of securities held in reserve	15.0	16.3	31.3
Other miscellaneous sources	1.0	1.5	2.5
<u>Total Resources on Revenue and Capital Accounts.</u>	704.6	149.5	854.1
Gap in Resources	862.9	385.8	1248.7

It will be seen that the balance which these States can make available from their resources at existing rates of taxation is below Rs. 100 crores. Their share of additional taxation against the total of Rs. 225 crores for all States works out at Rs. 216 crores. The States should get about Rs. 57 crores as their share from the additional taxation to be raised at the Centre. Making allowance for debt charges in respect of loans raised from the public, the revenue resources of Part A and Part B States aggregate to Rs. 337 crores. The target for new loans to be raised by State Governments in the second plan period has been placed at Rs. 300 crores as against the total borrowing programme of Rs. 700 crores for the centre and states together. The state governments expect to receive as their share of small savings about Rs. 180 crores. Liquidation of securities held in reserves may bring in another Rs. 31 crores. Taking into account other contributions from capital account, the total of State's resources on capital account works out at Rs. 517 crores. Taking the revenue and capital accounts together, Part A and B States are thus expected to find about Rs. 854 crores as against their total plan of over Rs. 2100 crores.

24. The plans of Part C States are estimated to involve an expenditure of Rs. 125 crores. The resources of Part C States for meeting these expenditures are negligible and in fact the centre has to finance even gaps on revenue account in respect of a few of them. Measures for additional taxation amounting to Rs. 9 crores over the five year period have been suggested for Part C States, but the overall position is that the Centre has to finance the entire plans of these States.

25. It is thus apparent that the resources of all the States taken together fall far short of their requirements - by as much as 60 per cent of the total. In the circumstance, large transfers of resources from the Centre to the States are inevitable. It has to be remembered at the same time that the Centre's own resources are limited and if a plan of the dimension envisaged has to be



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implemented in full, it will be necessary for the State Governments to contribute their utmost by way of resources for the plan.

26. The target of Rs. 225 crores of additional taxation to be raised by State Governments has been determined on the basis of detailed discussions with them and an assesment of the likely yield of the various measures recommended by the Taxation Enquiry Commission. The measures in view include land revenue surcharges, increases in rates and extension of territorial coverage of agricultural income tax, more extensive adoption of property taxes and taxes on transfer of property by local bodies, a widening of the coverage and in due course an increase in rates of sales tax, etc. So far as the Centre is concerned, some of the recommendations of the Taxation Enquiry Commission were implemented in the budget for 1955-56. The yield from these measures has been taken into account in estimating the resources available for the plan at existing rates of taxation. The Central Budget for 1956-57 contains proposals which are expected to yield an additional annual revenue of approximately Rs. 35 crores. A substantial step has thus been taken towards realising the present target of Rs. 225 crores of taxation by the Centre over the **five year period.** That target, as we indicate later, needs to be raised. But, we should like in this context to reiterate the importance of early action on the part of States to obtain the additional tax resources of Rs. 225 crores which they are expected to find. Details have been worked out with State Governments for raising Rs. 166 crores or so of this total of Rs. 225 crores, and discussions with some of the State are proceeding. A tentative breakdown of the tax measures to be adopted for raising Rs. 225 crores of additional taxation by States is as follows:

	(Rs. crores)
Land revenue	37.0
Agricultural income tax	12.0
Betterment levy	16.0
Irrigation rates.	11.0
Sales tax.	112.0
Electricity duty.	6.0
Motor vehicles tax )	
Stamp duties and court)	14.0
fees etc. (	
Other (mainly local property taxes)	17.0
Total:	<u>225.0</u>

It will be seen that what is envisaged is a little more effort along existing lines rather than any far-reaching innovations in the sphere of State taxation.

27. Reference has been made earlier to the specific need for augmenting public revenues so as to secure, on net, a surplus which could be utilised for capital formation. The least that is necessary is, obviously, that each public authority should balance its revenue account. There is undoubtedly scope for some transfer of items of expenditure from the revenue to the capital account; also the present practices in regard to this classification are not uniform in all the States. This aspect of the question is being looked into. Once an agreed classification of revenue and capital items has been worked out, revenue resources must be found by each taxing authority to meet its recurrent needs. The Finance Commission appointed at the end of every five years under the Constitution recommends such transfers of resources from the Centre to the States as it deems fit in view of all the circumstances. Given this award, large or continuing deficits in revenue budgets are clearly indefensible either on principle or on any practical grounds.

#### The Role of Public Savings in a Developing Economy.

28. An important conclusion that emerges from the above review of the financial resources of the centre and states vis-a-vis the requirements of the plan is that an enlargement of the savings of public authorities is urgently necessary if the state is to discharge effectively the new and growing responsibilities it is being called upon to shoulder. When the role of the State is to supply entrepreneurship and management over a wide field, this must carry with it the corresponding capacity to find the finances needed. One of the basic weaknesses of the present situation is that the state

has very little resources of its own by way of surpluses it can utilise for investment, and it has, therefore, to depend upon whatever transfer of private savings it can bring about through its borrowing programmes or through deficit financing. Over the first plan period, the total volume of public savings raised by the centre and states for financing their investment (as distinct from development programmes) appears to have been around Rs.250 crores. A large part of these public savings became available in the first two years of the plan when export duties yielded large amounts. In the second plan period, as shown earlier, the contribution of taxation, present and additional, to the financing of the plan is, in fact, somewhat less than is required to meet the current expenditure of Rs.1000 crores. This, we should like to emphasize, is a limitation on the state's capacity to push through a big programme of investment.

29. Over a period, a substantial increase in the tax resources of the centre and states is necessary. As is well known, the proportion of tax revenues to national income in India is around 7.5 per cent which is much lower than the share of the public exchequer not only in countries like the U.K. and U.S.A. but also in certain relatively underdeveloped countries. The Taxation Enquiry Commission has drawn attention to the fact that this proportion has remained practically unchanged over several years, and that a widening and deepening of the tax structure is called for if the various demands of a welfare state are to be adequately met. Considering the financial requirements of the second plan-which are considerably larger than were assumed by the Taxation Enquiry Commission-and the dangers of deficit financing-or, in the alternative, any cutback in plan expenditures-we recommend that the possibilities of a stepping up of the target of additional tax resources substantially within this plan period be investigated fully and the goal set at covering by taxation or from state trading, suitable fiscal monopolies and profits of public enterprises-the uncovered gap of Rs.400 crores which remains in the scheme of financing that has so far been envisaged. Considering the needs of the plan on the one hand and the degree of reliance that is being placed on borrowings and deficit financing, the conclusion is inescapable that the target for additional taxation has to be raised from the present total of Rs.450 crores to around Rs.850 crores. This will reduce the dangers of any serious inflationary situation developing and will represent a step in the right direction from the more long-range point of view of strengthening the investment potential of the public sector.

30. The lines along which this further effort may be made will have to be examined carefully. In an earlier chapter, mention has been made of some of these, such,

as, a tax on wealth, a gifts tax and a widening of the concept of income so as to include in it capital gains. Reference has also been made to the suggestion that the basis of personal taxation be shifted, at least for the higher income groups, from income to expenditure. The reform and strengthening of the tax system along these lines may open out possibilities not only of augmenting public revenues but of closing some of the loopholes in the present system which offer scope for tax evasion. Such evasion cannot always be stopped by a mere tightening of administration; it may require a modification of the very basis and procedures of assessment. It must be recognised, of course, that taxation has its limits, and this means in turn that it has to be supplemented by institutional arrangements which bring directly into the public exchequer the surpluses which accrue from the sale of goods and services to the public. It is through devices of this type, that is, through appropriate pricing policies in respect of the products of public enterprises and through state trading or fiscal monopolies in selected lines that some of the underdeveloped countries with levels of living not much higher than those in India are raising the resources required for their developmental effort. An essential corollary-if not a prerequisite-of a growing socialist pattern of society is a corresponding growth in what we have called public savings.

31. Finally, it must be mentioned that the carrying through of substantial investment programmes in the public sector implies the exercise of the greatest degree of economy in both plan and non-plan expenditures. Certain increases in non-plan items may be unavoidable, but the temptation to undertake developmental schemes outside the plan has to be strongly resisted. Here too, there may be unforeseen needs, but the necessary adjustments have to be made through annual plans within the framework of the five year plan. The concept of economy in this context is not the limited one of pruning expenditures; attempts at mere pruning, as experience has shown, rarely bear much fruit. What is required is meticulous care in the use of resources, especially of scarce resources like cement and steel, and the optimum utilisation of available manpower and materials in all projects so as to bring them into early fruition. It is in this light that the Economy Committee, the setting up of which has been announced in the Budget speech of the Finance Minister, has to pursue its task.

IV Investment in the Private Sector.

32. In addition to the investment programme of Rs.3800 crores in the public sector, the requirements by way of investment in the private sector are estimated at Rs.2400 crores. The broad break-up of these requirements has been given in Chapter III. The question arises whether the resources available to the private sector would be adequate to finance investment of this order, after making allowance for the resources claimed by the State. In one sense, the answer to this question is already implied in the assumption that aggregate savings on the scale required to finance the total investment in the economy would be forthcoming. The problem, as stated earlier, is to see that domestic savings rise from about 7 per cent of national income at the beginning of the second plan period to some 10 per cent by the end of the period. This rate of domestic savings would be adequate if external resources of the order of Rs.1100 crores become available over the five year period. The stepping up of domestic savings as envisaged does not seem to be an excessive one. It implies a saving rate of about a little over 20 per cent, in a sense, therefore, the answer to the question posed in this paragraph is in the affirmative.

33. It is important, however, to stress the point that this overall equality between projected investment and postulated savings is not a complete answer. Operationally, the problem is to ensure that the investments undertaken can be seen through without an excessive strain on the economy through price rises and similar distortions, and the issue is essentially one of the adequacy of instruments or policies for getting the desired result. It is virtually impossible to know in advance whether the necessary savings would be forthcoming nor is it easy to predict where any shortage of savings would impinge. It can be argued that since the investment programmes in the public sector depend to a large extent on borrowings from the private sector, the impact of any shortage in savings will probably fall mainly on the public rather than on the private sector. On the other hand, the public sector has certain advantages in the matter of getting access to scarce resources. It is also not true that the savings of the private sector emerge at precisely the points at which private investment is to take place. Very much, therefore, depends upon the relative efficiency of the two sectors in getting at the savings where they emerge. This fact highlights the need for suitable fiscal and

other policies to ensure an overall sufficiency of savings and for safeguarding to the extent possible the priority programmes of investment in the private sector, should need arise, through special measures of assistance.

34. It is difficult to indicate for the private sector the sources of savings in any detail, as only a small part of the total savings utilised in that sector passes through institutional agencies. A large part of the investment in agriculture, trade, construction and small scale industries is financed by direct savings, that is, the savings of self-employed persons or their friends and relatives. In this part of the private sector, any shortage of resources gets reflected directly in a failure to invest. Financial or credit assistance through institutional agencies for investment in these fields is still in its very early stages, and can be stepped progressively only as cooperative organisations develop. Estimates of the sources of funds for investment in the organised sector of private industry can be made, though inevitably, on certain broad assumptions. The scheme for financing such investment is shown in Chapter XIX. The State can assist in the fulfilment of the programmes in this sector partly by cutting out undesirable investment-through capital issues control, control over exports and imports and licensing; partly through tax adjustments and concessions and partly through selective financial assistance through the various corporations which have been set up for the purpose. The progress of investment in the private sector has to be constantly watched even as that in the public sector and the necessary adjustments in policy have to be made from time to time. Broadly speaking, it would appear that considering the fairly high rates of investment already achieved in organised industries and the buoyant conditions in the capital market, it should not be difficult for them to raise the resources needed for fixed investment. As regards working capital, there should be even less difficulty in view of the deficit financing proposed in the plan, in consequence of which banks would be in a position to extend short-term credit sufficiently. The problem, in fact, might well be to check an excessive expansion of bank credit. Nevertheless, the accent of credit policy will have to be to prevent too much credit being used for speculative purposes to the detriment consequentially, of genuine investment.

Foreign Exchange Resources for the Plan

35. We now turn to the problem of foreign exchange resources for the plan. It is to be expected that the second five Year Plan with the substantial stepping up of aggregate investment that it envisages and its stress on industrialisation will involve a heavy strain on foreign exchange resources. Estimates of foreign exchange earnings and requirements over a period of five years cannot be made with any great precision. There are many uncertainties in the situation. Several of India's important export commodities, such as tea, jute goods and manganese ore are subject to sharp fluctuations in demand, and a relatively small adverse turn in the monsoon is apt to necessitate substantial imports of foodgrains and raw materials. Again, the terms of trade change from time to time. Even a ten per cent deterioration in these can make a difference of Rs. 60 to 80 crores to the payments position in a single year. The annual phasing of import requirements presents special difficulties, for this depends not merely on the requirements of the development programme but also on the availability of machinery or key materials like steel from abroad. These uncertainties notwithstanding, it is essential to form a view of the likely trends in the balance of payments and to assess the adequacy of foreign exchange resources in the light both of earnings and of expenditure.

36. The difficulties that are inevitably involved in forecasting foreign exchange requirements and earnings over a period of five years are amply illustrated by the experience of the first plan. When that plan was formulated (i.e. in December, 1952) it was estimated that there might well be a deficit in the balance of payments of the order of Rs. 180-200 crores per year during the remainder of the plan period. In the event, however, the total deficit on current account for the five year period as a whole has been of the order of only Rs. 50 crores or so - the large deficit of Rs. 142 crores in 1951-52 and the small deficit of Rs. 9 crores in 1954-55 being partially offset by surpluses in the remaining years. One of the main reasons for this favourable outcome has been the rapidity with which food imports could be brought down because of a large increase in domestic production. Imports of machinery have also been lower than was anticipated in the first plan report, whereas the terms of trade have been more favourable on average.

37. The following table sets forth the estimated balance of payments position for the second plan period:

INDIA'S BALANCE OF PAYMENTS ON CURRENT ACCOUNT  
(1956-57 to 1960-61)

	(Rs. crores)						
	1956-57	1957-58	1958-59	1959-60	1960-61	Average for 5 years ending 1960-61	Total of 5 years ending 1960-61
1. Exports (f.o.b.)	566	571	577	580	588	576	2880
2. Imports (c.i.f.)	770	869	970	878	740	846	4230
3. Trade balance (1-2)	-204	-298	-393	-298	-152	-270	-1350
4. Invisibles (excluding official donations)	+62	+55	+51	+46	+41	+51	+255
5. Total current account balance (3.+ 4)	-142	-243	-342	-252	-111	-219	-1095

Over the five years, the aggregate deficit on current account is estimated at about Rs. 1100 crores. The phasing of exports and imports given in the table above is necessarily very rough. But, it will be seen that a large part of the deficit is expected to occur in the second and third years of the plan. The "hump" in the middle of the plan period is accounted for by the fact that imports of steel, machinery and equipment anticipated in the earlier years of the plan reach a peak about the time the plan is half-way through. The construction of the new steel plants and a large part of the expansion and re-equipment of the railways have to be completed before the last year of the plan. As these and other programmes get completed, the strain on the balance of payments will diminish.

38. The general picture that emerges is that while exports will rise moderately from an estimated level of Rs. 566 crores in 1956-57 to about Rs. 588 crores in 1960-61, imports will rise substantially over the first four years, resulting in a negative balance of about Rs. 1350 crores over the plan period - or Rs. 270 crores a year on an average. After allowing for the surplus on invisibles, the deficit on current account works out to a total of about

-/-



Rs. 1100 crores - or Rs. 220 crores a year. Net receipts by way of "official donations" (i.e. grants from other countries) are, it may be mentioned, left out of account here as they represent part of the foreign resources which the country needs.

39. Before turning to the details of the expected level of exports, imports and invisible earnings, it is important to underline two assumptions on which the estimates given here are based; (a) that the terms of trade in the next five years will remain, on an average, the same as they have been in 1955-56 (first nine months), and (b) that inflationary pressures will be held firmly under control. The terms of trade index (with 1952-53=100) stood at about 100 in the first nine months of 1955-56 as against 133 in 1951-52 when the Korean boom was at its height and 110 in 1954-55. These figures are meant to give a rough indication of the comparative significance of the particular terms of trade we have chosen as the basis of our calculations. The second assumption is one that underlies all our calculations of savings, investment and financial resources for the second plan, but it is relevant to emphasize this fact in the present context. The balance of payments is particularly sensitive to inflationary pressures. Rising domestic prices create new demands for imports and come in the way of exports. While commercial policy can mitigate these adverse repercussions for a time, there is no doubt that the corroding effect of sharp or continued inflation within the economy cannot long be prevented from making itself felt in the country's balance of payments position. In the interest of domestic economic stability as well as of a healthy balance of payments position, effective control of inflationary pressures is a prime necessity.

#### Exports

40. The following table gives the expected earnings from major exports over the second plan period as compared to those in 1954 and 1955:-

(Rs. crores)

	<u>Merchandise Exports</u>				
	1954	1955	Last year of plan 1960-61	Annual average second plan.	Five years total 1956-61
1. Tea	131	112	133	127	635
2. Jute yarn and manufactures	122	126	118	122	610
3. Cotton yarn and manufactures	72	63	84	75	375
4. Oils (excluding mineral oils)	11	39	24	22	110
					-/-

	1954	1955	Last year of plan 1960-61	Annual average second Plan	Five year total 1956-61
5. Tobacco	12	11	13	12	60
6. Hides, skins and leather (raw, tanned and dressed)	29	27	19	24	120
7. Cotton raw and waste	19	35	20	22	110
8. Metallic ores and scrap iron and steel	23	20	25	21	105
9. Coal and coke	6	4	3	5	25
10. Chemicals, drugs and medicines	5	4	5	5	25
11. Cutlery, hardware, vehicles, electrical parts and apparatus, machinery.	3	4	4	4	20
12. Others	130	151	140	137	685
Total:	563	595	588	576	2880

The estimates for the plan period are in terms of prices prevailing in 1955-56 (first nine months) whereas the data for 1954 and 1955 are in terms of prices then current. It will be seen that the average level of export earnings in the second plan period is expected to be somewhat higher than in 1954. If allowance is made for the fact that export prices in 1954 were roughly 5 per cent higher than those assumed by us for the plan period, export earnings over the period of the plan can be said to show fair improvement over 1954. As compared to 1955, however, the average level of exports in the plan period is lower. This is mainly because the exports of oils and cotton in 1955 were unusually high and cannot be expected to continue at that level. The fact remains, on the whole, that the increase in exports that we envisage is small. India's export earnings are derived from a few commodities, three of them, viz. tea, jute manufactures and cotton piece-goods, accounting for one-half of the total. This limits the scope for any substantial increase in exports in the short run. Moreover, some of India's exports like jute and cotton manufactures are meeting increasing competition, and the domestic requirements of raw materials are growing.

41. Tea exports have suffered a serious setback in 1955. Exports in that year amounted to some 370 million lbs. as compared to 450 million lbs. in 1954. These exports are, however, expected to recover in the course of the second plan period, and may reach a level of 470 million lbs. by 1960-61. The average annual rate of exports over the plan period may work out at 450 million lbs.

42. Exports of jute manufactures in 1954 amounted to 841,000 tons. In 1955 they rose to 893,000 tons. Since competition from other jute manufacturing countries is likely to be felt increasingly over the coming years, it does not seem advisable to count on average exports of more than say 875,000 tons per year during the second plan period.

43. Exports of cotton piece-goods - mill made and handloom - amounted to 867 million yards in 1954. They declined to 747 million yards in 1955. These exports are expected to rise progressively during the plan period, reaching a level of 1000 million yards by 1960-61. Cotton textiles is one of the oldest industries in the country and it would be natural to expect it to play an increasing role as a foreign exchange earner. On the other hand, the domestic demand for textiles is rising. It is important, therefore, that every effort should be made to maintain and improve the competitive position of the industry. Efforts should also be made to increase the exports of handloom products. The target of 1000 million yards is, in reality, a modest one ; and should, if possible, be exceeded.

44. Earnings from non-mineral oils are accounted for almost wholly by non-essential vegetable oils. The exports of these oils increased sharply from 16.8 million gallons in 1954 to 75.7 million gallons in 1955. Production of oilseeds is expected to increase considerably during the second plan period. It would, therefore, be reasonable to expect that although the 1955 level is not likely to be maintained, exports of non-essential oils will average significantly above the 1954 level.

45. The increased export earnings under "metallic ores and scrap" are expected to arise mainly from larger exports of iron ore. Domestic production of iron ore is expected to rise from 4.3 million tons in 1954-55 to 12.5 million tons in 1960-61 and domestic consumption from about 3 million tons to 10.5 million tons. Moreover, foreign demand for the ore is strong. Exports of iron ore may thus be expected to increase, and may reach a level of about 2 million tons by the last year of the plan, as compared with exports of around 1 million tons in recent years.

46. No comment seems necessary on other exports which consist of a large number of miscellaneous commodities. They are assumed to bring in about the same level of earnings as at present. Mention may, however, be made of the export possibilities for some of the new industries which have developed in recent years. The hope was expressed in the first plan that new lines of export, particularly in the light engineering field, e.g. sewing machines, electric fans, cycles, etc. will assume increasing importance as the economy gets diversified. These exports have not yet reached a level where their earnings could be regarded as quantitatively significant. It will be some time before these new industries establish themselves firmly and secure sizeable export markets. While every effort has to be made to promote exports of new items, it is essential in the immediate future to pay special attention to the development and diversification of markets for India's major exports.

Imports

47. The following table shows the estimated level of imports required in the second plan period:

(Rs. crores)

	<u>Merchandise Imports</u>				
	1954	1955	Last year of plan 1960-61.	Annual average second plan.	Five year total, 1956-61
1. Machinery (including vehicles)	121	159	245	280	1400
2. Iron and steel	27	50	30	94	470
3. Other metals	24	25	38	34	170
4. Grains, pulses and flour	49	35	41	58	290
5. Sugar	31	20	nil	3	15
6. Oils	94	63	90	82	410
7. Chemicals, drugs and medicines	31	34	33	32	160
8. Dyes and colours	19	18	15	17	85
9. Paper and paste- board	13	14	10	11	55
10. Cutlery, hardware, electrical goods and apparatus	28	36	29	29	145
11. Raw cotton	58	54	58	58	290
12. Raw jute	12	17	16	16	80
13. Others	113	130	135	132	660
Total	620	655	740	846	4230

It will be seen that the bulk of the additional imports relate to machinery (including vehicles), iron and steel and other metals. Of the total machinery imports estimated at Rs. 1400 crores over the plan period, the requirements of the public sector will take up about Rs. 950 crores : Rs. 425 crores for transport and communications (Rs. 290 crores being for the railways alone) Rs. 280 crores for industries and minerals (of which Rs. 134 crores is for the steel plants), Rs. 170 crores for irrigation and power schemes, and about Rs. 75 crores for other governmental requirements. Imports of machinery and vehicles needed by the private sector for purposes of expansion, modernisation and replacement are estimated at Rs. 450 crores over the second plan period. The total requirements of Rs. 1400 crores for imports of machinery and vehicles reflect the emphasis in the plan on the development of basic industries. This emphasis, while it strains the balance of payments position in the short run, is calculated in the long run to strengthen the country's external accounts as well as its investment potential.

48. Imports of metals, and especially of iron and steel, are expected to be on a greatly expanded scale during the second plan period. Iron and steel imports increased from 3½ lakhs tons in 1954 to nearly 7 lakh tons in 1955; they are expected to total 65 lakhs tons over the plan period, practically all the imports coming in the first four years. Requirements of non-ferrous metals such as aluminium and copper will also increase materially. Taken together, imports of iron and steel and other metals are estimated to amount to a total of Rs. 640 crores over the plan period. This works out at an average rate of Rs. 128 crores a year, as compared to the imports of Rs. 75 crores in 1955.

49. In regard to foodgrains, total imports of 6 million tons over the plan period have been allowed for. Imports of foodgrains have declined in the last two years. They amounted to 850,000 tons in 1954 and 760,000 tons in 1955. With increasing population and rising incomes, the consumption of foodgrains is certain to go up in the coming years. The stocks held at present by Government are very low, and they need to be replenished early. Considering these facts, imports aggregating to about six million tons in the plan period would appear to be essential, and a substantial proportion of this total will have to be imported in the first half of the period. In the case of sugar it is assumed that, in view of the large increase in domestic production that is envisaged, import requirements will be negligible during the plan period.

50. The bulk of the country's total imports of oils consists of mineral oils. It is expected that with the third oil refinery going into production, practically all the requirements of motor spirit will be met from domestic production, imports of motor spirit being replaced by crude petroleum. Aviation spirit, kerosene oil and other mineral oils will, however, have to be imported in substantial quantities. Taking account of all these factors, it is estimated that the average rate of imports of oils during the plan period will be about Rs.82 crores per year, which is below the level of imports in 1954 but above that in 1955.

51. Despite increased domestic requirements, the average rate of imports of chemicals, drugs and medicines during the second plan period is expected to be virtually the same as in 1954 and 1955. This is because substantial increases in the domestic production of chemicals, especially caustic soda and soda ash, are envisaged in the plan. Thus, while there will be material savings in the imports of caustic soda and soda ash, imports of other chemicals will go up. Imports of dyes and colours are expected to be smaller on an average than at present owing to the substantial increase envisaged in domestic production. Similarly, some saving in imports is expected because of the increased domestic production of newsprint and other paper.

52. Imports of cutlery, hardware and electrical goods and apparatus should normally increase in response to the improvement in the level of living in the country. Part of the increased demands will be met from additional domestic production. For demands above this level, it is assumed, in view of the over-all shortage of foreign exchange resources, that policy will

be directed to preventing any material increase in these imports.

53. Imports of raw cotton declined from 123,000 tons in 1954 to 106,000 tons in 1955, and raw jute imports increased from 217,000 tons in 1954 to 248,000 tons in 1955. We have assumed that on an average the imports of raw cotton and of raw jute would run at about the same rate as in 1954-55.

#### Invisibles

54. On invisible transactions (excluding official donations) there was a surplus in 1954 of Rs.73 crores, and in 1955 of Rs.72 crores. During the second plan period this surplus is expected to average about Rs.51 crores a year. Over the five year period the total surplus on invisibles is thus estimated at Rs.255 crores. A substantial fall in receipts of investment income is expected in view of the anticipated reduction in official holdings of foreign assets (sterling balances). At the same time, payments of interest and dividends abroad will rise appreciably because of increases in private business investment as well as in official borrowings. Compared to 1954-55, net payments of investment income are estimated to be higher by about Rs.20 crores on an average per year during the plan period. On other items such as foreign travel, transportation and private donations, no significant changes in net receipts are expected.

#### The Deficit

55. To sum up, on current account, the total deficit over the five years is likely to amount to Rs.1100 crores. On capital account, amortisation payments on the U.S. wheat loan and I.B.R.D. loans would amount to Rs.4 to 5 crores per year. Some of the new loans contracted or credits obtained during the plan will also entail some repayments. As against these, the repayment of loans made to other governments by India and the payment on account of sterling pensions by the U.K. Government will bring in some Rs.42 crores. On balance, these transactions are expected to have little effect on the payments position. It follows, then, that the current account deficit must be balanced by other transactions on capital account, that is, by external assistance in the form of loans or grants, net inflows of private foreign capital and withdrawals from the accumulated sterling balances.

56. The extent to which sterling balances could be safely drawn down must be judged in relation to the fluctuations to which the balance of payments is

normally subject. Foreign exchange reserves are required essentially to enable the country to tide over temporary balance of payments difficulties. If the reasonable level of such reserves be taken at some six or seven months' imports, Rs.200 crores or so of the sterling balances to India's credit could safely be utilised to meet part of the foreign exchange requirements of the plan. It will be recalled that the first plan report envisaged a withdrawal of Rs.290 crores from sterling balances over the first plan period. It was then felt that a reduction in sterling assets of that order would bring foreign exchange reserves to a normal level. The sterling balances of the country have declined by about Rs.140 crores over the first plan period. In recommending a further draft of Rs.200 crores over the second plan period, we are in fact suggesting that the normal level of reserves can be taken as lower than what was envisaged in the first plan report. India has repurchased its currency from the International Monetary Fund in the last two years, and is again in a position to draw upon the Fund which is a supplementary line of reserve in case of need.

57. Credit may also be taken for a net inflow of private capital of about Rs.100 crores over the plan period. During the 5½ years ending December, 1953 private foreign investment in the country increased by Rs.132 crores, of which some Rs.60 to 70 crores represented the reinvestment of profits earned within the country. The net inflow of private capital during the period thus works out at about Rs.70 crores. For the second plan period, we may assume a net inflow of private foreign capital of the order of Rs.100 crores.

58. After taking credit for the withdrawal from the sterling balances and the inflow of private foreign capital as indicated above, there remains a gap in foreign exchange resources to the extent of Rs.800 crores. This gap can only be filled by external assistance - in loans and grants - from international agencies and on a Government to Government basis.

59. India is receiving external assistance at present from a number of countries and the World Bank. Over the period of the first plan, a total of Rs.298 crores of external assistance was made available



to India. Of this about Rs.204 crores is estimated to have been utilized in the first plan period. The details of the aid authorised and utilised during the first plan period and the balance available for utilization in the second plan from the aid already authorised are indicated in the following table :-

(Rs. crores)

	Authorisa- tions	Loan or Grant	Amount expect- ed to be uti- lised upto 1955-56	Balance availa- ble for utiliza- tion in the second plan.
<u>U.S.A.</u>				
Wheat Loan.	90.3	Loan	90.3	-
Indo-U.S.Aid Programme	102.5	Grant	70.5	32.0
	39.3	Loan	7.0	32.3
<u>I.B.R.D.</u>	12.0	Loan	8.5	3.5
<u>COLOMBO PLAN</u>				
Australia	10.5	Grant	5.3	5.2
Canada.	35.6	Grant	19.5	16.2
New Zealand.	1.2	Grant	0.3	0.9
U.K.	0.5	Grant	0.3	0.2
<u>Ford Foundation</u>	5.4	Grant	2.0	3.4
<u>Norway</u>	0.3	Grant	0.2	0.1
<b>Total:</b>	<b>297.6</b>		<b>203.9</b>	<b>93.8</b>

It will be seen from the above that external assistance of the order of Rs.94 crores will be available in the second plan period as carry-over of the assistance so far authorised. In addition, trade credits totalling Rs. 75 crores have been secured for the Bhilai and Durgapur steel plants.

60. Needless to say, the availability in the aggregate of external assistance on the scale required cannot be taken for granted. All that can be said is that assistance of this order would be required if the plan, as envisaged now, is to go through smoothly. More and more, it is being recognised that the economic development of underdeveloped countries is a problem of worldwide interest. The International Bank, as mentioned earlier, has been assisting actively and on a large scale in the financing of development. Recently a new agency, the International Finance Corporation, has been set up to promote a freer flow of private investment as between countries. Underdeveloped countries need, in addition to loans for productive projects, assistance - mainly by way of grants - for the expenditure needed on various economic and social overheads. The Special United Nations Fund for Economic Development, which has been under consideration for quite some time for this purpose, will, it is to be hoped, be established early. There is scope, considering the large needs of development, for assistance from international banks and institutions as well as for assistance organised on a bilateral basis, or, country-to-country basis.

other resources raised by the States estimated at Rs.2.8 crores for the Plan period. This amount of Rs.2.8 column -10.

to with the State Governments totalled to Rs.166 crores for t, the estimate for each State has been revised upwards keeping ation of Rs.225 crores for all States, the share of Part 'A' and

does not take into account the estimated yield of Rs.31.1 crores rked for repayment of loans to the Centre and would, therefore, amounts agreed to with the various States are as follows:-

	(Rs.crores)
Orissa	1.6
Punjab	10.0
West Bengal	7.0
Pepsu	6.7
Rajasthan	5.8
Total	<u>31.1</u>

ditional taxation of Rs. 225 crores by the Centre during 1956-61, of the order of Rs.60 crores. For three Part 'B' States viz., no credit has been taken for the share of Central taxation they would continue to receive revenue gap grants until 1959-60.

the public (now placed at Rs.300 crores) have been shown as <sup>2a</sup> charge est have been roughly calculated at the rate of 4 per cent per annum.

o with the State Governments at Stage 'A' discussions amounted to d to Rs. 300 crores for all Part 'A' and 'B' States keeping in view pect of raising loans from the public.

estimated at Rs.500 crores for the Second Plan period the share of ores on the basis that the States would receive as their share all collections in 1951-55 and 50 per cent of the excess above of Part 'A' and 'B' States has been taken at Rs.180 crores.

**APPENDIX--I**

**FINANCING OF THE STATE PLANS - PART 'A' AND 'B' STATES**

1956-61  
(Rs. crores)

Size of the State Plan	REVENUE ACCOUNT						CAPITAL ACCOUNT						Total resources (Acct. 6+12)	Gap in resources (1-13)
	Balance from Revenue Acct. at existing rates of taxation	Revenue from Additio- nal Tax- ation	Share of Add- itional Central Taxat- ion	Interest charges on Loans from the public (DEDUCT)	Total 2+3+ 4-5	Contri- bution from Cap- ital Acct- ount	Loans from the public gross	Share of small Sav- ings	Liqui- dation of sec- urities held in resour- ces	Other misc. sour- ces	Total 7+8+9 10+11			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Andhra	119.0	3.5	8.0	3.2	2.3	15.4	0.1	20.0	3.5	-	-	23.6	39.0	80.0
Assam	57.9	9.0	5.0	1.5	-	15.5	(-)2.2	-	4.0	-	-	1.8	17.3	40.6
Bihar	194.2	16.2	28.0	6.5	1.7	49.0	(-)1.3	15.0	13.5	5.0	1.0	33.2	82.2	112.0
Bombay	266.5	32.5	14.0	8.0	5.2	49.3	42.0	45.0	41.0	10.0	-	138.0	187.3	79.2
Madhya Pradesh	123.7	14.0	15.0	3.5	1.2	31.3	-	10.0	10.0	-	-	20.0	51.3	72.4
Madras	173.1	34.0	15.0	6.3	4.5	50.8	(-)10.6	40.0	10.0	-	-	39.4	90.2	82.9
Orissa	98.9	9.7	8.0	2.4	0.3	19.5	0.2	5.0	2.5	-	-	7.7	27.2	72.7
Punjab	126.2	3.2	19.0	2.1	0.6	23.7	(-)4.2	5.0	11.0	-	-	11.8	35.5	90.8
Uttar Pradesh	253.2	(-)2.6	46.0	10.3	4.0	49.7	(-)10.0	35.0	35.5	-	-	60.5	110.2	143.0
West Bengal	153.7	(-)7.2	14.0	5.3	4.0	8.1	(-)6.2	35.0	27.5	-	-	56.3	64.4	89.3
<b>Total</b>	<b>1567.5</b>	<b>115.3</b>	<b>172.0</b>	<b>49.1</b>	<b>24.1</b>	<b>312.1</b>	<b>7.8</b>	<b>210.0</b>	<b>158.5</b>	<b>15.0</b>	<b>1.0</b>	<b>392.3</b>	<b>704.6</b>	<b>862.9</b>
Hyderabad	100.2	(-)6.8	6.0	3.0	1.7	0.5	1.2*	15.0	3.5	2.8	0.5	23.0	23.5	76.7
Madhya Bharat	67.3	(-)5.8	9.0	1.2	1.1	3.3	(-)4.4	10.0	2.5	7.0	-	15.1	18.4	48.9
Mysore	80.3	(-)11.2	5.0	0.4	2.3	(-) 8.1	(-)1.1	20.0	2.5	-	-	21.4	13.3	67.3
Pepsu	33.7	1.1	4.0	0.5	-	5.0	2.5	-	1.5	-	1.0	5.0	10.6	25.7
Rajasthan	97.3	(-)5.2	8.0	2.4	1.7	3.5	6.3	15.0	5.0	2.0	-	28.3	31.8	65.5
Saurashtra	47.7	1.2	5.0	0.2	1.7	4.7	1.1	15.0	4.0	2.5	-	22.6	27.3	20.4
Travancore-Cochin	72.0	3.7	7.0	0.4	1.7	14.5	3.3	15.0	2.5	2.0	-	22.8	37.2	34.8
Jammu & Kashmir	33.9	0.5	-	-	-	0.5	(-)13.1	-	-	-	-	(-)13.1	(-)12.6	46.5
<b>Total</b>	<b>525.3</b>	<b>(-)17.5</b>	<b>44.0</b>	<b>8.1</b>	<b>10.2</b>	<b>24.1</b>	<b>(-)4.2</b>	<b>90.0</b>	<b>21.5</b>	<b>16.3</b>	<b>1.5</b>	<b>125.1</b>	<b>149.5</b>	<b>385.8</b>
<b>GRAND TOTAL</b>	<b>2102.3</b>	<b>97.8</b>	<b>216.0</b>	<b>57.2</b>	<b>34.3</b>	<b>336.7</b>	<b>3.6</b>	<b>300.0</b>	<b>180.0</b>	<b>31.3</b>	<b>2.5</b>	<b>517.4</b>	<b>854.1</b>	<b>1248.1</b>

- ⊕ To be covered by central assistance and f.  
\* Excludes liquidation of securities estimate  
crores has now been shown separately under

Notes:

1. The estimate of additional taxation agreed Part 'A' and 'B' States. In this statement in view the revised target of additional tax 'b' States being taken at Rs.216 crores.
2. The above estimate of additional taxation from betterment levy which has to be earned not be available for the State Plans. The

△State

3. It has been assumed that, of the total additional share of Governments would be roughly Mysore, Maharashtra and Travancore-Cochin (additional) for the first four years as
4. Interest charges on account of loans from on revenue account. The figures of interest
5. Loans from the public (gross) as agreed about Rs.218 crores. This has been revised the past performance of each State in relation
6. If the total collections of small savings States has been assumed at about Rs.200 crores 25 per cent of five times the average at that level. Of Rs.200 crores, the share

## C H A P T E R V

### EMPLOYMENT ASPECTS OF THE PLAN

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A plan for economic development implies utilisation of available resources in a manner which would maximise the rate of growth of output. This is essentially a long term task; so is any policy intended to ensure conditions of full employment. Over a sufficiently long period a policy of full employment does not conflict with that of stepping up the rate of development. It is now widely recognised that the problem of unemployment, especially in an under-developed economy, can only be remedied after a period of intensive development say for ten or fifteen years. Over a short period of five years, however, there may be a degree of conflict as between competing claims of capital formation and provision of larger employment. In determining the programme for the next five years, the first consideration is that deterioration in the unemployment situation should at least be arrested.

#### Size and Nature of the Problem

2. The task to be faced in the coming years in the field of creation of employment opportunities is threefold. Firstly, there are the existing unemployed in the urban and rural areas to be provided for. Secondly, it is necessary to provide for the natural increase in the labour market, which is estimated at about 2 million persons a year over the next five years. Lastly, the under-employed in agricultural and household occupations in rural and urban areas should have increased work opportunities. It may be noted that because of the joint family system the lack of employment opportunities in the past used to be reflected mainly in under-employment or disguised unemployment. This system provided a measure of social security against unemployment, however inadequate it might have been. With the spread of education, land reform and the natural desire on the part of the youth for independent means of living, there is now a tendency towards seeking wage employment which brings unemployment more and more into the open.

3. Experience during the first plan has emphasised the need to view the employment situation not only in the aggregate but also in its distinct urban and rural components. In assessing the size of the problem, as it would develop during the next few years, it is also necessary to take into account its magnitude in urban and rural sectors in different regions of the country. It is necessary further to distinguish the educated unemployed from others who may be unemployed.

4. Among difficulties met with in devising appropriate remedies for unemployment are the lack of adequate data on the extent and nature of unemployment, and the manner in which employment would respond to different kinds of investment stimuli. Periodic data on unemployment ranging over the economy as a whole are not available except for places served by employment exchanges, the coverage of which is mainly urban. It is, therefore, not possible to state precisely what the magnitude of the problem in different regions is. Data from the exchanges suffer from a number of known limitations. Even so, since the only information on unemployment published at regular intervals is that provided by employment exchanges, the change in the number on the live registers may be said to indicate broadly the trends of urban unemployment in the economy. A review of data relating to the first plan period shows that unemployment began to show a marked upward trend when the first plan was half way through. During the first plan period the number on the live registers continued to increase from 3.37 lakhs in March, 1951 to 5.22 lakhs in December, 1953 and further to 7.24 lakhs in February, 1956. These statistics become more meaningful when interpreted in the light of the results of the preliminary survey of urban unemployment undertaken at the suggestion of the Planning Commission by the National Sample Survey. This survey has placed the magnitude of urban unemployment in 1954 at 2.24 millions. It has also sought to establish a rough relationship between the number unemployed and those who remain on the live registers of the exchanges. According to the survey it was estimated that about 25 per cent of the unemployed register themselves with the exchanges. On this basis the magnitude of urban unemployment at present might be of the order of 2.9 millions. This estimate appears to be broadly confirmed by the results of some other surveys recently carried out in urban areas in different parts of the country. Allowing for frictional unemployment, which is inevitable in a growing economy, it is possible to suggest that the backlog of urban unemployment may be of the order of 2.5 millions.

5. To this backlog is to be added the number of new entrants to urban labour force. It is estimated that in the next five years, about 3.8 million persons would be added on this account. In arriving at this figure it has been assumed that in the decade 1951-61 urban population would increase by 33 per cent, a rate of urbanisation somewhat higher than that for the decade 1931-41 (31 per cent), but lower than the rate for 1941-51 (40 per cent). The rate of urbanisation in 1941-51 was unusually high because of war and Partition. It is therefore reasonable to assume that a smaller

rate may prevail during 1951-61. Moreover, improvement in rural areas as a result of the operation of the plan and difficulties in securing urban employment experienced in recent years may to some extent check the efflux from rural areas.

6. It is difficult to distinguish unemployment from under-employment in rural areas. Employment opportunities to be provided in these areas have, however, not only to take into account the increased quantum of work and additions to income of a large number of the under-employed, but also in terms of the creation of a certain number of whole-time employment opportunities. In this context a section of agricultural population, namely agricultural workers, especially those who are without land should be specially considered. Surveys of unemployment in rural areas have been recently undertaken in some States. These are yet of a preliminary character, and because of differences in the concepts employed a comparative statement for different regions cannot be compiled and national estimates are somewhat hazardous. The only systematic enquiry undertaken recently was the Agricultural Labour Enquiry, according to which in 1950-51 the level of rural unemployment was of the order of 2.8 millions. Recently the National Sample Survey has begun to attempt periodic appraisals of unemployment in urban and rural areas. While its results for the urban population have become available, data in regard to rural areas are not yet available for study and interpretation. It is not possible at present to attempt a quantitative assessment of the change in the structure of employment in rural areas which might have taken place during the past five years. It could, however, be said that since the emphasis in the first plan was on schemes of rural development and since these schemes have on the whole been effectively implemented, rural unemployment is not likely to have increased. In the absence of marked trends, it might be safe to say that the volume of rural unemployment during the operation of the first plan has not materially changed.

7. As stated earlier, new entrants to the labour force during the next five years have been estimated at 10 millions. Entrants into the urban labour force, new entrants to the rural labour force in 1956-61 may be about 6.2 millions. The following Table shows the number of job opportunities which may have to be created if unemployment is to be eradicated during the second plan period :-

/Deducting from this number the  
estimated 3.8 million



TABLE I

	(Figures in millions)		
	<u>In urban areas</u>	<u>In rural areas</u>	<u>Total</u>
For new entrants to labour force,	3.8	6.2	10.0
For backlog of unemployed.	2.5	2.8	5.3
TOTAL	6.3	9.0	15.3

8. Creation of employment opportunities of this order, even if it were possible to bring this about, does not solve the other equally pressing problem of under-employment. Here again, want of adequate data makes even the formulation of the problem difficult. To provide a suitable guide for the measurement of unemployment and under-employment to agencies which undertake unemployment surveys, a Manual has been recently drawn up by the Central Statistical Organisation. The suggestions made in the Manual have been used in the planning of surveys currently in progress. In regard to other data which are needed to judge the effects on employment of investments in different fields, studies undertaken in the Planning Commission are being supplemented by similar studies undertaken on behalf of State Governments during the preparation of the second five year plan. When the results of these investigations become available, it will be possible to give fuller consideration to the regional aspects of the problem of unemployment.

#### Choice of Techniques

9. Considering the magnitude of existing unemployment and additions to labour force, as shown in Table I, it would be incorrect to hold out the hope that full employment could be secured by the end of the second plan. As has been pointed out earlier, the goal has to be achieved by a series of planned efforts lasting over a period beyond the second plan. To hasten the process, however, particular attention will have to be paid to maximising the employment potential of projects included in the plan consistent with our long term needs.

10. In the context of an economy with relative abundance of labour, a general bias in favour of comparatively labour intensive techniques is both natural and desirable. Nevertheless, specific investment decisions

involving a choice between alternative techniques have to be made in the light of a number of considerations such as have been set out elsewhere. The area where a conflict in the use of different techniques arises is not as large as is sometimes supposed. In many cases the choice appears to be obvious, dictated purely by technological facts of production. There is no choice, for instance, in the case of heavy industries, where no one would suggest that considerations of size and technology should be set aside to emphasise employment. Again, the need for the setting up of such industries cannot be questioned in view of their place in the larger interests of developing the employment potential of the economy in the long run. In agriculture, except under certain conditions, in the present stage of development the possible economic advantages of mechanisation may be more than offset by the social cost of unemployment that such mechanisation would involve.

11. Construction of roads, housing, railways and the like have an existing pattern of use of machinery which has been evolved over a period of years consistent with the elimination of arduous human labour, which current social values would refuse to accept. This pattern will have to continue during the next five years, although the need to increase the scope for the employment of labour in lieu of machinery is an aspect which should always be borne in mind. In the case of irrigation and power projects, choice is determined partly by technical considerations, and partly by conditions of labour supply in the area, but where such considerations do not prevail, the use of construction machinery has to be viewed against the background of the manpower available in the country and the need for saving the precious foreign exchange resources. The position with regard to the field of transport and communications, other than railways, is somewhat similar.

12. In the short run stimulation of construction activity is considered to be a solution for unemployment in developed economies. But in India such investment cannot be encouraged beyond a point. Investment in construction tends to be 'lumpy' in character and large displacements of labour have to take place as work nears completion. There are, however, advantages accruing as a result of the facilities which construction would provide and these absorb to a large extent the labour employed temporarily in

construction work. In regard to persons not so employed such investment involves problems of redeployment of personnel, training etc.

13. It is only when we come to the production of consumer goods that the choice between techniques of production may raise difficult issues. The use of capital intensive techniques irrespective of other considerations involves a double loss in the form of (a) displacement of labour which has in any case to be maintained, and (b) a greater draft on the scarce resources for investment, particularly foreign exchange resources. The issues involved in this field go to the roots of the problem of economic and social development; some of them are touched upon in the appropriate chapters. The long-term objective of having a rising rate of investment which cannot be sustained without an adequate level of savings out of current output has to be accepted. It is particularly when the capacity of decentralised production to accumulate surpluses is challenged that the conflict among different desirable objectives becomes a matter of some concern. The surplus generated per person in a comparatively labour intensive technique may be less than in a more advanced technique but the total surplus available per unit of output for capital formation, taking into account the social and economic costs of maintaining those who would otherwise remain unemployed, may perhaps be larger in the case of labour intensive methods. In an under-developed economy where the distribution of doles to the unemployed is not practicable, the balance of advantage from the standpoint of equity lies decidedly in favour of labour intensive techniques. From the point of view of development, however, the difficulty in the adoption of such techniques is the mobilisation of available surplus from a large number of smaller units; but this is an organisational problem and requires to be faced. At the same time continued efforts to put traditional techniques on a more efficient basis are inevitable. Indeed though technical developments in such units cannot be spectacular, they can create a substantial demand for new types of tools and equipment and facilitate growth of other industries. Recent studies show that there is enough scope for increasing productivity in small industry without additional capital investment or even greater labour inputs. Such scope requires to be fully exploited. It

is only when larger employment opportunities are generated at higher levels of income that the economy will receive a stimulus in the form of improvement in morale of the working population. This is the manner in which we envisage the economy to develop. It is after all the people that are the carriers of progress, even as they are beneficiaries to it.

14. These are some of the considerations which have guided us in the choice of schemes to be included in the plan. The possible effects on employment, direct and indirect, arising from these schemes now require to be set out.

#### Employment Estimates for the Second Plan

15. Total outlay in the public sector is estimated to be of the order of Rs. 4,800 crores, of which Rs. 3,800 crores represent investment. In addition, investment in the private sector is expected to be of the order of Rs. 2,400 crores. It has been possible to work out the additional employment likely to be generated by the second five year plan, on the basis of employment data supplied by States and Central Ministries and on the basis of physical targets proposed for the private sector with certain assumptions regarding productivity increases. The results of the study are summarised in the statement below :

TABLE II

(figures in lakhs)

Estimated Additional Employment

1.	Construction	21.00*
2.	Irrigation & Power	0.51
3.	Railways	2.53
4.	Other Transport & Communications	1.80
5.	Industries & Minerals	7.50
6.	Cottage & Small-scale Industries	4.50
7.	Forestry, Fisheries, N.E.S. and allied schemes	4.13
8.	Education	3.10
9.	Health	1.16
10.	Other Social Services	1.42
11.	Government Services	4.34
	Total (1 to 11)	51.99
12.	Plus 'others' including trade and commerce @ 52% of total	27.04
	Grand Total	79.03 or say 80

16. A brief account of the methods used in arriving at these estimates is given in the paragraphs below .

1. Construction : As has been explained earlier, construction enters into all spheres of developmental effort. The estimate given in Table II above under this head brings together the employment during construction phase of all projects such as irrigation and power, roads, railways, buildings, factory buildings, housing and the like. In assessing the employment from the construction component, the level of expenditure scheduled to be incurred in 1955-56 is compared with the expenditure in

\* The detailed break-up of construction employment under different developmental sectors is as follows:-

Name of Sector	<u>Estimated additional employment in construction.</u>
1. Agriculture & Community Development	2.66
2. Irrigation & Power	3.72
3. Industries & Minerals (including cottage & small-scale industries)	4.03
4. Transport & Communications (including Railways)	1.27
5. Social Services (including Government service)	6.98
6. Miscellaneous (including Government)	2.34
TOTAL	21.00

1960-61 (the latter assumed at 20 per cent of the construction expenditure of the second five year plan). For irrigation and power the labour component of the total expenditure is estimated on the basis of studies undertaken by the River Valley Projects Technical Personnel Committee. In case of roads the labour component of the expenditure was available from the Roads Organisation of the Ministry of Transport. These estimates were accepted after discussion with the Road Engineers of different States. As regards Railways, the Ministry of Railways supplied the number of persons required for construction of a given mileage of railway on the basis of their experience of work in different regions. In case of housing the employment norms for a crore of expenditure were provided by the Works, Housing and Supply Ministry and these were accepted with certain modifications after discussions with the State engineers. The same norms were used for housing in the private sector. The employment estimates for construction are likely to err on the high side.

2. Irrigation & Power : Employment under this head is for the continuing activity in the field of irrigation and power. This includes maintenance staff on such projects and the personnel required for distributing the benefits accruing out of such projects. The norms for this purpose were worked out by the River Valley Projects Technical Personnel Committee on the basis of a study of the maintenance and operational personnel required on completed projects.

3. Railways : The estimate of continuing employment in Railways for maintenance of new lines and for operating them was, again, provided by the Ministry of Railways.

4. Other Transport & Communications : This is a composite group consisting of roads and road transport, communications, broadcasting, etc. Part of the new employment in this sector is on maintenance and the rest is on operation. Norms for maintenance employment on roads were settled in consultation with the Roads Organisation. So also were the personnel requirements for road transport worked out. The State Governments in their schemes had supplied data on continuing employment in this sphere. These were used to tally the estimates made available by the Central Ministries. Continuing employment likely to be generated under the schemes of the Communications Ministry was worked out on the basis of the expenditure on the continuing phase shown under the Plans of that Ministry.

5. Industries & Minerals : Employment estimates for the large-scale industries were based on the data supplied to the Licensing Committee. Where such data were not available and physical targets to be achieved under the second five year plan were set, employment estimates were worked out on the basis of latest data in the Census of Manufactures. A 20 per cent allowance was made for increase in productivity.

In the case of steel, fertilisers, synthetic petrol, heavy machinery for fabrication of steel plants, and heavy electrical equipment, the estimates furnished by the respective Ministries have been taken into account.

As to mineral development the present output per person was worked out and after making a 20 percent allowance for productivity increase and taking into account the production targets to be achieved by 1961, a rough estimate of employment in 1961 was arrived at.

6. As for cottage and small-scale industries, the Karve Committee's estimate of about 4.5 lakh full-time jobs has been used. No credit has been taken for fuller jobs mentioned in that Report, since these will provide more work to the under-employed.

7. With regard to forestry and fisheries, data supplied by the States have been relied upon. For the U.E.S., the employment estimates made by the Community Projects Administration have been used.

8-10. For Education, Health and other Social Services, data supplied by the States were scrutinised in consultation with the respective Divisions in the Planning Commission, and were suitably adjusted.

11. As to employment in Government services, estimates of likely increase in non-developmental expenditure on the civil side by 1960-61 over the 1955-56 level were first worked out. On the basis of the average yearly payment per person employed in Government, a rough employment figure was computed.

12. Employment estimate for 'others including trade, commerce and other services' is much less firm. This has been based on the occupational pattern revealed in the 1951 Census. The group 'others' comprises commerce, transport (other than railways), storage, ware-housing and miscellaneous services not elsewhere specified excluding general labourers\*. According to the 1951 Census, these groups provide employment for 12.876 millions of the working force. The total of these groups, when compared to persons occupied in activities except cultivation consisting of primary occupations, mining and quarrying, industry, railway transport, construction and utilities, health, education, public administration and communications, which account for 24.447 millions, gives a ratio of 0.52.

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\*The Sub-group general labourers of the 1951 Census Occupation Classification has been left out because it is not possible to apportion it properly between the two broad groups.

It is assumed that the same ratio would prevail in 1961. The omission of purely agricultural occupations in working out the employment ratio is justified on the assumption that in the second five year plan it is intended that additional employment should be largely in the non-agricultural sector. With increase in production in the agricultural sector, persons already in the category 'others including trade and commerce' will find fuller employment by handling greater volume of work from their existing clients. The ratio (0.52) is likely to be considered as conservative.

17. These estimates have to be put in the context of the objective of the second five year plan of providing employment opportunities outside agriculture on an adequate scale. Even if existing unemployment were to remain unchanged, 10 million jobs require to be created for this purpose. Out of the 10 million new entrants to the labour force a large number will be amen-familias depending on land. In regard to such persons, as has been pointed out earlier, the quantum of additional work has to be measured not in terms of jobs, but in the form of additional income accruing to them. Further, on account of irrigation provided during the plan period, it is reasonable to assume that of the additional acreage irrigated, a part will provide opportunities of work on a full-time basis according to rural standards. There are also allied schemes of reclamation of land by manual labour, schemes of Central Tractor Organisation, etc., and expansion and development schemes of plantations, pepper and horticulture. These put together are estimated to provide employment to about 1.0 million new entrants to the labour force in rural areas. The balance of the irrigation facilities will account for relieving under-employment in agricultural pursuits. In addition, one has to take into account the fuller employment opportunities provided by schemes under the village and small industries programme. Viewed in this light the results of the plan in terms of employment are likely to be significant, but the problem of unemployment will continue to require a great deal of attention during the operation of the second plan.

18. It will be useful at this stage to compare the overall employment contents of the first and second five year plans. Studies made in the Commission show that direct employment generated during the first plan period in the public and private sectors would be of the order of 4.5 million. This estimate, however, excludes additional employment in fields such as trade,



commerce etc. With almost double the size of the developmental effort, additional target of employment during the second plan is not likely to be much higher. This is because the 'step up' in the developmental expenditure during the second plan period is not expected to be much larger than that achieved during the first plan period. The reason is that the plan expenditure in the public sector in 1955-56 has been of the order of Rs.600-620 crores as against the development outlay of Rs.224 crores in 1950-51. In the last year of the first plan outlay in the public sector is expected to be higher than the corresponding amount in 1950-51, by about Rs.400 crores. It is likely that as compared to the last year of the first plan, the increase in the developmental outlay in the last year of the second plan will be of the order of about Rs.600 crores. Besides, it is clear from the pattern of investment described in Chapter III that a much larger expenditure is contemplated on transport and heavy industries which have in the short term a relatively smaller employment content.

#### Programmes for Special Areas

19. It is not enough to assess the employment potential of the plan in overall terms. Regional distribution of employment opportunities will have to be attempted. The main difficulty in this assessment is that regional details regarding the central plans and those of industries in the private sector in terms of employment are not yet worked out. But some general considerations regarding the direction in which efforts at enlarging employment opportunities in special areas will have to be made, are discussed below.

/ of the

20. An aspect of employment which requires special mention is the problem of areas in which acute unemployment and under-employment exist. In some areas chronic under-employment exists and earnings are too low even with reference to average standards for the country. Such situations are not unknown in some of the more developed countries. For instance even in the United States, there are pockets where unemployment is substantially higher as compared to the general level of unemployment in the economy as a whole. Special programmes were taken up in the United Kingdom for depressed areas. Experience of the measures taken in these countries indicates that one of the important pre-requisites

for framing policies is a thorough study of such pockets. While the recent studies give some indication of the overall magnitude of the problem, fuller data are needed for different areas, for instance regarding the availability of local skills, the material resources, facilities available, urgent requirements etc. It is intended that such surveys would be undertaken in different States and if some special schemes are drawn up for depressed areas by local communities, it may be possible to give them the necessary assistance. The important point is that the foundation of the programmes to increase opportunities available for employment is necessarily to be based on the interest and enterprise of the local people and communities. Cooperative effort by local communities, private enterprise and the State and Central Governments can make possible rapid improvement in the levels of living in such areas. The role that local leadership can play in the formulation and implementation of suitable programmes in such areas is obvious.

21. For reasons stated earlier the directions in which public policy should proceed cannot be precisely envisaged at this stage. Conditions of such areas, as are relatively poor in natural resources, may in some cases necessitate planned measures for transferring surplus labour to other parts. But generally it may be that when large number of workers move to areas, other than their own, complications are likely to arise. As such, bringing gainful work to the doors of people in distress areas may be a better way of dealing with their problems. Migration in suitable cases, however, should not be ruled out. Devices which the Government can use to increase employment opportunities in such areas may be (i) giving priority to them in the matter of location of projects in the public sector unless other considerations justify the location of such projects elsewhere, (ii) providing loans to local businessmen and industrialists at relatively favourable terms, (iii) reserving a certain percentage of contracts in the public sector to persons belonging to those areas, and (iv) adoption of other fiscal measures to induce inflow of private capital. Concrete steps to be taken in problem areas of this kind will necessarily have to await fuller investigations.

Educated Unemployed

22. Unemployment among the educated has to be viewed as a part of general unemployment in the economy. The reason why a country like ours finds a sizeable number of unemployed, and among them the educated, is lack of sufficient development over a series of years to absorb entrants to the labour force. Educated unemployment, however, assumes a special significance mainly because of the following factors: (a) rightly or wrongly there is an impression in the public that investment in education by an individual should yield for him a return in terms of a remunerative job; (b) an educated person naturally looks for a job suited to the particular type of education he has received with the result that there has been an abundance of supply in regard to certain occupations and professions and shortage in others, depending on the development of education in the country. Then, again, there are regional preferences shown by the educated which complicate the problem; (c) there is a general disinclination among the educated to look for employments other than office jobs.

23. To formulate programmes specially designed to alleviate unemployment among the educated, a Study Group was set up in September, 1955. The Group has recently submitted its report. It has estimated that in the next 5 years, 14.5 lakhs of educated persons will be added to the labour force. The Group has defined persons with and above matriculation and equivalent education standard as 'educated'. On the basis of the report on a preliminary enquiry on urban unemployment undertaken by the Directorate of National Sample Survey, the Group has placed the number of educated unemployed at 5.5 lakhs. The estimates made by the Group are corroborated by certain other surveys independently undertaken in universities which have been published after the report of the Study Group. The size of the problem to be tackled during the next five years, if educated unemployment is to be eradicated, is the creation of about 2 million jobs for this group. As against this task, the Group has estimated that the projects included in the Second Five Year plan in the Centre and the State Governments are likely to yield about a million jobs. Another 2.4 lakhs of educated persons will secure employment by replacement of persons who would retire in the next 5 years. In addition, the private sector will absorb about 2 lakhs of persons, leaving the size of the problem substantially unchanged during the period of the plan. The Group has emphasized the regional aspect of the problem and has suggested that in some States like Travancore-Cochin

West Bengal the situation requires to be carefully watched.

24. According to the Group the question of educated unemployed cannot be viewed in purely quantitative terms in the manner the problem of general unemployment is often thought of. It is perhaps enough to say that a certain number of jobs are required for unskilled or uneducated categories, but when it comes to making a similar statement with regard to the existing educated unemployed, it is necessary to be more specific about the kind of education for which job opportunities are required to be created. The regional and occupational aspects associated with the problem have to be considered separately. Regional immobility among the educated, except at fairly high levels, comes in the way of the fuller utilisation of such personnel. Instances are not wanting where surpluses in certain categories of educated and trained personnel are reported at some employment exchanges, while these very categories are in short supply at others. In such cases adjustment of supply with demand becomes to a considerable extent a question of providing suitable incentives and opportunities. The other aspect, namely the occupational, requires a considerable amount of advance planning, both in assessing the demand for such personnel and in making arrangements for future supply.

25. Against this background of the assessed magnitude and character of the problem, the Group has suggested certain fields as capable of providing employment opportunities for the educated. The main criterion which is laid down by the Group for selection of schemes is that these schemes should be urgently needed for the envisaged institutional reorientation of production relations and/or they should deserve higher priority in connection with the economic development in general. In the former category of schemes the Group has included strengthening of co-operative organisations in both production and distribution sectors. Their importance in the context of the social order visualised in the near future needs no emphasis. There seems to be ample scope for expanding organisational, administrative and supervisory training. Production and marketing of goods in small industries, it is suggested, should be taken up by the Cooperatives. The scope for absorption of the educated in actual production in village industries is restricted mainly because of unemployment and under-employment in artisans already engaged

in production in this sector. Heavy industries on the other hand will demand technical personnel of a different kind. Between these two groups of production lies a large area of small industries which the Group considers appropriate for the purpose of providing employment opportunities for the educated. It has divided industries of this kind into three categories;

(i) manufacturing industries, namely, hand-tools and small tools, sports goods, furniture, etc.

(ii) feeder industries like foundries, forge shops, tool and gauge making shops, automobile shops, machinery parts, electroplating and galvanising shops and so on.

(iii) servicing industries like repair shops for automobiles, bicycles and other machinery.

26. Another group of schemes where it is possible to absorb the educated is Cooperative Goods Transport. The programme suggested in this field is the setting up of 1200 inter-city operational units with 5 vehicles on an average and another 240 larger inter-city operational cooperatives with an average fleet of 25 vehicles. The Group has also recommended the setting up of orientation camps which would help remove the disinclination on the part of the educated to undertake manual work and to create in them self confidence and healthy outlook. Such camps, according to the Group, will assist in discovering the vocational aptitude of the youth and if a liaison is established with prospective employers, it will be possible for the latter to pick up educated persons from the camp for suitable employment.

27. The schemes proposed by the Study Group involve a gross outlay of Rs. 130 crores and are expected to provide additional employment to the tune of 2,35 lakhs of persons. The break-up of the total outlay, recoveries and the employment potential are given in the following table:

S.No:	Estimate ed gross outlay.	Recoveries	Net Cost	Employment potential (No.)
1. Small Scale Industries	84.0	58.3	25.7	1,50,000
2. Cooperative Goods Transport	20.0	18.0	2.0	32,000

3. Other schemes of State Govts.	19.0	9.5	9.5	53,000
4. Work and orient- ation Camps	7.1	Nil	7.1	Nil
Total:	<u>130.1</u>	<u>85.8</u>	<u>41.3</u>	<u>2,35,000</u>

Another set of recommendations which the Group has made for removing hardship felt by the educated youth in having to wait indefinitely for securing jobs are: (i) improvement in the present system of recruitment to Government posts; (ii) provision of hostels; (iii) establishment of university employment bureaux.

28. The recommendations of the Study Group require to be implemented on a pilot basis in order to watch the reactions of the educated unemployed to such schemes. Suitable provision has been made for this purpose and the Group has been asked to work out the details of these pilot schemes. It is possible that if the response is adequate, larger provisions for more extensive experiment in this field could be made available.

29. Finally it is to be remembered that the problem of educated unemployed is a continuing one. Ad hoc measures designed to alleviate the unemployment situation in the short run can be no proper substitute for a permanent solution. Judged from the long term point of view, the problem is, at least in part, due to our education system having been generally unrelated to the pattern of economic development of the country. It is necessary to have an examination on a continuing basis of the needs of the economy for educated and trained men at different levels and the dissemination of such information to all concerned through programmes of educational and vocational counselling. Expansion of education and training facilities has to be based on the future needs of economy, discouraging simultaneously the growth of educational facilities in those sectors which merely keep young persons out of employment market without adding to their employability. If, as is suggested in various quarters, we introduce changes in the educational system now by emphasising the vocational training, manual work, etc. the problem may not be solved. We may find later that persons trained in the new institutions may be equally unemployable as the academically trained people now

are, if the needs of the future are, least sight of. The present thinking tends towards the establishment of a decentralised economy and in view of the large masses for whom employment has to be provided, this trend will continue for some time. If, therefore, education is centered round the needs of such economy, it may be possible to increase the employability of the educated. What is equally necessary, however, is that the situation as would develop 10 to 15 years hence has continuously to be kept in view and appropriate changes introduced in our education well in time.

### CONCLUSIONS.

30. The conclusions which emerge from the fore-going analysis are:

(a) Even with the larger effort that is envisaged in the second plan the additional employment provided will cover only the additions to the labour force and the backlog will remain unaffected.

(b) there will be some addition to the working force in agriculture, but on account of the schemes operating in this field, income per occupied person will increase to the extent of about 17 to 18 per cent;

(c) in the field of village and smallscale industries, since only full-time jobs have been taken into account for the above calculations, the fuller employment opportunities, as envisaged in the Report of the Village and Small Scale Industries Committee, will afford relief to the under-employed; and

(d) the educated unemployed will get some relief as a result of schemes of general development and those specially designed by the Study Group for helping them.

31. These conclusions suggest that in spite of concerted efforts for the mobilisation of available resources and their optimum utilisation, as proposed in the second plan, the impact on the two-fold problem of unemployment and under-employment will not be as large as the situation demands. There is at the

same time a limit to the amount of investment which can be put through over the period of the Plan. In the light of the emphasis placed on heavy industries, the scope for varying the pattern of investment is only marginal in character and any further adjustment of priorities may not yield much larger results in terms of employment. At the same time it is not always possible, in the existing state of knowledge, to take into account all the ramifications on employment of investments in heavy industries of the type envisaged in the plan. In this connection, it is necessary to stress the importance of implementing the plan so as to maximise its production and employment potential by coordinating complementary investments, planning the use of resources such as water, electricity, etc. which are created by the operation of the plan ensuring that the services of newly created institutions and agencies are brought effectively within the reach of those whom they are intended to benefit. As the plan proceeds, there should be continuous assessment of the additional employment obtained through its operation, so that suitable steps can be taken to ensure that the targets of employment are realised.





## CHAPTER - VI

### ADMINISTRATIVE TASKS AND ORGANISATION

#### Tasks in the Second Plan

At the present time the general social and economic outlook which has been evolved in India in dealing with problems of national development embodies a large measure of agreement both on the analysis of problems and on many of the basic questions of policy. On closer examination, differences in judgement are often found to be either differences in perspective or differences in detail. While the area of agreement on matters of policy is considerable, doubt exists whether in its range and quality administrative action will prove equal to the responsibilities assumed by the Central and State Governments in the second five year plan. It is likely that as the plan proceeds difficult issues will relate less to matters of policy and approach, more to questions of administration and organisation. Inasmuch as collection of taxes, spending money and raising small savings are but aspects of the executive functions of government, finance may also be regarded as part of the more general problem of administration.

2. As development goes forward, the expression 'administration' steadily assumes a broader content. It includes within its scope the building up of personnel, training of men, running the administrative machine, seeking the co-operation and participation of the people, informing and educating the public and, finally, organising a sound system of planning based as much on the participation of people at each level as on the best technical, economic and statistical information available. Increasingly, administrative tasks have to be undertaken in new fields, especially those connected with economic, industrial and commercial operations. If the administrative machinery, both at the Centre and in the States, does its work with efficiency, integrity and with a sense of urgency and concern for the community, the success of the second plan would be fully assured. Thus, in a very real sense, the second five year plan resolves itself into a series of well defined administrative tasks.

3. In comparison with the first plan, these tasks are larger in scope; they are also far more complex. Some part of the ground is familiar and represents activities continued from the past, although on an expanded scale. But there is much that is virtually new for which, in

the ordinary course, a longer period of preparation would have been necessary. The principal administrative tasks during the second five year plan could perhaps be classified into certain broad categories:

- (1) ensuring integrity in administration;
- (2) building up administrative and technical cadres and providing incentives and opportunities for creative service;
- (3) continuously assessing requirements of personnel in relation to the tasks to be undertaken; organising large-scale training programmes in all fields; and mobilising the available training resources, including public and private institutions, industrial and other establishments, apprenticeship and in-service training;
- (4) devising speedy, efficient and economic methods of work, providing for continuous supervision, and arranging for objective evaluation of methods and results at regular intervals;
- (5) carrying technical, financial and other aids to small men, as in agriculture, national extension and community projects and village and small industries;
- (6) building up organisation for the efficient management of public enterprises as in industrial and commercial undertakings, transport services and river valley schemes;
- (7) securing local community action and public participation so as to obtain the maximum results from public expenditure, as in agriculture and in social services; and
- (8) strengthening the co-operative sector of the economy through assistance in managerial and technical personnel and establishment of co-operative, financial, marketing and other institutions;

This statement of administrative tasks is by no means exhaustive. Although each task constitutes a theme by itself, the various tasks have to be viewed together as inter-dependent elements in the execution of the plan. In undertaking these tasks, it is essential that there should be sufficient coordination in policy and

programmes in different sectors of the economy in terms of the objectives and targets set by the plan.

#### Integrity in Administration

4. As pointed out in the First Five Year Plan corruption leads to wrongs which are difficult to redress and undermine the confidence of the public in the administration. At present, in several fields of administration there are complaints of lack of integrity in the official machinery. There has to be continuous war against every species of corruption within the administration as well as in public life generally and the methods to root out this evil should be constantly reviewed. In recent years a number of positive steps have been taken both at the Centre and in the States. Several State Governments have organised anti-corruption departments. Procedures for expediting departmental enquiries have been introduced. Public servants are being required to submit returns from time to time regarding movable as well as immovable properties acquired by them. Applications received from the public have to be accounted for to a greater extent than before. Officers whose integrity is open to doubt are being retired before the due dates and are being kept out of positions of special responsibility. An enquiry committee appointed by the Ministry of Railways has examined the problem of corruption on the railways and has made a number of recommendations for dealing with factors to which the committee has drawn attention. The Ministry of Railways propose to set up an anti-corruption organisation to deal with important cases and with cases against gazetted officers and similar units are to be set up for individual railway systems.

5. In the First Five Year Plan the need for supervision and vigilance within the administration was stressed and it was pointed out that the main attack on corruption must be through ensuring efficiency in every branch of the administration. In particular, it was suggested that the openings which current policies and procedures may provide for corruption should be examined by heads of departments, so as to check the growth of conditions within their organisations in which corruption becomes either an easy risk or a risk worth taking. Another important source of corruption to which many inquiry committees have referred is delay in the disposal of cases or applications. Delays might occur on account of excessive concentration of functions or authority, insufficient staff, poor quality of personnel, lack of clear policy or directions, or other similar reasons. In each organisation the sources of delay should be carefully examined and the necessary action taken. It was also pointed out that laxity on

the part of employees of government was often due to the fact that honest and good work was not sufficiently rewarded and inefficiency and dishonesty was insufficiently penalised. Finally, it was necessary to rouse public opinion to the importance of eliminating corruption and to secure public co-operation in maintaining high levels of integrity in the administration of government activities. This approach has led to the establishment in the Ministry of Home Affairs of an administrative vigilance division. This organisation is, on the one hand, in close contact with the special police establishment and, on the other, through specially appointed vigilance officers who work directly under the Secretaries or heads of departments, with individual Ministries and departments. The aim of the administrative vigilance division and of the units associated with it is both to take speedy action where corruption has come to notice and to tackle the factors which make corruption possible. Thus, under the general guidance of the Director of the division, vigilance officers in individual Ministries and departments are required to examine the existing organisation and procedures with a view to eliminating or minimising the factors which provide opportunities for corruption or malpractice, to institute inspection and surprise visits for detecting failures indicative of the existence of corruption and to take prompt action where reasonable ground for suspicion exists. Vigilance officers are required to proceed systematically, selecting those branches of activities first in which there may be greater risk of corruption. They are asked to ensure that in matters in which members of public are involved, easily ascertainable rules of procedure are made widely known. The administrative vigilance division in the Ministry of Home Affairs and the units associated with it have been in existence for about a year. Sufficient experience has been gained to warrant the suggestion that similar arrangements would be useful also in the States and in the principal public enterprises.

6. The Railway Corruption Enquiry Committee has drawn attention to some of the conditions essential to the success of a drive for eliminating corruption. Sometimes officials who are suspected of corruption may be shielded. Individuals who expose corruption fear that they may be victimised and such fears are not always without substance. In many petty matters the influence of individuals is not discountenanced and may operate to the disadvantage of weaker parties. The belief that a measure of influence goes a long way is often expressed even where no special concessions are sought. An alert public opinion can do much to remove an evil whose continued existence is likely to do serious injury to democratic planning. To develop the right climate of public opinion it is

necessary that the methods adopted by corrupt persons should be fully exposed, publicity should be given to the rights and duties of citizens and instances in which corrupt men are brought to book should be made widely known.

Administrative and Technical Cadres.

7. No large programme can be successfully executed without the necessary personnel. In every field most of the tasks to be accomplished are long range in character and each significant problem needs continuous and detailed attention over many years. For some years there has been a tendency to recruit new personnel on a temporary basis and to carry them over from year to year without giving them reasonable security and satisfaction in achievement. This proves wasteful in man-power resources and, in the long run, is apt to be more costly. As the review of personnel requirements under the second five year plan in a later chapter brings out, with planned development of the country's resources, personnel needs will increase substantially in almost every field. The appropriate course for each authority therefore, is to build up permanent cadres and to supplement existing cadres on a permanent basis for carrying out its programmes under the second five year plan. This has been done already with advantage during the first five year plan in a few instances, as in the national extension and community development programme and through the formation of the Indian Frontier Administrative Service.

8. The Indian Administrative Service, which serves both the Centre and the States, is now called upon to assume a growing measure of responsibility. The requirements of personnel belonging to this cadre have been recently reviewed in terms of the likely needs over the next five years, and arrangements for taking in 386 additional officers from amongst persons with previous experience have been decided upon. This will be in addition to recruitment during the next five years of 225 persons in the junior scale through the competitive examination.

9. For the implementation of the plan, State Governments have also been engaged in reviewing the requirements of administrative personnel at different levels. As was pointed out in the First Five Year Plan, a major share of the responsibility for detailed administrative work in the districts is borne by members of State administrative services/it falls largely to them to coordinate the activities of different branches of the administration and to win the co-operation of the people in carrying out development programmes. To ensure that these services can fulfil the role

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assigned to them in the States, it is necessary that the cadres should be adequate in strength. The training of individual officers should receive no less attention than the training of those who enter the all-India service, and liberal opportunities for promotion should be afforded to the best among the personnel of the State services. The burden falling upon State administrative services will increase to a considerable extent during the second plan. As a result of the review which has been undertaken recently, the following suggestions are offered for the consideration of State Governments:

- (1) in strengthening State cadres a view of requirements over a sufficiently long period, say 10 years, should be taken;
- (2) in making estimates of requirements adequate allowance should be made for the likely expansion of responsibilities which State Governments will have to undertake both in relation to their own programmes and in respect of programmes sponsored by the Central Government. In each cadre enough provision should be made for reserves, including those needed for facilitating training;
- (3) increase in State cadres should be undertaken preferably on a permanent basis;
- (4) as explained later, district development programmes are placing an increasing burden on the Collector. To enable him to discharge the duties entrusted to him, sufficient assistance should be given to him;
- (5) training programmes for administrative personnel are being strengthened in a number of States and now include rural development work. Selected officers with experience and judgement should be appointed to positions in which they can provide close supervision and take personal interest in the training of junior personnel during the first years of service. Greater attention should also be given to methods of training, in which respect there is need for continuous exchange of information and experience between States.

10. Experience during the first five year plan has borne out the fact that even in the more developed States a moderate expansion in development programmes strains the available resources of technical personnel, especially at the higher levels. This is true without exception for

all fields of development and in some of the less developed States the situation has been sometimes quite serious. For instance, in some States important departments are without directors or other senior officers. In some part 'C' States, the chronic shortage of technical personnel, even at lower levels, has been the most important single cause for shortfalls in expenditure and consequent failure to fulfil targets set by the First Five Year Plan. It may be that a few States are in a fair position to provide themselves with technical personnel. One important lesson of the first plan, however, has been that in several fields the average State is not able to recruit personnel of high quality, organise adequate training and provide reserves of personnel to cope with continually expanding needs. It will be an advantage, therefore, if recruitment to State cadres is supplemented in different fields by one or the other of the following arrangements:-

- (1) all-India Services, as proposed by the States Reorganisation Commission;
- (2) joint development cadres (or other co-operative arrangements) between the Centre and participating States, as envisaged in the First Five Year Plan;
- (3) cadres or other cooperative arrangements organised on a regional basis so as to serve the needs of groups of States.

It is recommended that detailed proposals should be worked out on this subject after the enactment of legislation relating to the reorganisation of States.

#### Economy and Efficiency

11. The very magnitude of the second five year plan will place an enormous strain on the country and will call for a great deal of effort on the part of all sections of the population. Generally speaking, the people are willing to shoulder greater burdens if they feel assured that the resources raised by the Government will be utilised with economy and efficiency and there will be no wastage. It has to be recognised that since, during the second plan, each department or authority will spend comparatively larger amounts than during the first plan, there must be far greater care in the spending of money. Both at the Centre and in some States special units have been at work for suggesting ways of achieving economies in expenditure. As development proceeds, an increasing proportion of the expenditure is incurred through projects which involve construction works and import or procurement of scarce



## VI.

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materials and equipment. Organisation, procedure and programming methods should therefore be designed by every department so as to ensure that public money is not misapplied and that from the money spent maximum results are obtained. In each organisation there is need for an appropriate system of cost control and internal efficiency audit. With the object especially of achieving economies in development projects, it is proposed shortly to constitute a Committee on Development Projects under the auspices of the National Development Council. The Committee will include Ministers from the Centre and also Chief Ministers or Ministers from States. Tentatively it is proposed that its special functions should be -

- (1) to organise investigations, including inspection in the field, of important projects, both at the centre and in the States, through specially selected teams;
- (2) to initiate studies with the object of evolving suitable forms of organisation, methods, standards and techniques for achieving economy, avoiding waste and ensuring efficient execution of projects;
- (3) to promote the development of suitable machinery for continuous efficiency audit in individual projects and in agencies responsible for their execution;
- (4) to secure the implementation of suggestions made in reports submitted to the Committee on Development Projects and to make the results of studies and investigations generally available; and
- (5) to undertake such other tasks as the National Development Council may propose for the promotion of economy and efficiency in the execution of the second five year plan.

12. During the past two years an Organisation and Methods Directorate has functioned at the Centre in the Cabinet Secretariat and individual Ministries have also set up special organisation and methods units which collaborate closely with the Directorate. These arrangements have helped to expedite the despatch of business and to create greater interest in and understanding of matters affecting administrative efficiency. In a number of State also

steps have been taken to set up organisation and methods units. It is recommended that as part of their normal machinery of administration all States should have special units for organisation and methods which will provide the necessary technical guidance and build up a pool of experience on which departments can draw. The Organisation and Methods Directorate at the Centre is in a position to provide facilities for training and to make its experience available to the States.

13. A weakness in the present system of administration is the manner in which administrative control often tends to be exercised. In this connection two aspects may be specially mentioned. In the First Five Year Plan it was pointed out that a considerable part of the time of senior public servants was being given to work which was formerly done at lower levels. "Increasingly, while each agency of Government is accepting new responsibilities, the stage at which effective decisions are taken within any department is being pushed upwards." The general tendency still appears to be for the exercise of initiative and the making of decisions being concentrated at higher levels. The correction of this tendency is in part a question of organisation and methods; to a greater extent, however, it involves a consideration of how best to utilise the available personnel resources and to encourage men to assume responsibility.

14. A somewhat similar problem also arises in the relations between Secretariat departments and departments or authorities outside the secretariat. In the First Five Year Plan it was emphasised that heads of executive organisations, such as, departments or attached or subordinate offices, should be enabled to function with reasonable freedom and initiative and, at the same time, with the knowledge that they have the confidence of the Ministries under which they are placed. Departments tend to lose their drive and enterprise when they are subjected to detailed control, exercised at a number of levels within a secretariat or a Ministry. There has been no marked improvement in this respect during the past three or four years. It was also suggested in the First Five Year Plan that Central Ministries and State Governments should undertake systematic reviews of the new functions which they had assumed during recent years and consider whether some of them, at any rate, could not be made over to separate subordinate authorities. Such a review is now essential in relation to the tasks which have to be carried out during the second five year plan by Central Ministries and by State Governments. In general, it is desirable that the area of policy in which a Ministry or a secretariat has a special interest, should be distinguished as clearly and systematically as possible, and to the maximum extent, executive functions should be entrusted to separate units which are in a position to operate with minimum reference to the secretariat.

Administration and the Small Man

15. In carrying out the second five year plan, a problem which assumes much greater importance than before is the need to evolve suitable administrative methods and agencies for carrying technical, financial and other assistance to small men. Whether in agriculture or in small industries or in the field of social services, limited resources in men and money have to serve large number of small individuals. The terms and conditions of assistance for various schemes should be drawn up in such a manner that they benefit the under-privileged. At present, frequently, they leave a large area of discretion as to parties who may be assisted and it may well happen that an unduly large proportion of assistance may pass to persons who are relatively better off or succeed in drawing special attention to their claims. Further, for developing a sound system for the distribution of public assistance in any field it is essential that small men should be brought together into organised units which can serve their members, such as co-operative associations. Where such associations exist and their members are vigilant, the administration can give them a much greater measure of help and guidance than it can to unorganised individuals. The associations can also assume an increasing measure of responsibility in relation to their members, reducing thus the burden which falls upon the administrative machinery. The role of cooperatives in agriculture, in small industries and in other sectors is described in a later chapter. Here it is sufficient to stress that the building up of cooperative associations wherever feasible is one of the major administrative tasks of the second five year plan and that it is mainly through this agency that small men are to be effectively assisted both in developing their own activities and in utilising the assistance and resources which Government can make available.

Public Enterprises

16. The administrative requirements of public enterprises under the second five year plan have to be considered in relation to the role assigned to the public sector. The public sector is to grow absolutely and relatively to the private sector. Programmes of industrial development during the second plan place on

the Government responsibility, amongst other things, for new steel plants, coal mines, heavy machine building factories, fertiliser factories, manufacture of heavy electrical equipment and oil exploration and development. The comparative figures of investment during the first and the second plans are an indication of the growing responsibilities of Government in the management of modern industry. The decision to set up a State trading corporation is another illustration of the rapidly increasing area in which the Government has to equip itself with personnel and to create organisations not only for tasks to be undertaken in the immediate future but as preparation for even larger responsibilities to be shouldered in the future. Besides industrial projects which the Government directly operates, there are also a number of schemes of industrial expansion with which it is closely associated. Organisations for preparing designs of industrial plant and equipment have to be built up within the Government. Personnel has also to be found for assisting development councils established for individual industries under the Industries (Development and Regulation) Act, 1951.

17. In the First Five Year Plan attention was drawn to the need for making special arrangements for obtaining personnel for the management of industrial enterprises belonging to the Central and State Governments. A scheme for an industrial management cadre had been worked out and was then under consideration. In the period that followed various aspects of the proposal continued to be discussed. A new proposal for constituting an industrial management pool for providing personnel for industrial undertakings in the public sector has been recently worked out. The pool is intended to provide managerial personnel in industrial undertakings needed, for instance, for general management, finance and accounts, cost accounts, purchase, stores, transportation, personnel management and welfare, town administration, etc. It is proposed to obtain personnel from within public services as well as from outside. At lower levels posts are provided for the purpose of training personnel who will be able to assume higher responsibilities at a later stage. It is implicit in the approach to planned development which has been explained earlier and the programme of industrial and mineral development to be implemented during the second plan that problems of personnel should be considered on an emergency basis. The

proposed management pool should be large enough to meet the principal direct requirements of all the Central Ministries concerned with industrial projects. It should also be able to provide higher grades of personnel for industries departments in the States whose operations, especially in the field of small, medium and co-operative industries, will steadily increase.

18. The extension of training facilities in business management has considerable bearing on the rate at which the industrial sector can expand. Business administration courses for training junior officers have been recently initiated at Bombay, Calcutta, Madras and Delhi. It is also proposed to establish an administrative staff college which will bring together senior executives in different fields for study of techniques of organisation and administration. A management association with branches at principal centres is also being established in the near future.

19. Where large units have to be operated, appropriate organisations are needed at two levels, namely, (a) for individual enterprises, and (b) for carrying out responsibilities relating to planning, organising, directing and co-ordinating individual enterprises or groups of enterprises. Thus, for instance, the latter group of functions are carried out by the Ministries of Railways, Iron and Steel, Production and the National Industrial Development Corporation. Below this level a variety of forms of organisation have developed in recent years, but in industrial enterprises the joint stock company in which the Government holds the entire capital is being increasingly adopted. Thus, the National Instruments Factory, the Integral Coach Factory and the Chittaranjan Locomotives are examples of departmental management. The company form of management has been adopted for Sindri, Hindustan Cables, Bharat Electronics Antibiotics and others. For the Damodar Valley Project and the air services there are statutory corporations. A number of irrigation projects are managed by control boards in which the Centre and the States concerned are represented. In determining appropriate forms of organisation for public enterprises the main consideration to be kept in view is that the normal administrative and financial procedures customary

in departmental administration are not suitable for commercial and industrial enterprises. These enterprises have to fulfil business criteria and standards and have to meet obligations similar to and, in some respects in excess of, those expected in the private sector. The general policy therefore is to confer upon their managements the largest measure of financial and administrative autonomy consistent with the overall responsibility of Government and accountability to Parliament. Question relating to the organisation of public enterprises are under constant review and greater experience is needed before a clear view as to the relative advantages of different forms of organisations emerges. The subject has already received considerable attention as, for instance, in recent reports of the Estimates Committee of Lok Sabha. Issues such as the composition and functions of boards of directors, the role of a Ministry or a Secretariat in relation to public enterprises under its general control, and the need for a degree of common management for similar public enterprises are under examination in the Ministries concerned.

20. In large scale enterprises and in Boards or Ministries under which they function a great deal of long-term planning is necessary. Difficult problems are involved, such as the selection of competent and dependable technical consultants, negotiations with foreign countries and firms, the building up of supervisory and other key personnel, selection of foreign experts, and the adaptation of scientific methods of management to the needs of each enterprise. Questions bearing on methods of management and personnel policies in public enterprises therefore need well-informed and continuous study to which independent experts and leading organisations, both in the public sector and in the private sector, can contribute valuable experience.

#### Planning Machinery in the States.

21. In the course of the first five year plan most States have developed their planning units. As a rule, there are whole-time or nearly whole-time secretaries in charge of planning and development, many of whom also carry executive responsibilities in relation to national extension and community projects. During the second five year plan work relating to planning in the States is likely to increase in volume and

complexity. Hitherto, at the State level, the work of planning departments has generally taken the form of other departments. To an increasing extent, a planning department will now be concerned with appraisal of the economic and social needs of the State and with financial and material resources, training programmes and overall policy aspects of State programmes. Such questions as the level of employment, supply of trained personnel, supply of material resources for implementing the plan, mobilisation of small savings, price trends and the supply of consumer goods must fall more and more within the scope of planning in the States. The preparation of annual plans, improvements in the techniques of planning and the need for more precise and regular reporting and assessment of progress of individual schemes and of different sectors of the State economy will also demand expansion and strengthening of planning organisations in the States. In some States the necessary steps are already being taken. In this connection it is also necessary to emphasise that statistical and economic staffs in the States should be augmented and brought into close working relationships with planning departments.

#### Annual Revision of National and State Plans

22. As has been explained in an earlier chapter, in considering the economic and social objectives of planned development, it is necessary to take a view extending over a fairly long period, for instance, 15 years. In preparing the second five year plan, for the development of steel and heavy industries, in irrigation and power, in personnel planning, in the planning of education and in assessing population trends in relation to food supply, a view has been taken of probable requirements or developments over two or three plan periods. Long-term planning affords a perspective which is of great value in achieving balanced development in different sectors and in judging economic and social trends. For shorter periods, such as a year, there has to be necessarily detailed planning. Plans for five year periods have to be fitted, as it were, between general long-term plans on the one hand and detailed annual plans on the other. A five year plan helps focus attention on clearly defined tasks for which the resources and energies of the country are to be mobilised. A plan for a five year period must naturally be conceived and operated in a flexible manner.

23. Flexibility in working a five year plan is both a necessity and an advantage. In view of uncertainties inherent in imports of equipment and steel and in foreign exchange and changes in basic economic conditions, the working of the plan has to be reviewed periodically. To the extent a plan is flexible, it becomes possible to take advantage of new information and experience and to adopt new technological developments. Admittedly, long-term projects and development schemes involve commitments extending over several years and these leave less room for projects which lend themselves to short-term commitments and short-term adjustments. It is proposed that beginning with 1956-57 there should be published specific and detailed plans for each year within the general framework of the five year plan. This would avoid undue rigidity in implementation and will permit changes to be made according to the developing needs of the economy.

24. The changes and adjustments which annual plans will facilitate pertain largely to those sectors of the national plan which are in a special measure the concern of the Central Government, such as industries, mineral, transport and power. To a smaller extent adjustments within the framework of the plan will also be required in the States. A suitable procedure for undertaking yearly reviews and presenting annual plans for states has recently been worked out in consultation with representatives of the States.

#### Public Participation and Cooperation.

25. The place of public cooperation and participation in the scheme of democratic planning is well recognised. As was said in the First Five Year Plan, public cooperation and public opinion constitute the principal force and sanction behind India's approach to Planning. During the past few years wherever the people, especially in rural areas, have been approached, they have responded with eagerness. In national extension and community project areas in local development works, in shramdan and in social welfare extension projects and in the work of voluntary organisations, there has always been willingness and enthusiasm on the part of the people to contribute in labour, and local resources have been made freely available.



26. An under-developed economy has large resources in manpower which are not being fully utilised. These resources have to be used for creating permanent assets. This aim is best achieved when each citizen feels an obligation to give a portion of his time and energy to works of benefit to the community to which he belongs. This is the method of democratic, cooperative growth.. One of the central aims of the National Extension Service is to organise the systematic use of manpower resources, particularly in rural areas, for works of benefit to the community as a whole. This can be done in a number of ways, for instance, in constructing local works such as village roads, fuel plantations, tanks, water supply and drainage, and maintaining existing minor irrigation works. Where a large work is undertaken, such as an irrigation project, the national extension and community project personnel should take initiative, with the support of non-official leaders, in organising labour co-operatives of villages interested in work on the canal system and connected activities. This is also possible in regard to roads and other projects. Besides inducing a sense of local participation in the projects and augmenting work opportunities, this will enable the local people to benefit by the large expenditure incurred and improve their economic position. By harnessing voluntary effort and local manpower resources, physical targets in the plan can be supplemented in many fields and even greatly exceeded. The second five year plan will provide large opportunities for co-operative action along these lines.

27. In the First Five Year Plan reference was made to the need for programmes for utilising voluntary labour in rural areas. The main object of national extension and community projects is to rebuild village life through work done by the people to meet their common needs. As the national extension service will not reach the entire rural population until the end of the second plan, as a preparatory stage in areas not served by the national extension service it was decided to introduce a local development works programme to enable village communities to undertake, mainly with their own labour, works required for meeting their urgent needs. With this in view, Rs 15 crores were provided in the first five year plan. The scheme has now been in operation for nearly three years. Apart from

Uttar Pradesh, where the local works programme is integrated with shramdan, reports from States indicate that about 39,000 local works have so far been approved. These include works such as the construction of small buildings, dispensaries, community centres, panchayat ghars and libraries, village roads and culverts, wells and minor irrigation works. The local works programme has helped to increase enthusiasm for development in rural areas. At present the work done under the programme is being reviewed in detail in a number of States by three inspection teams. As a result of their evaluation such modifications and improvements as the programme calls for will be introduced.

28. Young men and women and students from colleges and schools are taking an increasing share in the tasks of national development. The first five year plan made a special provision for youth camps and labour services. Up to October 1955, at the instance of the Ministry of Education 795 youth camps had been organised in which 66,000 persons participated. These camps create a sense of dignity in manual labour, provide new interests and bring together different sections of the community. Valuable work has been done by the National Cadet Corps which has now a strength of 46,000 in its senior division, 64,000 in the junior division and 8000 in the girls divisions, besides 3000 teachers and others drawn from educational institutions. The Auxilliary Cadet Corps has now a strength of 750,000. The Bharat Scouts and Guides have a membership of 438,405 scouts and 61,118 guides which represents an increase of 50 per cent since the beginning of the first plan. The Bharat Sevak Samaj has organised nearly 500 youth and student camps in which about 40,000 youth and students have taken part. All these organisations have ambitious programmes of development for the second five year plan. Youth and students have a unique contribution to make to the building of the nation and it is the aim of the plan to give them growing opportunities of service and participation. The Planning Commission has also endeavoured to secure the close association of teachers and students in the formulation of the second five year plan. In response to its suggestions, planning forums are being

formed in a number of universities and other institutions to enable teachers and students to consider problems relating to national development and to send their suggestions to the Planning Commission, State Governments and local authorities. Members of Planning forums also organise projects for voluntary labour service.

29. As a non-political and non-official organisation set up in pursuance of the first five year plan, the Bharat Sevak Samaj has served as a national platform for constructive work. It has now 31 Pradesh branches and 229 district branches, besides branches in tahsil or taluka towns and in villages. The total membership of persons who have agreed to give five hours of social service during the week now runs to 50,000. In addition to a small number of whole-time employees, the Bharat Sevak Samaj has been able to attract a number of retired and experienced public servants for its programme of work, which now includes social education, health and sanitation, labour co-operatives, work centres, youth and student camps, information centres and cultural activities. Besides implementing its own programmes, the Bharat Sevak Samaj also works in association with other social service organisations. Five of its branches are running welfare extension projects under the schemes of the Central Social Welfare Board. Special arrangements have been made for training camp leaders. Some of the camps have been organised on behalf of education departments and university authorities. A youth organisation named the Bharat Yuvak Samaj has been recently sponsored by the Samaj. Among activities undertaken by the Bharat Sevak Samaj, mention may be made of the construction of 16½ miles of embankment at the Kosi project, work on the Jumna bund, establishment of cooperative societies, assistance in the small savings movement and participation in local development works.

30. In drawing up village plans everywhere the people have taken keen interest and have expressed readiness to shoulder the responsibilities which planning brings. A sum of Rs 15 crores has been provided in the second plan for local development works and Rs 5 crores for schemes relating to the organisation of public cooperation. In most programmes there is scope, in varying degrees, for securing greater participation from the people. The fields in which such participation can make a material addition to resources and can enhance the achievement of physical targets should be specially marked out by

the agencies concerned, both at the Centre and in the States, and public cooperation sought in a systematic and continuous manner.

31. It is not only through village groups and voluntary organisation that public cooperation and participation can be promoted. As was suggested in the First Five Year Plan, local authorities, both urban and rural, should be utilised by State Governments as their own agents to the greatest extent possible and, in turn, local authorities should seek the cooperation of voluntary organisations and social workers. Associations representing professional groups such as doctors, lawyers, teachers, technicians and administrators could render much valuable service in promoting community welfare. There have been encouraging signs of association and leadership in welfare programmes on the part of universities, educational institutions and youth associations. These and other possibilities mentioned above have to be developed to the greatest extent possible during the second five year plan.

32. In addition to contributions in the form of work, the small savings movement offers to every citizen an opportunity, according to his means and circumstances, to contribute to the success of the national plan. The scale on which the second five year plan is being undertaken makes it essential that the resources of the community should be mobilised to the fullest extent. Small efforts widely spread can make an immense contribution to the rate at which the national economy develops. The record of small savings during the first plan has been encouraging, but much more has to be achieved during the second plan. It is one of the aims of national extension and community projects to reach every family in the countryside and stimulate savings. Educated men and women all over the country can assist the plan by establishing continuous contact with all families in particular areas and inducing them to contribute regularly to the small savings movement. The work done during the past three years in the women's savings movement is an example of the kind of effort which can be made everywhere. The support of the small savings movement in a sustained and practical manner should be an important item in the work of activities of every institution and undertaking throughout the country.

Publicity for the plan

33. Through community participation and the results which have been achieved the first five year plan has reached large number of persons. Yet they represent only a small proportion of the population of the country, Keeping this in view, the second five year plan has provided a sum of Rs 7 crores for an integrated publicity programme to be undertaken in cooperation by the Ministry of Information and Broadcasting and the States. The programme includes the setting up of a chain of information centres through out the country, provision of publicity literature, films, audio-visual aids, organisation of mobile vans, exhibition, community receiving sets and books and journals. It is proposed to bring out a new journal to be called, Yojna (Plan) which will endeavour to carry to cooperatives and panchayats, voluntary organisation, public servants and non-official workers throughout the country an understanding of the plan and its aims and values. The nation's plan has a message for each citizen, and everyone has something to give it.

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## CHAPTER VII

### DISTRICT DEVELOPMENT ADMINISTRATION

#### Recent developments

In India the district has always been the pivot of the structure of administration. With the acceptance of a Welfare State as the objective the emphasis in district administration has come to be placed overwhelmingly on development activities. The progress of the national extension and community development, increase in the number of village panchayats and the response of the people to opportunities for cooperation in development programmes have served to stress the importance of planning and execution of development programmes within the district with the full support and participation of the best non-official leadership at all levels.

2. In the First Five Year Plan problems relating to the administration of district programmes were reviewed and a number of recommendations made. The object of this chapter is to consider action that has been taken during the past three or four years and to suggest directions in which the administration of district programmes may be further strengthened in view of the tasks to be undertaken in the second five year plan. As was pointed out in the First Five Year Plan, apart from finding personnel and the need to adapt the administrative system to the temper of democratic government, the reorganisation of district administration has to provide for -

- (1) establishment for development at the village level of an appropriate agency which derives its authority from the village community;
- (2) integration of activities of various development departments in the district and the provision of a common extension organisation;
- (3) linking up, in relation to all development work, of local self-governing institutions with the  
administrative ...

- administrative agencies of the State Government;
- (4) regional coordination and supervision of district development programmes; and
  - (5) strengthening and improvement of the machinery of general administration.

These tasks are of even greater importance for the second five year plan.

3. The strengthening and improvement of the machinery of general administration has to be undertaken at State headquarters as well as at other levels. At State headquarters coordination is achieved through an inter-departmental committee of Secretaries in charge of various development departments. The chairman of the committee is the Chief Secretary or the Secretary in charge of planning. Generally, the functions of coordination for planning and for the implementation of district programmes are combined in a single officer commonly described as the Development Commissioner. As a rule, a committee of the State Cabinet under the Chief Minister provides overall guidance and direction. State Planning Boards which include leading non-officials have also been constituted in most of the States.

4. At the beginning of the first five year plan several States, especially those which had been recently integrated, were without adequate administrative cadres. This deficiency has been largely made good, but several small States are experiencing difficulty in obtaining officers on deputation from other States. States which had abolished zamindari or jagirdari such as Bihar, Rajasthan and Hyderabad are taking steps to provide the necessary administrative agencies at various levels.

5. Steps which have been taken during the past few years such as the programme of national extension and community projects, integration of district development activities on the national extension pattern, and the development of village panchayats, point to the need for speeding up the development of democratic institutions within the district. In this respect, a certain hiatus has continued to exist which it is necessary to remove. It is important that sound institutions should be built up as early

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as may be possible to enable the people of each area to assume the principal responsibility for the development of their resources and for solving their local problems as part of the wider scheme of State and national planning.

6. The implementation of the plan and of national extension and community projects have enhanced the responsibilities of the district administration. The additional personnel located in the district by the development departments for carrying out national extension and community projects and other programmes have been a source of strength to/district administration. On the other hand, the task of supervision over different branches of activity has become larger and more complex and the claims upon the time and energy of the Collector have increased. Large-scale programmes for agricultural development, expanding and improving the cooperative movement and promoting village and small industries and the development of urban areas are new responsibilities for which the Collector will have specially to equip himself. It is obvious that administrative agencies have a much larger part to play in these directions than ever before. The people also look to a larger share in the working of various programmes. In many States, to enable the Collector and the team of officers at the district level to meet the new demands, additional Collectors and district development or planning officers have been appointed and there has been greater delegation of authority. The Collector,/Sub-Divisional Officer and the Block Development Officer are functioning as leaders of teams of specialists whose work they guide and knit together. In several States more sub-divisions have been created, and phased programmes for establishing new sub-divisions are being followed. Action along these lines should be pursued in all States systematically, as the national extension service is progressively extended to new areas.

#### Village Planning and Village Panchayats.

7. The preparation of the first five year plan in the States took place mainly at State headquarters. Subsequently, attempts were made to break up State plans into district plans. In national extension and community project areas, as programmes were carried to the village to be worked in cooperation with the people, the significance of village planning was

increasingly ...



increasingly realised. In the programme of local development works local communities had to propose schemes which they could undertake through their own labour with support from the Government. It has been recognised that unless there is comprehensive village planning which takes into account the needs of the entire community, weaker sections like tenant-cultivators, landless workers and artisans may not benefit sufficiently from assistance provided by the Government. The national extension movement aims at reaching every family in the village. This aim cannot be fulfilled unless, as was pointed out in the First Five Year Plan, there is an agency in the village which represents the community as a whole and can assume responsibility and initiative for developing the resources of the village and providing the necessary leadership. Indeed, rural progress depends entirely on the existence of an active organisation in the village which can bring all the people - including the weaker sections mentioned above - into common programmes to be carried out with the assistance of the administration.

8. These considerations have been taken into account in the preparation of the second five year plan. Early in 1954 State Governments were requested to arrange for the preparation of plans for the second five-year period for individual villages and groups of villages such as tehsils, talukas, development blocks, etc. It was essential that local initiative in formulating plans and local effort and resources in carrying them out should be stimulated to the maximum extent possible. This would help to relate the plans to local needs and conditions and also to secure public participation and voluntary effort and contribution. Village planning was to be concerned primarily with agricultural production and other associated activities, including cooperation, village industries, communications and other local works programmes. These suggestions were generally followed and in all States village plans and district plans were prepared and formed a basis of the draft plans presented by State Governments.

9. The methods adopted for preparing the second five year plan have provided valuable training both to the rural people and to rural officials associated with development. It is realised that the pattern of district administration envisaged in the national extension and community development programme will remain incomplete unless village institutions are placed on a sound footing and are entrusted with a

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great deal of responsibility for carrying out local programmes. The experience of setting up ad hoc bodies in villages to implement development programmes has also reinforced this conclusion. The development of village panchayats on the right lines has significance for several reasons. Under the impact of new developments, including the growth of population, land reform, urbanisation, spread of education, increase in production and improvements in communications, village society is in a state of rapid transition. In emphasising the interest of the community as a whole and in particular the needs of those sections which are at present handicapped in various ways, village panchayats along with cooperatives, can play a considerable part in bringing about a more just and integrated social structure in rural areas and in developing a new pattern of rural leadership.

10. It is the general aim to establish a statutory panchayat in every village, especially in areas selected for national extension and community development projects. During the first five year plan the number of village panchayats has increased from 83,087 to 117,593. According to the tentative programmes drawn up for the second five year plan, by 1960-61 the number of village panchayats will increase to 244,564. All over India there is need to review village boundaries so that there might be evolved good, efficient working village units with live panchayats. Thus, there are over 380,020 villages in India with populations of 500 and below. More than 78 million people or 27 per cent of the rural population live in such villages. There are 104,268 villages with a population between 500 and 1000. About 73 million people live in these villages, constituting over 25 per cent of the rural population. More than half the rural population thus lives in villages with populations below 1000. A proportion of such villages is in hilly areas which are sparsely populated. The question of combining these into units with a population of about 1000 deserves to be examined. It is necessary to have villages which are small enough to have a sense of solidarity and yet not so small that personnel cannot be provided or the essential services organised for their benefit. The second conference of Local Self-Government Ministers held in 1954 recommended that where individual villages are not large enough to serve as units for panchayats, a single panchayat may serve a population of 1000 to 1500. This is useful up to a point, but the real problem concerns the organisation of convenient village units.

11. In the First Five Year Plan it was recommended that to enable panchayats to play their part in organising village development programmes legislation should confer on them certain functions relating to village production programmes and the development of village lands and resources. Recently this proposal has been further examined. The functions of village panchayats may be distinguished broadly between two groups, administrative and judicial. Administrative functions may be divided conveniently between (1) civic, (2) development, (3) land management and (4) land reform. The civic functions of panchayats are embodied in legislation in different States in more or less similar terms. They include such tasks as village sanitation, registration of births, deaths, etc., organisation of village watch and ward, construction, maintenance and lighting of village streets, etc.

12. The functions of village panchayats in relation to development may be set out as follows:-

- (1) framing programmes of production in the village;
- (2) in association with cooperatives, framing budgets of requirements for supplies and finance for carrying out programmes;
- (3) acting as a channel through which an increasing proportion of government assistance reaches the village;
- (4) developing common lands such as waste lands, forests, abadi sites, tanks, etc., including measures for soil conservation;
- (5) construction, repair and maintenance of common village buildings, public wells, tanks, roads, etc.;
- (6) organisation of mutual aid and joint effort in all activities;
- (7) promotion of cooperative societies;
- (8) organising voluntary labour for community works;
- (9) promoting small savings; and
- (10) improvement of livestock.

13. The functions of panchayats in respect of management of village lands and the implementation of land reforms are specially related to the lines along which it

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is proposed that the agrarian structure should be reorganised and are explained in chapter IX. The main land management functions are:

- (1) regulation of the use of common lands such as waste lands, forests, abadi sites, tanks, etc.;
- (2) cultivation of lands set apart for the benefit of the village community, as in consolidation of holdings;
- (3) adaptation of standards of good management and cultivation to local conditions and their enforcement; and
- (4) association with the work of maintenance of land records;

The functions of panchayats in relation to land reforms arise from legislation which may be enacted by each State. In the main, they entail the association of the village panchayat with such activities as -

- (1) determination of land to be allotted to owners and tenants on the exercise of rights of resumption for personal cultivation,
- (2) determination of surplus lands on the application of ceilings on agricultural holdings, and
- (3) redistribution of surplus lands arising from the imposition of ceilings.

Village panchayats are already associated in several States in the work of consolidation of holdings.

14. The judicial functions of panchayats concern -
- (1) the administration of civil and criminal justice,
  - (2) enforcement of minimum wages for agricultural workers, and
  - (3) simple disputes pertaining to land.

The common pattern in States for facilitating the exercise of these functions is to establish separate judicial panchayats whose territorial jurisdiction extends as a rule to a number of villages.

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15. It was recognised in the First Five Year Plan that the process of election by which panchayats are constituted might not always throw up a sufficient number of persons with qualities most needed in village reconstruction such as good farmers, cooperative workers and social workers. Similarly, instances might occur in which weaker sections of the population, especially the landless, might not be adequately represented in the panchayat. Nomination of additional members, which was suggested as a possible course in the First Five Year Plan, is not free from defects. To meet deficiencies, it may be desirable to empower village panchayats to co-opt a limited number of persons, say, two or three, in the case of smaller panchayats and up to, say, one-fifth in the case of the larger panchayats. A representative of the principal cooperative society of the village could also be an ex-officio member of the village panchayat. In the panchayat legislation of a number of States provision exists for a measure of reservation in favour of Harijans and backward classes. In the actual administration of panchayat legislation it is necessary to pay special attention to the representation through election of weaker sections of the village community.

16. Once it begins to function actively, an institution like the village panchayat will soon face the difficult problem of finance. Panchayat legislation in most States provides for series of sources of revenue such as tax on trade or profession, property tax, licence fees, fines and watch and ward tax. These resources do not, however, add up to a great deal. In the main, panchayats have to rely on three sources given to them by State Governments. The first of these is the grant of a proportion of the land revenue. The second, of which there are not many instances yet, is the right given to the panchayat to collect land revenue and to realise the collection fees allowed to village headmen. The third source is the right to utilise income from common lands, tanks, etc. In the Punjab and in one or two other States, in the course of consolidation of holdings, by agreement a certain amount of land is given to the village community, so that the income can be used for common benefit. Grants to panchayats of a proportion of the land revenue are made in ~~the~~ several States. They vary from 10 to 15 percent at one end to about 30 percent at the other. It is desirable that a proportion of the land revenue in each village should be assigned to the panchayat for local development. This will serve as a nucleus fund to be augmented by the panchayat from contributions in labour and money from members of the community. We suggest that State Governments may

consider ...

consider making grants to village panchayats in two parts, a basic proportion, say, 15 to 20 percent of the land revenue, with an additional grant extending up to, say, 15 percent of the land revenue on condition that the panchayat raises an equal additional amount by taxation or voluntary contributions. Panchayats should also be assisted in developing sources of recurring income.

17. In programmes sponsored by State Governments and district authorities, the panchayat has to find a proportion of the cost through labour and through contributions in other forms. Its own direct expenditure concerns the provision of elementary services in the village and the maintenance of minimum staff. The responsibilities entrusted to panchayats will continue to grow. In some cases full-time panchayat secretaries have been appointed; in others part-time arrangements have been made. It is not necessary to prescribe any set pattern, but different ways of providing staff assistance to village panchayats which are being adopted in the States should be studied and, according to circumstances, those which are found suitable can be adopted.

18. As the coverage of the national extension movement expands, the work of village panchayats should be closely integrated with the programmes adopted in development blocks. Panchayats will have two sets of programmes, namely, those which are sponsored by the Government through extension workers and by District Boards through their agencies, and those which are undertaken by the village community of its own volition and from its own resources in manpower, materials and money. Towards the former the village has to find a share of the cost mainly in the form of labour. While both sets of programmes are vital and the village panchayat should be used wherever possible in carrying out development programmes, an important test of the success of the panchayat as an institution is the proportion which the second set of programmes bears to the first. The true significance of the panchayat lies in its role in mobilising the contribution of the community. It is also desirable that where village panchayats undertake activities such as minor irrigation works, land development, soil conservation, etc., they should be given the assistance which is commonly made available to individuals under various schemes. In fact local communities should be encouraged to undertake joint activities to the

District Plans

19. When planning is undertaken on a national scale a careful view has to be taken as to which programmes should form part respectively of the national, state and district plans. Among the factors which have to be taken into account are -

- (1) the level at which an activity can be undertaken with the necessary technical and administrative resources,
- (2) whether an activity is limited to a particular area or has significance for a wider area, so that it should form part of a larger inter-connected plan, and
- (3) the extent to which public participation and co-operation are called for in implementing the programme or augmenting its scope and influence.

On these considerations the Central Government has to undertake the main responsibility for the development of major industries, the railway network, national highways and over-all co-ordination in various fields of development such as irrigation and power, large and small industries, etc. There are other projects which are best planned on a State basis, as for example, irrigation and power schemes of medium size, road transport services and surveys for drawing up minor irrigation programme. Plans for districts and villages merge into the State plan which, in turn, has to take cognizance of plans prepared from the point of view of a country as a whole.

20. In drawing up the second five year plan it was agreed that a State plan should include to the maximum extent possible all programmes to be implemented by the State Government or by public authorities such as local bodies or by special boards set up within the State. The fact that for any particular programme either the whole or a part of the resources came from the Central Government or from various agencies set up by it did not, in principle, affect the inclusion of a programme within the State plan. This course was adopted because in the second five year plan one of the most important aspects was the preparation of plans at various levels below that of the State, that is, for individual villages, towns, talukas, tahsils or extension blocks and districts. It was recognised that both at the district and at the state

level.....

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level three kinds of programmes sponsored on behalf of public authorities would be included in the plan, namely,

- (a) programmes initiated at the level in question, e.g., taluka, district and State,
- (b) programmes initiated at lower levels and integrated with those in (a), and
- (c) programmes initiated at levels above and integrated with (a), for instance, schemes sponsored by the Central Government but executed through States or schemes sponsored by the State Government and implemented through machinery available in the district.

21. A State plan has to be presented in two different ways, namely, according to different sectors of development represented in it and according to regions and districts. Programmes for different sectors include those which are to be executed directly by departments at State level and others which are to be executed through districts but are co-ordinated at the State level. Thus, a district plan would include programmes prepared on a territorial basis for villages, groups of villages, talukas, extension blocks, municipal areas, etc. and also programmes to be executed within the district which are derived from departmental plans formulated at the State level. That part of the district plan which is prepared within the district is important both for the range of activities which it embodies and for the fact of association with the people at every level and the opportunity afforded to them to determine their needs and to contribute towards their fulfillment.

22. Just as in drawing up State plans the preparation of district plans is an important stage, so also in the implementation of the State plan its break up into district plans is an essential step. In particular, in different sectors in the State plan programmes or schemes in which local participation and community action have a special contribution to make are to be separated out and shown as constituents in the plans of districts. Those items of work become part of the district plan in which, in the main, the resources provided by Government are in the nature of a nucleus to be augmented through popular support and participation. The value

of district.....



of district plans as a method of approach in planning is enhanced by the ambitious scale on which national extension and community projects are proposed to be undertaken. By the end of the second five year plan this programme will serve almost the entire rural population. Each State will have its phased programme for bringing different blocks, talukas, etc. under the national extension and community development programme. A district plan will include programmes for all parts of a district, whether or not, at a given date, they are provided with extension services. The district plan has, therefore, to take into account the requirements and activities of areas under the extension programme as well as of those outside it. This makes the district plan an important influence in educating public opinion, in bringing together various programmes in the district within a common frame and in developing community participation, co-operative self-help and local initiative and leadership. The people of each district are thus enabled to assess their needs and resources, judge for themselves the tasks to be undertaken with the active support of the administration, and put forth the requisite effort. Moreover, as a partnership in effort between the administration and the people a district plan will specify obligations to be met by both.

23. The main constituents of a district plan are:

- (1) the community development and national extension programme,
- (2) social welfare extension projects,
- (3) agricultural production programme and allied activities in the field of rural development such as animal husbandry, soil conservation etc.
- (4) development of co-operatives,
- (5) village panchayats,
- (6) village and small industries,
- (7) schemes for utilising effectively resources developed through State projects for irrigation, electricity, communications, industrial development and expansion of training facilities,

(8)....

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- (8) the programme of small savings,
- (9) aiding construction projects through labour co-operatives and shramdan,
- (10) programmes for the welfare of backward classes,
- (11) programmes relating to social services, especially expansion of education at primary and secondary levels, health units, health education, sanitation, malarial control, family planning, etc.
- (12) utilising and assisting voluntary organisations engaged in constructive social work,
- (13) land reform,
- (14) prohibition work, and
- (15) dissemination of information about programmes of national, State, regional and local development.

24. These programmes are undertaken through several official and non-official agencies, and in a number of them there has to be co-ordination between more than one agency. Thus, in addition to administrative officials and the officials of the various development departments, each district will generally have a rural local board, a number of municipal bodies in urban areas and a large number of village panchayats. In areas selected for intensive work under the national extension and community development programme, there are project or block advisory committees which include, besides Members of Parliament and the State Legislature, a number of non-officials appointed by the State Government. The existence of a larger number of agencies whose work has to be co-ordinated through a district plan suggests certain possibilities of reorganisation of development machinery in the districts.

District Development Machinery.

25. During the first five year plan, as has been stated earlier, the national extension machinery has become part of the normal district administration. In almost all States district development or planning committees have been set up which associate representatives of the district in the State legislature and in Parliament, representatives of the district board and the principal municipal bodies and leading non-official workers with the formulation and implementation of development programmes in the district. The functions of these committees are essentially advisory or consultative. On the whole, they have not secured the degree of participation and co-operation from the public which is implicit in the concept of district planning. The association through these committees of the district board and of other local bodies with the work of development does not go far enough. In the First Five Year Plan the role of local bodies in development programmes was reviewed and it was suggested that the general direction of policy should be to encourage them and to assist them in assuming responsibility for as large a portion of administration and social services within their areas as may be possible. It was pointed out that it might be necessary to work out suitable arrangements for linking local self-governing bodies in different fields with one another, for instance, village panchayats with district or sub-divisional local boards. While the process developed, it was suggested that State Governments should secure the close co-operation of local self-governing bodies in the field of development in such directions as the following:-

- (1) Programmes undertaken by local bodies should be integrated with State programmes and should be shown as part of district plans:
- (2) Local bodies should be used as agencies for carrying out the social service programme of State Governments. "It is a good general rule for any authority to try and pass the responsibility for a project to the authority immediately below it if, with a measure of help and guidance, the latter can do the job equally or nearly as well";
- (3) Institutions run by local bodies and services provided by them should be inspected, supervised and guided by the technical and administrative personnel of the State Government on exactly the

same lines and with the same vigour as may be adopted for the State Government's own institutions and services:

- (4) Members representing the district board should provide the nucleus for development committees set up for framing and watching the execution of the district and taluka development programmes. These committees would also include other institutions; and
- (5) Where ~~every~~ sub-divisions exist or are created in the future, the best placement of sub-divisional local boards should be considered.

26. In practice these recommendations have not been carried out to any great extent. In a number of States, as in Madhya Pradesh, Orissa, Bihar, Punjab, Uttar Pradesh and elsewhere, thought has been given recently to the future structure and functions of district boards with reference to the functions of village panchayats and to those of various administrative agencies functioning in the district. The Taxation Enquiry Commission expressed the view that district local boards could no longer continue in their existing form and that their position in the structure of local self-government had become increasingly unstable. The need for creating a well-organised democratic structure of administration within the district is now being widely felt. In this structure village panchayats will have to be organically linked with popular organisations at a higher level. In some States it may be convenient to have a democratic body at the district level, in others at the level of sub-divisions. In either case there are two essential conditions to be aimed at. In the first place, the functions of the popular body should come to include, if necessary by stages determined in advance, the entire general administration and development of the area other than such functions as law and order, administration of justice and possibly certain functions pertaining to revenue administration. The second condition is that for smaller areas within the district or the sub-division such as development blocks or talukas members of the popular body should be assigned clear functions in the implementation of local programmes. The subject requires careful and objective study in the light of conditions prevailing in different parts of the country and experience during the first five year plan. We therefore recommend a special investigation under the auspices of the National Development Council. While this investigation proceeds and the results of experiments made in various States are studied more closely from the point of

view indicated above, there is need for strengthening and reorganising the non-official agencies which have been created in almost all States for assisting in the implementation of development programmes, specially at the district level and in national extension and community project areas.

27. At the district level the primary object is to coordinate the work of various agencies concerned with development and to associate with them representative non-officials and others who may be in a special position to assist. At the development block or taluka level the main aim is to secure the largest measure of participation, especially from cooperative organisations, village panchayats and voluntary agencies. A review of the manner in which district development committees and project advisory committees have functioned suggests that as an immediate step in reorganisation it will be useful for State Governments to set up district development councils and development committees for areas such as development blocks or talukas.

A district development council might include -

- (1) representatives of the district in the State legislature and in Parliament,
- (2) representatives of municipal committees and rural local bodies,
- (3) representatives of the cooperative movement.
- (4) representatives of village panchayats,
- (5) co-opted members from leading social service agencies, from educational institutions and from amongst constructive social workers, and
- (6) the Collector along with sub-divisional officers and district officers in charge of various development departments.

28. The functions of a district development council may be described as -

- (1) advising on the formulation of each year's plan of development within the general framework of the State five year plan;

- (2) reviewing progress in the implementation of approved programmes of development;
- (3) recommending measures for the effective and speedy fulfilment of schemes of economic and social development and, more especially, of national extension and community projects, agricultural production programmes, local development works, social services and village small industries;
- (4) promoting public participation and cooperation in development programmes and expanding local community effort both in urban and rural areas;
- (5) assisting the development of cooperatives and village panchayats;
- (6) promoting the small savings movements;
- (7) general supervision over the work of village panchayats in respect of land reform, land management and rural development generally;
- (8) enlisting the active association and cooperation of teachers, students and others in the study and development of local resources;
- (9) providing opportunities for general education through fairs, exhibitions, seminars etc;
- (10) training of members of panchayats and cooperatives.

The functions of development committees constituted for development blocks or talukas will be similar to those of district development councils. Their membership might comprise:

- (1) representatives of village panchayats,
- (2) representatives of urban local bodies and of the rural local board,
- (3) representatives of the cooperative movement,
- (4) representatives of the area in the State legislature and in Parliament (to the extent their other commitments permit them to participate),

- (5) co-opted members from leading social service agencies, from educational institutions and from amongst constructive social workers,
- (6) officials in charge of development departments.

29. Although the functions of district development councils and block or taluka development Committees will be advisory, they should be given a considerable amount of initiative in suggesting the details of various programmes and the distribution of resources within the general scheme approved for the district by the State Government. Their work should be suitably planned, they should be consulted before programmes are finalised and their reviews of work done in the field should take place at regular intervals. Their special responsibility will be to ensure that the maximum amount of public cooperation and participation are secured, that the various programmes operate so as to be complimentary to one another, and that disadvantaged sections of the community benefit adequately.

Development councils for districts and development committees for blocks or talukas constituted broadly on the lines mentioned above will take the place of existing development committees and project advisory committees. It is envisaged that in the main these bodies may be non-statutory. Their effective functioning will mark an important stage in the reorganisation of district administration and the experience gained will indicate the lines along which the structure of district administration may be modified and strengthened to meet the basic needs of democratic development. Moreover, progress along these lines will emphasise two specially valuable features of district and area planning. Local programmes represent an area of common action significant for the welfare of the mass of the people in which differences in view and affiliation are of relatively small consequence. Secondly, working with one another and with the people and their representations will go a long way to bring the outlook and attitudes of local officials in line with the requirements of the socialist pattern of society and to break down between different grades which are themselves an impediment to success in the common effort. Institutions and practices such as seminars, sharing of experience and for consultation in formulating and reviewing programmes of work have already proved useful in this direction.

Coordination and Supervision

30. Coordination and supervision of development programmes have to be organised at various levels - in the taluka or the development block, in the district or the sub-division, for a group of districts constituting a region and at the State level. At each stage two problems arise. The first is that the work of different technical departments has to be knit together so as to make a single, coordinated programme. The second problem concerns guidance and inspection, and evaluation and reporting. The need for coordination arises, on the one hand, in relation to policy and allocation of resources and, on the other, in terms of the requirements of a common extension agency. The strength of a coordinated programme of development lies in the quality of the specialised services which are brought together. Coordination should therefore be so organised as to bring out the best in the specialist. This involves a clear appreciation of the responsibilities of technical departments at each level in the scheme of operations, and a proper recognition of their contribution to the common programme. As pointed out earlier, at the State level coordination of programmes is undertaken by the Development Commissioner under the direction of a Cabinet committee on development. In the district or the sub-division these responsibilities devolve on the Collector and the sub-divisional officer. Development programmes in the second five year plan are much larger in scope than those in the first five year plan. It is not now possible for the Development Commissioner, with the other responsibilities he bears at the State level, to tour sufficiently and keep in close touch with the working of the State plan in the districts. This difficulty will be specially felt in the larger States. In the circumstances of the second five year plan the need for setting up machinery for effective regional coordination and for supervision of district work cannot therefore be too greatly stressed.

31. District administration is an agency of change towards a new social order. It has to respond to the needs and aspirations of the people. It will be judged both by the practical results it produces and by the methods and institutions of popular association and cooperation which it integrates into its basic structure.



## CHAPTER - VIII

### PERSONNEL REQUIREMENTS AND TRAINING PROGRAMMES

Effective utilisation of material and human resources is of vital significance in planning. To achieve the requisite tempo of development, it is essential that the task of matching human resources on the one hand with material resources on the other should be taken up with as much precision as may be possible. Manpower has usually been referred to as the nation's first resource; much more so is technical manpower.

2. The need for assessing requirements and availability of technical personnel was keenly felt in 1953 when it was found that the employment situation had deteriorated and at the same time, non-availability of sufficient technical manpower came in the way of expanding employment opportunities. A beginning had been made in this direction through the work of Scientific Man-Power Committee but its assessment had been made before the First Five Year Plan was drawn up. As the first plan proceeded, its provisions relating to the facilities for training in different fields were further enlarged. This has to some extent improved the situation at the beginning of the Second Plan. Planning for technical personnel has to be undertaken well in advance in order that the future supply may be adequate for meeting probable demands. While this is generally accepted, difficulties in forecasting future demand require to be underlined. Apart from the lack of information as to possible technological advances which may be made, it is necessary, both to take an over-all view and to study the facts of supply and demand in different regions, especially at the lower levels. Again since technical personnel will always remain a composite group including numerous categories, even within broad fields of development, lack of balance is possible because sufficient attention is not given to details.

3. It is not intended in the analysis that follows to cover all categories of technical personnel. The approach to the problem has to be selective in that the categories of personnel in which shortages were experienced during the first plan period have to be specially taken care of. In certain other categories where the building of personnel requires basic training as well as a fair amount of practical experience, it would be necessary to make a rough assessment of the demand, say, in the third plan period and to draw up training programmes accordingly. This is specially so in engineering trades where as a result of the emphasis in the second plan on steel production, large avenues of employment are likely to be opened up. Since the production of steel will be stepped up further during the third plan period, a steady demand

for skills in this field is to be expected. In cement also, production has gone up considerably during the last few years and during the second plan period a substantial increase in cement production has been envisaged; indeed exceeding the capacity built up since the inception of cement industry. Steel and cement taken together would provide employment in construction activity and as such planning of technical personnel for construction assumes a special significance. Shortages of personnel experienced during the first plan included agricultural graduates and diploma-holders, veterinary personnel, personnel for forestry, cooperation, soil conservation, development officers, project executives, medical personnel and trained teachers. Training facilities planned for these and some other special categories of personnel are discussed below:

#### Engineering Personnel

4. A number of steps were taken during the first five year plan to expand training facilities for personnel required in engineering occupations. The Institute of Technology was established at Kharagpur; the Indian Institute of Science at Bangalore was further developed. Four new colleges and 19 Poly-techniques were established. In addition, 20 existing colleges and 30 schools were strengthened in accordance with the recommendations of the All India Council of Technical Education. All these measures have resulted in there being at the end of the plan period 45 engineering institutions for graduate training and 83 institutions for training at the diploma level. The annual output of engineering graduates almost doubled in the last five years and diploma institutions increased their output from 1850 to 4900. In other technological courses also, substantial increases took place.

5. During the second plan it is proposed that a sum of about Rs. 50 crores should be devoted to the expansion of facilities for technical education for producing engineers, supervisors, overseers and other categories of personnel. Among the programmes included are development of various technical courses relating to printing technology, town and regional planning, architecture, strengthening of existing technical institutions, establishment of higher technical institutions, expansion of Indian School of Mines and Applied Geology, organisation of refresher courses for serving engineers and so on. The result will be that institutions imparting training to engineering personnel will increase from 128 to 155. The annual out-turn of graduate engineers is expected to increase from 3600 in 1955 to about 4500 in 1960 and of engineering diploma-holders from 4900 to about 6500.

6. Even with this expansion, the demand for personnel as assessed by different State Governments and Central Ministries some of which constituted special committees for such assessment appeared to be so heavy that the Planning Commission constituted the Engineering Personnel Committee to examine the whole question of the demand for engineering personnel in relation to supply keeping in view a perspective wider than the needs of the second five year plan. The conclusion reached by the Committee is that even with the expansion of facilities for engineering education proposed in the second plan it would be necessary to provide for additional training facilities for nearly 2300 engineering graduates in various fields of engineering activity-Civil, Mechanical, Electrical, Tele-communication, Metallurgical and Mining. In addition, according to the Committee's assessment about 5940 persons trained for posts at lower level in the fields of engineering mentioned earlier would be needed. If suitable steps are not taken to augment the supply of engineering personnel immediately there is every danger of even more critical shortages continuing and developing during the third five year plan. The Committee considers that the very fact that the economy has been able to absorb all the increases in the technical training facilities and is still wanting to have more is a sign of healthy development. The Committee has proposed that:

- (a) the capacity of the existing technical institutions should be increased by 20 and 25 percent in case of graduate and diploma training respectively;
- (b) 18 additional colleges and 62 engineering schools should be established;
- (c) a new class of personnel should be trained on a functional basis to handle specific job operations below the overseer level;
- (d) apprenticeship and in-plant training schemes should be organised on a large-scale;
- (e) delays in recruitment should be avoided; and
- (f) there should be a high-power body supported by an executive organisation with sufficient authority to take decisions on questions of policy relating to technical personnel.

It is further proposed that this high-power body should keep the situation constantly under review to meet the changing needs of the economy. A similar body is proposed in each State for working at the State level and co-ordinating policies in personnel matters in relation

to the programmes of the State. The recommendations of the Committee are under consideration.

Programmes for specialised training for fresh engineers, refresher courses for serving engineers and for operatives and mechanics have been started at various project sites during the first plan. These programmes will not only continue to operate but will be further strengthened during the Second Plan period. The existing arrangements for imparting specialised training to about 45 engineers every year in the designs and methods of construction of dams and power-plants are also to be continued. The training centre established at Roorkee to provide training facilities to serving engineers in the techniques of development of water resources will also continue to function. It will be of interest to know that this centre has not only been training Indian Engineers but also those deputed for training by a number of Asian and African countries. A training centre for operatives and mechanics has already been established at Kotah (Chambal Project) in pursuance of the recommendations of the Construction Plant and Machinery Committee. Another centre will shortly be opened at the Nagarjunasagar Project. Experienced personnel knowing the technique of 'Live-Line' maintenance of electric transmission and distribution lines are at present not available in the country. In order to remedy the situation, it is proposed to establish two training centres to impart training in 'Live-Line' maintenance.

#### Craftsmen

7. It is not enough to plan for training only at higher levels. The running of establishments public or private, requires support at all levels of skill and experience. The training of craftsmen, therefore, becomes equally important. But there are some inherent difficulties in assessing the supply and demand for craftsmen. These difficulties exist in respect of estimation of supply because it is impossible to get at the magnitude of training in crafts imparted within families from father to son, brother to brother and so on. On the demand side difficulties arise because the requirements are specific but trade definitions usually lack precision. The best that can be done, therefore, is to list facilities provided for institutional training, to indicate possible supplies and to continue efforts to improve the assessment of demand. The most organised source of training facilities for craftsmen are the institutions maintained all over the country by the Ministry of Labour. The progress made in the organisation of training facilities and their value in equipping trainees for employment was reviewed by the Training and Employment Service Organisation Committee. The Committee expressed the view that while the results achieved so far were not unimpressive it was possible to make the

training given more purposeful. It, therefore, recommended, amongst other things, that

- (a) the initiative for training workers should rest with industry, but Government should continue to provide adequate basic training facilities;
- (b) co-ordination between the training programmes of the Labour Ministry and the various schemes of State Governments should be ensured by the transfer of training centres from the Centre to the States;
- (c) the Central Government should collect information regarding (i) requirements of industry for trained workers, (ii) available training facilities, (iii) the standards and methods of training and the syllabi used;
- (d) the Central Government should constantly review the situation in order to enhance the utility of these training centres; and
- (e) Government should introduce legislation to make it obligatory for private industry to train apprentices.

Action on these lines is being pursued.

A number of training schemes have been included in the programme of Ministry of Labour. The Ministry's technical and vocational training scheme envisages the stepping up of annual admissions in craftsmen training courses from 10,300 to 30,000 by the end of the second plan. Under an apprenticeship scheme, it is expected that between 3000 to 5000 crafts-men will be trained each year. Similarly 20,000 workers already serving in industry are to be trained for higher posts by organising evening classes for them either in the institutions being run by the Government or in training centres to be established in the undertakings themselves. In order to feed the Ministry's training centres with suitably qualified personnel, arrangements have been made for the training of instructional and supervisory staff.

8. Evidence of increased emphasis placed by Government on practical training is further seen in the conversion of a number of secondary training institutions into multi-purpose schools according to the recommendations of the Secondary Education Commission. Details regarding this programme are given in the Chapter on Education. It would be sufficient here to state that if all these training facilities are geared to the future requirements of the economy, shortages in the ranks of technical personnel at different levels are bound to be reduced. As a specific instance of how this basic training could be supplemented by specialised courses to suit the needs of employing authorities, action taken recently by the Ministry of Iron and Steel may be cited. The Directorate General of Re-settlement and Employment, on the advice of the Ministry of Iron & Steel, has re-oriented its courses to suit the requirements of the Ministry for manning the steel plants when they go in operation. Similar attempts are being made by Government for securing placements in private industries well in advance of their future needs. It is necessary that cooperative arrangements between employing authorities on the one hand and training institutions and private industry on the other should be developed to the greatest extent possible.

#### Agricultural and Allied Personnel

9. In fields other than engineering also considerable attention is being given to the stepping up of training facilities in accordance with the requirements of the plan. As regards agricultural graduates, requirements during the second plan are estimated at roughly 6500. On the basis of existing training facilities a deficit of about 1000 graduates is expected and to make good this shortage, States have framed schemes for strengthening existing colleges in order to increase their capacity and also in some cases new colleges have been planned. A most important source of demand for trained personnel is the national extension and community development programme. The demand at levels such as village level workers, is of the order of about 38000 persons. To meet this demand the number of institutions imparting basic agricultural and extension training will be increased to 158 during the operation of the second plan. In order to meet the estimated demand of 11400 group level workers, it is proposed to set up 18 new training centres in addition to converting 10 existing

single shift centres to double shift centres. The arrangements already in existence for the training of project executives, block development officers etc. will continue during the operation of the second plan.

10. The requirements of veterinary personnel estimated at 6000 veterinary graduates will be met through schemes involving;

- (a) commencement of the double shift in some of the existing colleges;
- (b) expanding the capacity in other colleges;
- (c) establishment of four new colleges; and
- (d) setting up of 10 schools providing short-term emergency courses in veterinary science. These have been included in the plan.

11. The demand for forestry personnel will be met by the expansion of Indian Forest College at Dehra Dun. State Governments have in addition plans for opening schools to train their forest guards and other staff. It is expected that with the contemplated expansion, shortages in the field of forestry personnel will be more or less met.

12. Arrangements for training of persons in soil conservation methods have been made at research-cum-demonstration centres set up by the Central Soil Conservation Board and training centre established by Damodar Valley Corporation at Hazaribagh.

13. Programmes under Cooperation are another field requiring trained personnel in large numbers. About 23000 cooperative personnel are needed at different levels. It is expected that while in the higher categories, shortages are not likely to develop; the problem of ensuring adequate supply of personnel at intermediate levels would require constant review. Training of members of cooperative societies in principles and methods of cooperation is sought to be imparted, to begin with, on an experimental basis by organising mobile training units.

Village and Small Scale Industries

14. For village and small industries, the All India Boards and the State Governments have included various schemes of training and research. Training Centres are to be opened to impart training to weavers in improved techniques of production. Provision has also been made for starting research centres in indigenous dyes. The All India Khadi and Village Industries Board has a programme requiring 30,000 persons trained in organising production, and is setting up its own training centres for the purpose. The integrated training programme for Khadi and Village Industries also visualises the setting up of 4 Central Institutes and 20 regional vidyalayas besides a number of Central training institutions providing specialised intensive training in different village industries. For the Amber Charkha programme a beginning has been made with the sum of Rs. 30 lakhs sanctioned in 1955-56 for training and research. For research into village industries in general, a Central Technological Institute is already operating at Wardha. The training and research programme for handicrafts includes, the establishment of Central Handicrafts Development Centre, assistance to technical research institutes, training of managerial, cooperative, and other personnel and grant of scholarships to working artisans for training. For small industries, training-cum-demonstration and training-cum-production centres will be set up in most of the States. In some States polytechniques are also proposed to be established. There will be in addition to the small industries Service Institutes, Model and Mobile Workshops. For sericulture, besides setting up two training institutes to train personnel for sericultural departments of States, several other training centres are to be established. The existing sericultural research stations are also to be expanded. For the coir industry, the training programme includes setting up three training schools, and a Central Research Institute in Travancore-Cochin. About 30 technical experts are being recruited abroad for particular small scale industries. These experts will in addition to giving technical advice, train Indian personnel.

Social Services

15. It has been estimated that by the end of the first plan there will be about 70,000 medical practitioners in the country. Data furnished by the States and the Central Ministries indicate that about 7800 additional doctors would be required for the implementation of various development schemes in the public sector. Past experience shows that of the total number of doctors produced by medical institutions in the country about 35 per cent are in employment under Government, local bodies, or with other



employers and the rest are engaged in private practice. With the development of public health services it is possible that the number of doctors in private practice may diminish, as more doctors will be absorbed by public authorities. On the basis of the demand for additional doctors and percentage of doctors seeking employment it would appear that about 20,000 to 22,000 medical graduates may be required during the second plan. The estimated output from medical colleges, whose number increased from 30 to 42 during the first plan period, is about 2500 doctors a year. Since this number will not be sufficient for meeting the demand for doctors, plans of States have provided for expansion of capacity in 28 existing colleges. It is also proposed to set up six new medical colleges. The plan provides for the completion of the All India Institute of Medical Science and for upgrading departments of selected medical colleges for post-graduate training and research. Four new dental colleges are to be established and two existing dental colleges expanded. Most of the additional facilities that are being created during this period are likely to mature towards the end of the plan period. In the meanwhile, it is apprehended that the shortage of doctors will continue. The question of ensuring adequate supply of ancillary personnel such as nurses, midwives, health visitor, nurse dais, and dais, health assistants and sanitary inspectors is equally important. An attempt is being made to achieve substantial advance in augmenting training facilities for these categories.

16. In the field of education, requirements for trained teachers for manning new schools to be opened have been estimated at 3.1 lakhs. In addition, about 2 lakh teachers will be needed for normal replacement purposes. Against this over-all estimated demand of about 5 lakh trained teachers, arrangements have been made for the training of nearly 6 lakh teachers during the Plan period. In order to give added impetus to the task of reorientation of educational system at the elementary level on the basic lines, the number of basic training colleges will be increased from 33 to 71 and basic training schools from 449 to 729 by the end of the Second Plan. In addition, a National Institute of Basic Education which will serve as a research centre is also proposed to be established. The problem of ensuring adequate attention being paid to basic education in the Post-Graduate Training Colleges of Universities which serve as a reservoir for the supply of personnel for manning basic training schools is also being considered. The overall training facilities to be provided in this field, will help to train about 1.2 lakh basic teachers against the demand for 1 lakh teachers. It is clear, therefore,

that the targets envisaged will not only meet the additional demand for teachers of various categories but also reduce to a certain extent the existing gap of untrained teachers.

17. Expansion of training facilities form an important element of the programmes relating to "Welfare of Backward Classes". A technical institute is proposed to be started at Imphal where tribal students will receive training for diplomas and certificate courses in Civil and Mechanical Engineering. Three similar institutes costing about Rs. 75 lakhs are also proposed to be opened at suitable centres to provide training for tribal youth. In addition, scholarships will be provided for enabling tribal students to pursue courses in professional and technical subjects. 18,000 persons are to be trained in various arts and crafts such as tailoring, smithy, tanning, weaving, basket making etc. A large number of persons with basic training in Social Sciences will be needed to implement programmes under Social welfare. The Social Welfare Board is contemplating to train for its extension projects, 8000 Gram Sewikas, 1600 Midwives and 6000 Dais in addition to training programmes for such categories of personnel referred to earlier. It is felt that with the out-put of existing institutions and the new training facilities that are planned for this purpose, the supply and demand are likely to balance.

18. Training programmes mentioned above do not exhaust the whole field of technical personnel. They are only a few illustrative examples of how the problem of increasing supply of technical personnel is being dealt with. Certain programmes have been specially mentioned with a view to bringing out the fact that the Central and State Governments are well aware of the problem and have taken steps to draw up schemes to meet at least the critical shortages of personnel which may arise in connection with the second five year plan. It is possible as has been stated earlier that some regional imbalances may develop, and may require specific action as and when they arise.

General Considerations

19. There is another aspect of training to which attention may be drawn when considering programmes for the plan. The provision of training facilities for higher categories of personnel, whether in engineering and technology, or in medicine and agriculture, draws substantially on the limited resources. It is not the intention to starve any of the training activities on this account. But a plea for economy in the use of funds, and what is more important in the use of personnel for training can never be out of place. It is in this context that the suggestion that expansion of facilities within existing institutions is generally to be preferred to the setting up of new institutions<sup>d</sup> also, it may be necessary in the case of certain<sup>ved</sup> technical skills not to look upon the problem of providing personnel and providing training facilities too closely in terms of regions and States. This becomes an important consideration especially in regard to training higher categories of personnel.

20. Another point to which specific attention needs to be drawn is the excessive emphasis which employing authorities tend to place on experience. While hesitation on their part to take up persons, who, according to them, are not adequately qualified for the job is understandable, it would appear that insistence on accepting only 'ready made' material is not in the best interest of development. There is danger of moving in a vicious circle if, for want of technical personnel, development programmes suffer and for want of employment, personnel with basic training can not gather the necessary experience. Employing authorities should be prepared for a period to tolerate insufficiency of experience and skill in the trainees who have potentialities of being 'built up'. Both employers and technical personnel seeking employment should look upon institutional training as something which would develop in a trainee adequate basic equipment for work to be undertaken later.

21. It is necessary to emphasise that with the country on the threshold of a large industrial expansion, difficulties in finding technicians at the appropriate time have to be visualised well in advance and steps taken to meet such difficulties. For this purpose the setting up of a suitable machinery within the Planning Commission and in the States which would provide a liaison between training institutions and employing authorities is called for. The functions of this machinery should be:

- (a) to collect and maintain statistics and relevant information regarding avenues of employment in technical fields;

- (b) to maintain information on the supply side with sufficient precision ;
  
- e) to initiate programmes for developing additional training facilities to meet the growing requirements of the economy; and
  
- i) to organise deployment machinery which would increase mobility of personnel.

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## CHAPTER IX

### LAND REFORM & AGRARIAN REORGANISATION

#### Introduction

Land policy is concerned with adjustments between the interests of various classes in land and the reorganisation of rural economy. It has to be regarded as an aspect of the wider process for establishing a more just and democratic social structure and for the development of cooperative institutions designed to facilitate the maximum utilisation of productive resources in the interest of the community. With these objects in view, the first plan had made recommendations for changes in the agrarian structure including the abolition of intermediaries, tenancy reforms intended to give the tiller of the soil a fair reward for his labour and to enable him to become the owner of land, and redistribution of land by the imposition of ceiling upon holdings. Measures for increasing efficiency of agricultural production included consolidation of holdings, prevention of fragmentation, land management legislation and the development of cooperative farming. The future pattern of rural economy was visualised as cooperative village management in which, as part of a wider scheme of planned development, the village community would assume the primary responsibility for local administration, management of common lands, forests, abadi etc., organisation of agriculture and rural industries on cooperative lines and for creating resources and opportunities for increased employment.

2. During the first plan period progress has been achieved in a number of directions, notably the abolition of intermediaries which has been carried out in most of the States. Legislation has been enacted in a large number of States for conferment of security of tenure or stay of ejections and for reduction of rents. Measures for prevention of fragmentation and consolidation of holdings have been adopted in a number of States and in some of them programmes for consolidation are well underway. Ceilings have been imposed on future acquisition in a few States, and legislative provisions for ceilings on existing holdings have also been made in some, though actual implementation has not yet generally been taken up. A great deal still remains to be done

for strengthening the machinery for enforcing measures relating to security of tenure for tenants and for the development of cooperative farming.

3. The work of the Central Committee for land reforms, which was constituted in 1953 and includes members of the Planning Commission and the principal Central Ministers concerned, has helped to some extent to maintain a broad common approach in land reform programmes in the States to whom detailed suggestions have been made from time to time regarding the implementation of the land policy. A panel on land reform was set up in the summer of 1955 to review progress and advise the Planning Commission in connection with the formulation of policy for the second five year plan. The work of the Panel has been done through four committees dealing respectively with tenancy reform, size of holdings, reorganisation of agriculture and Bhoodan.

4. The programme for land reform and agrarian reorganisation set forth in the succeeding paras represents a broad common policy. An attempt is also made to review briefly the progress of land reforms in different parts of the country.

## I

### LAND REFORMS

#### Abolition of Intermediaries

5. Only a few years ago intermediary tenures prevailed over half the country. In some States, legislation for the abolition of intermediaries was enacted before 1951. Most of the work relating to the enactment of law and acquisition of intermediary areas has, however, been carried out during the first plan. Intermediaries have been abolished in respect of nearly the whole of the area and only a few small pockets remain where further action for abolition is necessary, such as temporarily settled estates in Assam, zamindaris in Rajasthan, minor intermediary tenures such as service inams and other minor inams in a number of States, and intermediary areas in some Part 'C' States such as Kutch and Tripura. In Kutch and Tripura, legislative proposals have been framed and are soon expected to become law. In the early stages implementation of some of the laws was held up on account of writ petitions filed by

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the  
intermediaries challenging constitutional validity of the legislation. The Constitution was amended in 1952 to avoid delays.

6. The abolition of intermediaries is a difficult and complex task and imposes a heavy strain upon the administrative resources of State Governments. The tasks to be undertaken include the determination and payment of compensation to intermediaries, arrangements for the preparation or revision of records showing the names and holdings of tenants and the rent or revenue which they are liable to pay to the State Government as a result of the abolition, establishment of agencies for collection of rent or revenue and for maintenance of records. Areas which intermediaries are entitled to retain have to be ~~demarketed~~ and arrangements made for the management and development of common lands which become the property of the State.

7. Progress was comparatively easy in the temporarily settled areas, such as Uttar Pradesh and Madhya Pradesh where adequate records and administrative machinery existed. In the permanently settled areas of Bihar, Orissa, and West Bengal and in the areas under Jagirdari settlements such as Rajasthan and Saurashtra land records and revenue administration had to be built up almost from the beginning. Progress in such areas was, therefore, comparatively slow. Laws abolishing intermediary tenures have been given effect to in most of the States.

8. The general pattern of abolition of intermediaries comprises the following measures:-

(1) Common lands such as waste lands, forests, abadisites etc., which belonged to intermediaries were vested in the State Government for management and development.

(2) Home-farm lands and lands under the personal cultivation of intermediaries were generally left with them and lessees of home-farms continued as tenants under them. In some States, however, tenants of home farms of intermediaries were also brought into direct relation with the State and the rights of intermediaries over their tenancy lands were abolished. These include Uttar Pradesh, Madhya Bharat (jagirdari areas), Delhi, Ajmer and Bhopal. In Rajasthan and Madhya Bharat (zamindari areas) an optional right to purchase

ownership was given to such tenants. In most of the States, intermediaries were not allotted any land for personal cultivation over and above lands already under their cultivating possession and their own home-farms. In a few States, however, such as Hyderabad and Mysore (in the case of Inams), Rajasthan, Saurashtra, Ajmer, Bhopal and Vindhya Pradesh, intermediaries were allotted lands for personal cultivation if the areas already held by them was less than that specified in the legislation.

(3) In most of the States tenants-in-chief holding land directly from intermediaries were brought into direct contact with the State with some exceptions such as Bombay (in respect of several classes of intermediaries), Hyderabad and Mysore (in the case of inams) and Saurashtra. In these States, intermediaries were in some cases allotted lands held by tenants. In some, tenants possessed permanent and transferable rights and it was not necessary to confer any further rights upon them. These included Assam, West Bengal, Bihar, Orissa, Bhopal and Vindhya Pradesh. There were other States such as Bombay, Uttar Pradesh, Madhya Pradesh, Hyderabad, Mysore and Delhi where tenants were required to make payments in order to acquire rights of ownership. In a few States, such as Andhra, Madras, Rajasthan, Saurashtra (barkhali areas), Madhya Bharat, Hyderabad (jagir areas) and Ajmer, either superior rights were conferred upon tenants or their rents were reduced without any direct payment by them.

#### Compensation

9. The progress made in the payment of compensation to intermediaries for the acquisition of their rights has been uneven. The total amount of compensation and rehabilitation assistance payable is estimated about Rs 435 crores, excluding interest charges. Uttar Pradesh and Bihar together account for about 70 per cent of the total amount of compensation. As a rule, the rate of compensation has been fixed as a multiple of the net income of the intermediaries from their estates. In most States, higher multiples were allowed to persons in lower income groups. Abolition of intermediary rights leads to increase in the amount of revenue accruing to the State. Compensation payments are financed out of such increases. Compensation is payable sometimes in cash but generally in the form of bonds which are transferable and negotiable and are redeemable over a period varying from 10 to 40 years. The assessment of compensation and the issue of bonds in lieu of compensation to hundreds of thousands of intermediaries



has been a task of considerable magnitude. In most States, the administrative machinery had to be reinforced with a view to expediting this work. Considerable work relating to the determination and payment of compensation, however, still remains to be done, and, in particular, it is necessary to speed up the payment of compensation to small intermediaries and to widows and minors.

#### Rights of Owners

10. With the abolition of intermediaries the existing tenures may be broadly classified into two main categories, namely, owners who hold land directly from the State and tenants who hold land from owners. Tenants holding lands under intermediaries have now become owners of land. Their rights and obligations had generally been regulated under tenancy laws enacted in the various States from time to time. The bulk of the tenants had acquired security of tenure and their rents had been regulated. In many States they had also obtained considerable rights of transfer. There were, however, variations in the quantum of rights enjoyed by different classes of tenants and often a large variety of tenures. On abolition of intermediaries, the multiplicity of tenures has been reduced although it has not been altogether eliminated. It is desirable that a fairly uniform pattern of ownership should be evolved which conforms to certain commonly agreed rights and obligations. Small peasant-owners will in the immediate future form the main body of cultivators. A rural structure based on peasant-owners can meet the requirements of food and raw materials of a growing national economy, only if land is used with care, the advantages of cooperative work and organisation are fully realised and a progressive system of agriculture is integrated with a great deal of non-agricultural work through the development of village industries, labour cooperatives and processing of livestock and agricultural products. In the implementation of the land reform programme, the national extension and community development programmes have, therefore, an extremely important part to play. Increasingly, land reform has to be viewed as part of the wider processes of social and economic development.

11. Ownership of land entails certain obligations. The most important obligation concerns the use and management of land, to which subject reference is made in a later section of this chapter.

In a number of States, as part of legislation relating to consolidation of holdings, measures for preventing fragmentation have been adopted. It frequently happens, however, that such measures are not adequately enforced. Provisions against the creation of fragments or their further splitting up by transfer or partition and regulation of the transfer of existing fragments are essential in the interest of agricultural development and should be enforced with the active association of village panchayats.

12. In some States, over a considerable area persons who hold land directly from the State do not possess the right of transfer. Such owners can obtain short-term loans on the security of the crop but in the absence of alternative security, they may not be able to avail of facilities offered by cooperative credit institutions for medium and long-term loans. It is, therefore, desirable that every individual who holds land directly from the State should have the right to mortgage land in order to obtain loans from Government and cooperatives on the security of land.

13. In some States the right to lease land has been limited to persons who suffer from some disability such as widows, minors, person serving in the Armed Forces, etc. Experience suggests that complete prohibition of leases introduces a degree of rigidity in the rural economy and is difficult to enforce administratively. It was visualised in the First Five Year Plan that, to the extent leases of land are permitted, it would be desirable that they should be made through the village panchayat. This would be a useful step from several points of view. Wherever a village panchayat is in a position to undertake this responsibility, there should be direct leases. Where, however, village panchayats do not exist or are not in a position to undertake this work direct leases may be permitted. In such cases the leases should be for a period of not less than 5 years and should be renewable for further periods of five years. Resumption should be permitted only on grounds of personal cultivation.

Tenancy Reforms

14. Over the years the tenancy problem grew in magnitude from three different directions. Firstly, intermediaries did not always cultivate their home farm lands and frequently these lands were let out to tenants. Secondly, tenants, holding lands from intermediaries, who have now come into direct relation with the State, sometimes leased lands to sub-tenants. Thirdly, in ryotwari areas a considerable proportion of land held by ryots has been cultivated by tenants.

15. In different States provisions for security of tenure have taken a variety of forms and there are large differences in detail. Broadly speaking, States may be classified into the following categories:-

- (1) States where all tenants have been given full security of tenure;
- (2) States where the tenant has a limited security of tenure but is liable to ejectment in exercise of the landlord's right to resume a limited area for personal cultivation. This is subject to the condition that a minimum area is left with the tenant;
- (3) States where the landlord's right to resume is subject to an upper limit but the tenant is not entitled to retain a minimum area for cultivation; and
- (4) Other States where ejectment has been temporarily stayed or where action for protection of tenants has yet to be taken.

U.P. and Delhi fall into the first category; Bombay, Punjab, Rajasthan and Himachal Pradesh in the second; and Assam, Hyderabad, Orissa, Pepsu, Bihar, Madhya Pradesh (Berar) and Kutch in the third. In U.P. tenants, who were brought into direct relation with the State, were given permanent and heritable rights. The State recovers rent from them and pays compensation in the form of bonds to owners. In Delhi tenants received full ownership rights and were required to pay compensation to owners in addition to the payment of and revenue to Government. The compensation is recoverable as arrears of land revenue. In Bombay a land-owner is allowed to resume half the land leased to a tenant subject to a maximum of 3 economic holdings, the size of the economic holding varying from

4 to 16 acres, depending upon the quality of the land. In the Punjab, resumption is limited generally to 30 "standard acres" and a tenant cannot be ejected from a minimum area of 5 "standard acres" unless the State Government is able to allot alternative land from the pool of "surplus" land obtained from owners holding more than 30 "standard acres". In Rajasthan generally tenants are allowed to retain a prescribed minimum holding. In the third category, the limit of area which may be resumed, has been set at 33-1/3 acres in Assam, 50 acres in Madhya Pradesh (Berar), 3 family holdings in Hyderabad, 30 "standard acres" in Pepsu, 50 acres in Kutch and 7 to 14 acres in Orissa. In other parts of the country there are large variations, and tenants are afforded much less protection than in the States mentioned above. The above review describes the provisions of the tenancy laws enacted in various States. There are considerable variations in the nature and degree of security of tenure conferred on tenants as well as the extent to which the provisions have been actually implemented.

16. During the past few years, there have been instances in some States of large-scale ejection of tenants, and of "voluntary surrender" of tenancies. The main causes are ignorance on the part of the people of legislative provisions regarding security of tenure, lacunae in the law and inadequate land records and administrative arrangements. Most "voluntary surrenders" of tenancies are open to doubt as bonafide transactions. It is recommended that action should be taken to stay ejection of tenants and sub-tenants except on ground of non-payment of rent or mis-use of land. Ejections of tenants and surrenders which may have taken place during, say, the past three years should be reviewed with a view to restoration wherever circumstances justify. In order to discourage voluntary surrenders of land under undue pressure, provision may be made that surrender of land by a tenant will not be regarded as valid unless it is duly registered by the revenue authorities. The landlord should in such cases, be entitled to take possession of the land only to the extent of his right of resumption.

17. The ensuring of protection to tenants is highly important. In the actual implementation of this policy difficulties have arisen which can be traced to the definition of the expression "personal cultivation". In the various States, there is a degree of variation in the use

of this term. In all States "personal cultivation" includes cultivation through servants or hired labourers. There are variations, however, in respect of the nature of supervision over cultivation and the mode of payment to servants or hired labourers which are prescribed by legislation. In a number of States, there are no restrictions on the kind of supervision which may be exercised. In Bombay, Saurashtra and a few other States supervision may be exercised by the owner or a member of his family but the latter expression is not defined. In the Punjab the latter expression has been defined. As regards the mode of payment, in Bombay and a few other States payment can be made in cash or in kind but not by way of a share of the produce, whereas in the Punjab servants or hired labourers may be paid in any way. It is desirable that a degree of uniformity in the use of the term "personal cultivation" should be introduced.

18. "Personal cultivation" may be said to have three elements, namely, risk of cultivation, personal supervision and labour. A person who does not bear the entire risk of cultivation or parts with a share of the produce in favour of another cannot be described as cultivating the land personally. The expression "personal supervision" may include supervision by the owner or by a member of his family. In order to be effective, supervision should be accompanied by the residence of the owner or a member of his family in the village or a nearby village, within a distance as may be prescribed, during the greater part of the agricultural season. As an element of personal cultivation, the performance of minimum labour, though correct in principle, presents difficulties in practice. It is, therefore, suggested that the expression "personal cultivation" should be defined so as to provide for the entire risk of cultivation being borne by the owner and personal supervision being exercised in the manner described above by the owner or by a member of his family. When land is to be resumed for personal cultivation, however, the desirability of providing each of the elements of personal cultivation, including personal labour, may be considered. If the land is not brought under personal cultivation, the ejected tenant should have a right of restoration.

19. Existing legislation should be re-examined in terms of the definition of personal cultivation set out above, and suitable action taken to confer tenancy rights on individuals who have in the past been treated merely as labourers or as 'partners in cultivation'. Because the definition of personal cultivation has been generally defective in the past, in a number of States crop-sharing arrangements which have all the characteristics of tenancy are not regarded as such and crop-sharers are denied rights allowed to tenants.

20. A number of difficult problems relating to tenancy legislation centre on the issue of resumption of land for personal cultivation. It is common ground that a person suffering from a disability should be permitted to lease out land and should have the right to resume it for personal cultivation when the disability ceases. This concession is generally extended to unmarried women, widows, minors, persons serving in the armed forces and those suffering from mental or physical infirmities.

21. In the First Five Year Plan, it was proposed that the limit for resumption for personal cultivation should be set at three times the family holding. Resumption was to be on grounds of personal cultivation only and was to be limited to the area which the adult workers in the family could actually bring under cultivation. These recommendations have not proved adequate in practice. It is, therefore, recommended that the limit of area which can be resumed for personal cultivation should now be fixed as follows:

(1) In case the land-owner has under his personal cultivation land which exceeds a family holding but is less than the ceiling, he will have the right to resume provided that none of his tenants is left with less than a family holding and the total area acquired by him together with the land under his personal cultivation does not exceed the ceiling.

(2) If the land-owner has less than a family holding under his personal cultivation, he will be allowed to resume half of the tenant's holding or an area which together with his personal cultivation makes a family holding, whichever is less. Provided that the tenant shall not be left with less than a basic holding. / land under

The expressions "family holding" and "basic holding" have to be defined. The concept of family holding is discussed later in this chapter. As regards the expression "basic holding" it may sometimes be convenient to follow legislation relating to the prevention of fragmentation which generally defines a minimum area needed for profitable cultivation. For most purposes, however, a family holding may be considered to consist of three basic holdings.

22. Persons owning one family holding or less may be defined as small owners. In the light of the experience gained it is proposed that a small owner should be permitted to resume for personal cultivation one-half of the tenant's holding but not less than a basic holding. Where, as a result of such resumption, the tenancy becomes smaller than a basic holding, the Government should endeavour to find land for cultivation so as to bring the tenancy to the level of a basic holding. This will be facilitated to some extent when land in excess of ceiling becomes available.

23. The right of resumption should in all cases be subject to the condition that the income from the land to be resumed will be the main source of the owner's income. Further, in computing the area to be resumed by the owner or the area to be left to the tenant, the other lands held by the owner or the tenant or any member of the owner's or tenant's family should be taken into account.

24. It is desirable that the area which the landowner is entitled to resume should be demarcated as speedily as possible. A reasonable period, say, six months should be prescribed within which the landowner should apply for such demarcation and the resumable and non-resumable areas should be determined by revenue authorities in equitable manner. In areas in excess of the limit of resumption for personal cultivation, tenants should have continuing and heritable possession. They should also have limited rights of transfer which would enable them to obtain loans on the security of land from Government and cooperative societies. Tenants of lands liable to resumption for personal cultivation should have heritable (but not permanent) rights and also the right to make improvements. It is also desirable to prescribe a period within which the right of resumption may be exercised so that thereafter rights of ownership may be conferred on the tenants. In the First Five Year Plan for this purpose a period of five years was contemplated. This would appear to be a sufficient period. In the case of small owners, it does not appear necessary to prescribe a period during which resumption for personal cultivation should necessarily take place.

25. In the First Five Year Plan it was stated that a rate of rent exceeding one-fourth or one-fifth of the produce should be regarded as requiring special justification. Progress in the regulation of rents has been uneven and in several States legis-

lation lags behind. Considerable variations exist at present. Thus, in Rajasthan and Bombay the maximum rent has been fixed at one-sixth of the produce; in Delhi, Ajmer and for certain lands in Assam and Hyderabad at one-fifth; in Orissa, Himachal Pradesh and certain areas in Assam, Mysore, Hyderabad and Vindhya Pradesh at one-fourth; in Punjab, Pepsu and parts of Mysore and Kutch at one-third and in Bihar at  $7/20$ th of the produce. At the other end are the rates of rent prevailing in Madras and West Bengal. In Madras the rent is regulated in districts Tanjore and Malabar / of only; in Tanjore it is 60 per cent of the gross produce of the principal crops and in Malabar it is generally one-half of the net produce. In West Bengal a crop-sharer is to deliver 40 per cent of the produce if he meets the cost of cultivation and 50 percent if the landlord meets the cost. In some States, as in Andhra, rents have not been regulated at all. It is necessary that the rents should be brought down to the level recommended in the First Five Year Plan as early as possible. It would also be desirable to provide for the commutation of produce rents into cash rents. In addition to the usual form of regulation of rents it may be useful also to fix the maximum rent as a multiple of land revenue so that tenants have option to pay in cash or in kind.

#### Rights of Ownership for Tenants

26. It is an agreed objective that tenant of the non-resumable areas should become owners of their holdings as early as may be possible. Progress in this direction has been slow. It is necessary as an immediate measure to bring all tenants into direct relationship with the State. In this context reduction of rents has high priority. Once rents are brought down to reasonable levels it is important that each State should have a programme for converting tenants of non-resumable areas into owners and putting an end to vestiges of tenant-landlord relationship. In Uttar Pradesh and Delhi, as stated earlier, all tenants have been brought into direct relationship with the State. In other States the question has been approached in two different ways. In the legislation enacted in Madhya Pradesh, Punjab, Hyderabad, Madhya Bharat, Rajasthan and a few other States tenants have been given an optional right of purchase, but in two States (Hyderabad and Himachal Pradesh) Governments have also taken powers to establish direct relationship with tenants. It has been observed that where rights of purchase are optional they are scarcely exercised.



The main reason why tenants do not buy out landlords' rights is that they do not have enough additional production and no surplus from which to pay.

27. It appears desirable therefore to go beyond giving an optional right of purchase and instead to take steps to bring all tenants of non-resumable areas into direct relationship with the State. This was visualised in the First Five Year Plan which suggested that for areas in excess of the limit for resumption the general policy should be to enable tenants to become owners. If this course is followed, three possibilities exist -

- (a) the State recovers rent and finances payments of compensation to owners, the latter being given bonds redeemable over a period of, say, 20 years;
- (b) besides land revenue the State recovers instalments of compensation which it makes over to the owner after deducting the cost of collection; and
- (c) the State recovers land revenue and tenants pay instalments of compensation directly to owners.

In determining the rate of compensation State Governments have to take into consideration the aggregate of the net increase in revenue (that is, fair rent minus land revenue) over a period of, say, 20 years. Graded rates of compensation may also have to be considered. On the whole, therefore, if the burden of payments falling upon tenants is not to be excessive or to be pressed into too short a period the balance of advantage appears to lie in favour of the first of the three methods set out above. According to this method the aggregate amount of compensation and interest would be fully recovered and no additional financial burden would be thrown upon the State Government. The tenants' liability to pay fair rent would continue so long as it might be necessary for enabling the State Government to meet the liability for payment of compensation. In addition, of course, provision should also be made for voluntary purchase of ownership, the price being fixed at a suitable multiple of the rental value of land or the land revenue. In assessing the progress made in transfer of ownership to tenants it has been difficult during the First Five Year Plan to obtain precise information. In this respect regular annual returns need to be compiled in the States.

Distribution and Size of Holdings.

28. The First Five Year Plan recommended in principle that there should be an absolute limit to the amount of land which an individual may hold. It was suggested that this limit should be fixed by each State having regard to its own agrarian history and its present problems. Attention was drawn to the lack of reliable information concerning the distribution and size of holdings and it was proposed that a census of land holdings and cultivation should be undertaken. Following this recommendation the State Governments were requested in January 1954 to conduct a census. It was agreed that in respect of areas where annual village records are maintained, the census should be conducted generally through the revenue agency of the State Government on the basis of complete enumeration of the data contained in the village records supplemented by such other inquiries as might be necessary. To expedite the census it was later agreed at an inter-State conference that State Governments could, if they felt necessary, restrict the census to holdings of 10 acres and above. For areas where annual village records are not maintained, sample surveys were proposed.

29. The main concepts employed in the census were the following:

(1) The census related to agricultural land comprised in owners' holdings; agricultural land being defined as the cultivable areas comprised in a holding, including groves and pastures. Unoccupied area such as forest lands and other uncultivable lands, was to be excluded. Land held in urban areas was also outside the scope of the census.

(2) The expression 'Area owned' was defined so as to include lands held by owners as well as those held under occupancy (permanent and heritable) rights. Land owned by a person 'A' but held under rights of occupancy by a person 'B' was thus included in 'B's holding and excluded from 'A's holding. It was also agreed at the inter-State conference that persons who did not possess permanent and heritable rights de jure but enjoyed them for all practical purposes, should, also be treated as owners. Thus, land<sup>s</sup> held by protected tenants in Bombay have been treated as area owned.

(3) The entire agricultural land held by a person as owner throughout the State constituted a single holding. In the case of joint holdings, the share of each co-sharer was treated as a separate holding.

(4) Area under "personal cultivation" was defined as the difference between 'area owned' and 'area leased'. The 'area leased' represents land let out to a tenant in which he has not acquired permanent and heritable rights.

30. In carrying out any large scheme of land reform differences in quality of land have to be reduced to some common measure. Following the experience gained in the resettlement of displaced persons in Punjab and Pepsu, where about 5 million acres of land were allotted to more than half a million families, States were requested to work out suitable formulae for "standard acres". Lands of different qualities in each State could then be valued in terms of the approved "standard acre". Thus, a "standard acre" is an acre of land of a given quality to which other classes of land can be related for purposes of valuation. In some States the "standard acre" has been determined with reference to the productivity of land in terms of yields recorded at settlements or other available data in others, in relation to the class of irrigation or in terms of a given amount of land revenue assessment or rent rates. Sometimes more than one criterion may be used in combination. Being related to particular regions or particular States different "standard acres" do not afford a basis for inter-State or inter-regional comparisons. Within a State or a region, however, a scheme of valuation such as most States have now evolved is an essential tool for implementing a programme for resettlement and redistribution of land. At some future date it may be possible to undertake special studies leading to the evolution of a "standard acre" for the entire country to which State or regional "standard acres" can be related for purposes of comparison.

31. The census of land holding and cultivation has been carried out in 22 States. The data generally relate to the year 1953-54. In 10 States it has been based on a complete enumeration of all holdings namely, Andhra, Bombay, Madhya Pradesh, Madras, Hyderabad, Madhya Bharat, Saurashtra, Ajmer, Bhopal and Kutch. In 7 States the census has been based on complete enumeration but was restricted to holdings of 10 acres and above, namely, Punjab, Pepsu, Mysore, Coorg, Delhi, Himachal Pradesh and Vindhya Pradesh. In Uttar Pradesh, where annual village records are maintained, the State Government decided to have a sample survey as the revenue staff was pre-occupied with

~~work relating to consolidation of holdings.~~ In Bihar, Orissa, Rajasthan and Travancore-Cochin, where annual village records are not fully available, sample surveys were undertaken. In Assam and West Bengal the State Governments had earlier collected some data regarding land holdings. West Bengal has already enacted legislation and Assam has formulated its proposals for ceilings. In Jammu and Kashmir also, where a ceiling had been imposed earlier, a special census was not considered necessary. In Manipur and Tripura, due to difficulties of terrain and lack of personnel, the proposal to hold census was dropped. For 19 States the results of the census have become available and reports from other States are shortly expected.

32. The data collected relate to size and distribution of (a) holdings classified according to area owned and (b) holdings classified according to area under personal cultivation. The data which have been reported are provisional. For most States information is available both in ordinary acres as well as in standard acres. Since valuation into standard acres is intended to facilitate implementation within each State and is not a basis for inter-State comparison, in the Annexure to this chapter the available data are set out only in ordinary acres. These pertain to 16 States.

#### Ceilings on Agricultural Holdings

33. The principle that there should be an absolute limit to the amount of land which an individual may hold was recommended in the First Five Year Plan. The census of land holdings and cultivation has made available to States a considerable body of information for implementing proposals for the imposition of ceilings. The data thrown up by the census have to be studied carefully before detailed schemes can be worked out. The general lines on which the problem may be approached are set out in this chapter; necessarily, in terms of these recommendations details of policy would have to be formulated carefully by each State. The principal questions for consideration are:

- (a) to what lands ceilings should apply,
- (b) the levels at which the ceiling may generally be fixed;
- (c) what exemptions should be made;
- (d) steps necessary to prevent malafide transfers,

(e) the rate of compensation for lands which are acquired, and

(f) redistribution of lands which are acquired.

34. The imposition of a ceiling has two aspects namely, (i) ceiling on future acquisition and (ii) ceiling on existing holdings. Ceiling on future acquisition exists in U.P. at 30 acres, in Delhi at 30 standard acres, in Bombay at 12 to 48 acres depending upon the class of land, in West Bengal at 25 acres, in Hyderabad at 3 family holdings, in Saurashtra at 3 economic holdings and in Madhya Bharat at 50 acres. In other States the imposition of ceiling on future acquisition should be expedited.

35. It is proposed that during the second five year plan ceilings on existing agricultural holdings should be implemented throughout the country. The ceilings would apply to owned land (including land under permanent and heritable rights) held under personal cultivation, tenants being enabled to acquire rights of ownership on lines indicated earlier. Lands held by all the members of a family should be considered together, a family for this purpose being deemed to consist of husband, wife and dependent sons, daughters and grandchildren.

36. In determining the level at which the ceiling should apply the need is felt for some convenient unit which could be adopted in a general way in different areas. In the First Five Year Plan it was suggested that for this and other purposes multiples of what may be regarded as a 'family holding' in any given area may be used. A family holding may be considered from two aspects, namely (a) as an operational unit or work unit and (b) as an area of land which yields a reasonable income or standard of living. As a working basis it is proposed that the expression "family holding" may be defined as the area of land which yields a net annual income (including remuneration for family labour) of Rs 1200/- and is not less than a plough unit or work unit for a family of average size working with such assistance as is customary in agricultural operations. Since different classes of land have to be dealt with, it will be necessary to translate the concept in each region into a given area of land which may be expressed in standard acres or in terms of the principal classes of land. What is proposed is not the determination of the actual income of each individual holding or the working capacity of a particular family,

but a broad judgment regarding the average value of produce on different classes of land in a certain region and the average expenses of cultivation. The determination of farm incomes and the application of the concept of family holding is not without its difficulties and it may be of value to States if a small group of experts with practical experience of settlement work or agricultural statistics could assist them in working out the concept in detail.

37. It is proposed that as a rule for an average family whose members do not exceed five in number, the ceiling may be placed at three family holdings. Where the number of members is larger, the ceiling may extend to a maximum of six family holdings. Each State may determine according to prevailing local conditions the basis on which the size of family should be allowed for in the application of the ceiling.

38. The following categories of farms may be exempted from the purview of ceiling:

- (1) tea, coffee and rubber plantations;
- (2) orchards where they constitute reasonably compact areas;
- (3) specialised farms engaged in cattle breeding, dairying, wool raising etc.;
- (4) sugar-cane farms operated by sugar factories; and
- (5) efficiently managed farms which consist of compact blocks, on which heavy investment or permanent structural improvements have been made and whose break-up is likely to lead to a fall in production.

These are general suggestions which will necessarily have to be adapted to local conditions in each State. For instance, in those parts of the country where culturable waste lands are available and the problem is to find a sufficient number of cultivators, a ceiling may not be the appropriate form of action for reduction of disparities. Similarly, where there is a high density of population the ceiling may have to be placed at a lower level than 3 family holdings.

39. In carrying out the policy of ceilings a question to which each State has to give urgent attention is the effect of malafide transfers made during the past two or three years with the intention of circumventing ceilings on holdings and the action needed to prevent such

all

transfers in the immediate future. Transfers of lands which have already taken place should be reviewed. In respect of the lands, if any, retained by the transferees the question should be considered whether the ceiling should be determined as if the transfer had not taken place. As regards future transfers it is felt that prohibition of transfers for however small a period would cause hardship. It is, therefore, recommended that transfers may be allowed upto the area of one family holding. Transfers exceeding a family holding but not exceeding three family holdings may be subject to sanction by a prescribed authority which could be given in all bonafide cases. This restriction would be necessary only for a temporary period until legislation for ceilings has been enacted.

40. Areas in excess of the ceiling should be acquired by State Governments on payment of compensation at rates to be determined. Compensatory bonds, redeemable over 20 years may be issued to owners in respect of surplus land. The amount of compensation (including interest charges) may be determined with reference to the aggregate of the net increased income accruing to the State (that is, fair rent minus land revenue) for a period of, say, 20 years. The aggregate amount of compensation and interest should thus throw no additional financial liability on the State Government. The compensation may be fixed on graded rates as suggested in case of tenancy lands. Where the surplus area is distributed, the recipients should become State-tenants liable to pay fair rent to the State.

41. In the settlement of lands acquired in consequence of the application of ceilings, tenants displaced as a result of resumption of land for personal cultivation, farmers with uneconomic holdings and landless workers should receive preference. Where the surplus lands available in village are not less than the minimum area which can be operated as a unit for cooperative farming, settlements should be made on cooperative basis. Farmers with uneconomic holdings below the basic level should be admitted into these cooperatives on agreement to pool their lands. Permanent rights in favour of individuals should not be created in the surplus lands.

42. During the first five year plan, apart from enforcement of minimum wages in a number of States and measures relating to the allotment of residential sites, little has been done for the direct benefit of landless agricultural workers. This subject is considered at some length in Chapter XVI. It is recognised that with the existing pressure on land only a small proportion of agricultural workers can be settled on land. Nevertheless

for reasons of social policy no less than those of economic development, it is important that while the national economy develops and offers wider opportunities for employment to agricultural workers and others, some positive relief within the rural economy is given to a section of the population which has long suffered from disabilities and has been denied minimum social and economic opportunity. It is, therefore, recommended that in each State after the data relating to the census of land holding and cultivation have been studied and the areas likely to become available assessed, detailed schemes for the resettlement on land of agricultural workers should be drawn up. Bhoodan lands to the extent they are made available should also be brought into the scheme for settlement on surplus lands indicated above.

43. While special personnel for organising the resettlement of landless workers will be required, the resources needed for development should be provided from agricultural, national extension and community development, village industry and other programmes for which provision exists in the plan. The extent to which such resources will be available will, however, have to be further examined. The question of setting up boards including non-officials members, for advising on resettlement schemes for landless workers and reviewing progress from time to time in the States as well as at the national level needs to be considered.

44. In this connection, reference may be made to the Bhoodan movement. So far over 4 million acres of land have been collected by way of gift for the rehabilitation of landless workers and about 300,000 acres of land have been distributed. State Governments are passing laws to facilitate redistribution of Bhoodan lands.



AGRARIAN REORGANISATION

45. The progress of tenancy reform as well as the imposition of ceilings on agricultural holdings will lead to a substantial increase in the number of small peasant owners. In eliminating rent-receiving interests and reducing the burden on the tiller of the soil land reform paves the way for the reconstruction of the agrarian economy. Land reform programmes and measures for agrarian reorganisation are, thus, parts of the same integrated approach. Land reform cannot succeed without considerable extension of credit facilities and without a programme for eliminating the weaknesses which arise from uneconomic and fragmented holdings and deficiencies in the use and management of land. The problem of agricultural credit in relation to land reform is considered in the next chapter. Here it is proposed to review briefly the four main aspects of agrarian reorganisation, namely, (1) consolidation of holdings, (2) land management practices, (3) development of co-operative farming, and (4) development of co-operative village management as the objective towards which the village economy is to be reorganised.

Consolidation of Holdings.

46. In the First Five Year Plan it was urged that in all States programmes for consolidation of holdings should be expanded and pursued with vigour. The advantages of consolidation of holdings are well known. Consolidation saves time and labour, facilitates improvement of land through irrigation as well as dry farming practices and provides an opportunity for replanning individual holdings and the village abadi and providing roads and other amenities. Appreciable progress has, however, been made only in a few States. By the end of March, 1957, in the Punjab over 4 million acres of land had been consolidated, in Madhya Pradesh 2.5 million acres and in Pepsu over a million acres. In Bombay and Delhi 1060 and 210 villages respectively had been consolidated. In Uttar Pradesh consolidation is in progress in 21 districts. Thus, while there is a growing interest in almost all States in programmes of consolidation of holdings, much more needs to be done. In national extension and community project areas consolidation of holdings should be undertaken as a task of primary importance in the agricultural programme. Plans of several States for the second five year plan include provisions for consolidation of holdings, but they are not always drawn up on an adequate scale.

47. Consolidation programmes have been in operation in different parts of the country for more than a

generation and there is no real difficulty in adapting the experience of States which have advanced in this field to the conditions of other States. The Planning Commission is engaged in a comparative study of methods and solutions which have been found for various problems connected with consolidation of holdings with a view to making the best existing experience on the subject more generally available.

48. I Land Management Practices

48. In the First Five Year Plan the principle was commended that in the cultivation and management of land, individual owners should conform to standards of efficiency determined by law. In their application, these standards were thought of in the first instance in relation to large holdings. In the context of the Second Five Year Plan standards of efficiency and management have to be conceived from a more general standpoint. All agricultural holdings, irrespective of size, should be efficiently managed. From this aspect the subject has been studied in some detail by a committee of the Panel on Land Reform. The main recommendations which have emerged from this study, which we commend, are as follows:

- (1) All cultivators should be under an obligation to maintain reasonable standards of efficient production and to preserve and develop the fertility of the soil. Land management legislation should provide the necessary incentives and sanctions for the performance of this obligation. Such legislation, however, is not to be viewed as a means of coercion in isolation from other factors essential for the maintenance of efficient production. Prescription of standards should be linked with the fulfilment of certain conditions such as stability of tenure, consolidation of holdings, progressive development of cooperation and Government assistance in the provision of financial resources, technical guidance and supplies.
- (2) Land management legislation should provide for standards of efficient cultivation and management which will permit objective, qualitative judgements. A list of factors\* to be taken into account in judging the

\* The list of factors drawn up by the Committee is as follows:

- (1) Land:
  - (a) Levelling, bunding, terracing (where necessary and economically practicable) and other measures needed for maintaining the fertility of the soil.

~~quality of management of a farm or a~~ holding has been worked out by the Committee so that it can be adapted suitably to the agricultural and economic conditions of different areas. On the basis of these factors as adapted to local conditions, it should be possible to classify farms according to the quality of management into suitable grades, for instance, two grades above and two below the average. While farms which fall into the first two categories should be given suitable encouragement and recognition, steps should be taken to ensure that those falling below the average are assisted in improving their standards. The legislation should provide for such measures as warning, direction and supervision and, in the last resort, for assumption of management.

- (3) Sanctions should be provided in the legislation for the fulfilment of certain obligations such as (a) for large and medium holdings, the bringing of cultivable waste lands under cultivation within a reasonable period, (b) measures relating to levelling, bunding and fencing, maintenance of irrigation channels, control of insects and diseases and eradication of weeds and terracing of fields and (c) use of improved seeds, composting of farm refuse etc.
- (4) While land management legislation has to apply to all farms, with a view to gaining experience and evolving suitable methods, it may be applied in the first instance in each State to selected national extension and community project areas.
- (5) At the village level, the implementation of the legislation should be undertaken generally through village panchayats, but suitable arrangements for supervision will be necessary.

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- (b) Development and use of cultivable waste land such as reclamation of cultivable waste land by drainage of water-logged area, removal of alkali or kallar, by anti-erosion or soil conservation measures, eradication of pernicious weeds, clearing of bushes and
- (ii) Use of pure seeds of approved variety.
- (iii) Manures and fertilizers
  - (a) conservation of farm yard manure;
  - (b) composting of all kinds of farm refuse;
  - (c) adoption of green manure as a regular practice;
  - (d) use of chemical fertilisers where necessary and economical.

49. These are the broad principles guiding land management legislation. Details of application have to be carefully worked out by each State with reference to its conditions and priorities. Effective arrangements for land management will be an important factor in increasing agricultural production and conserving natural resources and in national extension and community project areas special attention should be given to them.

#### Cooperative Farming

50. There is general agreement that cooperative farming should be developed as rapidly as possible. The practical achievements in this field are, however, meagre. The main task during the second five year plan is to take such essential steps as will provide sound foundations for the development of cooperative farming so that over a period of 10 to 15 years a substantial proportion of agricultural lands are cultivated on cooperative lines.

51. In the First Five Year Plan a number of suggestions were made for encouraging and assisting small farmers to group themselves voluntarily into

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#### (iv) Irrigation:

- (a) Where canal irrigation is not available construction of wells, tubewells, pumps, tanks and dams wherever possible either independently or in cooperation with the neighbouring cultivators;
- (b) economic use of water by proper maintenance of irrigation channels, i.e. plastering, keeping them, as far as practicable, in straight lines and not zig-zag, keeping them free from weeds and making the irrigation channels pucca, wherever economical, in order to prevent leakage of water.

#### (v) Agricultural implements:

Use of agricultural implements of improved variety as recommended by the Agriculture Department for particular tracts.

- (vi) Control of insect pests and diseases and eradication of pernicious weeds, independently as well as in cooperation with local cultivators, in accordance with methods generally recommended by the Agriculture Department.

cooperative farming societies. Planned experiments were recommended with a view to evolving suitable methods and techniques of cooperative farming under Indian conditions. State Governments were requested later to draw up phased programmes for cooperative farming. On the whole, little action has been taken in these directions. In most States there are groups of individuals who have come together to form cooperative farming societies. A few of these societies have been successful, but many of them have experienced practical difficulties for which they have not always been able to secure the necessary guidance. The result is that after a time efforts which begin with enthusiasm are given up as failures. The close study of failures, even more than successes, which occur in efforts to develop cooperative farming within the country is likely to indicate directions in which effective solutions may be found. With this in view the Planning Commission arranged through the Programme Evaluation Organisation for a firsthand study of 23 selected cooperative farming societies in 12 different States. These studies have provided valuable

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(vii) Improved agricultural practices in respect of:

- (a) preparation of seed beds;
- (b) methods of sowing;
- (c) inter-culture of crops;
- (d) weeding;
- (e) roguing;
- (f) harvesting practices.

(viii) Suitable rotation of crops.

(ix) Planting and care of trees (especially along water courses, near wells and on uncultivated lands).

(x) In case of 'dry farming' improved dry farming practices as recommended by the Agriculture Department such as:-

- (a) shallow ploughing before the commencement of rains;
- (b) removal of weeds;
- (c) bunding and terracing;
- (d) conservation of moisture by ploughing and soiling immediately after the rains stop.

(xi) Adoption of 'mixed farming' i.e. industries allied to agriculture like fruit and vegetable gardening, dairy farming, poultry or bee-keeping, to the extent to which the recommendations of the Agriculture Department on the subject are followed.

information and a special report on the subject will be published by the Programme Evaluation Organisation in the near future.

52. In spite of the difficulties which have been encountered, there are ~~over~~ a thousand cooperative farming societies which are functioning in different parts of the country. In any programme for cooperative development these societies claim the first attention on the part of the staffs of cooperative and agricultural departments and extension workers. The higher the proportion among these societies which are able to succeed in what they have undertaken the greater will be the incentives to others to form cooperative farming societies.

53. When operations for the consolidation of holdings take place an effort should be made to educate the people in the advantages of cooperative farming so that to the extent possible, those who wish to join together in cooperative farming societies may be able to obtain their lands in one or a few compact blocks. Cooperative farming societies formed by voluntary groups should receive special assistance from resources made available under agricultural production and other programmes. In national extension and community project areas, in particular, facilities such as the following can be more readily provided than elsewhere:

- (1) Credit from Government or from cooperative agencies and preference generally in financial assistance from the Government for approved agricultural programmes,

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- (xii) Animal Husbandry
  - (a) Maintenance of approved breeds of live stock;
  - (b) Satisfactory provision for feeding of animals, feeding stalls;
  - (c) Conservation of manure;
  - (d) Proper housing of animals;
  - (e) Protective measures against and treatment of diseases.
- (xiii) Farming equipment and investment in permanent improvements.
- (xiv) Adequate arrangements for storage of produce.
- (xv) Housing conditions of agricultural workers on the farm.
- (xvi) In the case of large and medium sized farms, maintenance of simple farm accounts as may be prescribed.
- (xvii) Participation in cooperative associations.

- (2) preference in the supply of improved seeds, fertilizers and materials for local construction,
- (3) facilities for consolidation of lands comprised in a cooperative farm,
- (4) preference in the grant of leases of lands reclaimed by the Government, culturable waste lands, lands whose management is assumed by the Government and lands under the management of the village panchayats,
- (5) provision that after a cooperative farming society is formed and so long as it continues and is managed in accordance with the conditions prescribed under the law, no new rights adverse to the interest of its members will accrue. Where land is held by tenants with permanent rights, it is for them to elect to become members of a cooperative farming society. In respect of lands under the cultivation of a tenant who does not possess permanent rights, an owner may join a cooperative farming society if the tenant is also agreeable to becoming a member of the cooperative farm,
- (6) technical assistance of expert personnel employed by the Government, in farm operations, marketing, preparation of production programmes, etc,
- (7) technical or financial assistance in developing non-agricultural employment for members of the cooperative farming society and others associated with them, such as cottage industries, dairying and horticulture, etc.
- (8) subsidy for managerial expenses for a limited period wherever desirable.

Care should be taken to ensure that the concessions are extended to genuine societies only and do not lead to the formation of mushroom societies which are wound up after involving State Governments in loss.

54. It would be desirable to select, as experimental or pilot projects, one or two cooperative farms in each district and later in each national extension and community project area. The activities in these projects should be closely observed and recorded and the aim should be through work in these projects to evolve better methods of management and organisation and in time they should become practical training centres for cooperative, agricultural and other extension workers.

55. Opportunities for developing cooperative farming on a large scale will increase when with the imposition of ceiling on agricultural holdings, some surplus areas become available. Wherever sizeable areas are available cooperative farms should be organised. As a rule, the ownership of these lands should vest in cooperative societies and individual rights should not be created.

56. In tribal areas where communal ownership is still the rule special steps should be taken to develop agriculture along cooperative lines.

57. Holdings which are below the basic or the floor limit constitute one of the most difficult problems in the reorganisation of agriculture. If these holdings are grouped into larger units of operation through cooperative activity the economies and advantages of large-scale organisation become available and it is possible to obtain larger financial resources for development of land and the surplus labour can be gainfully employed for increased production. The general aim should be to bring them increasingly into cooperative pools and coordinated effort in the form of technical guidance, assistance and supplies should be directed to ensure that these farms derive the principal advantage of cooperation, namely an appreciable increase in produce and incomes. As a first step, surplus lands and other lands available in a village should be regrouped into cooperative farming units. Those whose holdings are below the floor limit should be admitted as members if they agree to put their lands into the pool. It is also desirable that at the time of consolidation of holdings lands belonging to persons holding very small pieces of land should be located as near as possible to pooled lands so that cultivators who may not join cooperative farms immediately may find it convenient to do so at a later stage. Cooperative activity in one form promotes cooperation in other ways as well. It is necessary, therefore, that cooperation in non-farm activities should be promoted as a step preparatory to cooperation in cultivation.

58. At this stage of development considerable flexibility is needed in the manner in which lands may be pooled and operated in cooperative units. A variety of forms of organisation can be considered and in different situations different combinations of arrangements are likely to lead to the best results. Thus, for the pooling of land any one of the following methods may be adopted either by itself or in combination with some other form:

- (1) the ownership of land may be retained by individuals but the land may be managed as one unit, the owners being compensated through some form of ownership dividend,
- (2) the land may be leased to the cooperative society for a period, the owners being paid agreed rents or rents prescribed by law, or
- (3) ownership may be transferred to the cooperative society but shares representing the value of land may be given to individuals.



Within a cooperative unit different forms of operation can be conceived of. Thus, the farm as a whole may be managed as a single unit for all purposes or for some selected purposes. Groups of families may form sub-units within the cooperative farm. Or, as is likely, in the first stage of cooperative development there may be family holdings supplemented by joint work for specific purposes. Considerable practical experience has to be gained in carrying out cooperatively agricultural and other activities under different conditions and, as emphasised earlier, an attitude of experiment should be maintained in all matters of detail. The effort should be to work out the best solutions through systematic study and observation and make them known as widely as possible so that peasants can adapt them readily to their own conditions. In implementing a programme for the development of cooperative farming it is also important to emphasise the need for widespread training. In institutions for cooperative training special courses in cooperative farming, both theoretical and practical should be organised. Extension workers and officials of agriculture departments should also receive short periods of training in cooperative farming, including problems of management, organisation and accounts and, above all, they should become fully familiar with the human relationship aspect of cooperative development.

#### Pattern of Village Development

59. With the growth of cooperative farming societies and the development of cooperation in various non-farm activities the rural economy should become stronger and there should be a steady increase in production and rural incomes. There are several reasons, why, in Indian conditions, it is desirable that the aim of policy should be in the direction of making the village the primary unit of management in agriculture and in many other economic and social activities which bear closely on the welfare of the rural people.

60. For cooperative community development, under present conditions, the village is the most convenient unit. Some villages may be too small and some too large, but with the reorganisation of village boundaries which has been recommended in the chapter on District Development Administration, a large proportion of villages will provide sizeable units for achieving economies of scale and organisation in agricultural production. Cooperative village management will imply, in the first place, that the ownership of land belongs to peasants. With the progress of land reform the number of owners within the village community will increase and disparities in the ownership of land will be greatly narrowed. But in the peasant community, apart from artisans and others engaged in non-agricultural activities, there will be a section of the population who will be dependent on agriculture but without being owners of land. This is an important problem to which solution has to be found, specially since, as pointed out earlier, they and many small peasant owners will continue to be in effect surplus to the rural economy.

Consisting of agricultural labourers

61. To be able to provide a diversity of occupations within and outside agriculture, the village economy itself has to develop new techniques. Rapid technical change, including the utilisation of power and of improved equipment thus becomes a basic factor in further progress. So long as the small holding, often uneconomic and fragmented, remains the unit of management in agriculture, the possibilities of expanding the village economy to create adequate diversity and richness in the occupational structure are severely limited. A distinction should be made between the unit of management and the unit of operation. Even when a larger area or the village as a whole is the unit of management, for many years, the common unit of operation will be the peasant holding. If the village is the unit of planning, there could be cooperation in many operations such as, the use of improved seed, common buying and selling, in soil conservation, in the use of water, in the construction of local works and so on.

62. During the transition to cooperative village management, lands in the village will be managed in three different ways. Firstly, there will be the individual farmers cultivating their own holdings. Secondly, there will be groups of farmers who pool their lands voluntarily in their own interest into cooperative working units. Thirdly, there will be some land belonging to the village community as a whole. This will include the common lands of the village, the village site, culturable waste lands assigned to the village, lands whose ownership or management is entrusted to the village on the application of the ceiling on agricultural holdings and, lastly, lands which may be given as gifts for the settlement of the landless. Thus, one could visualise within the scheme of land management in a village an individual sector, a voluntary cooperative sector and a community sector. The relative proportions between these sectors will be a matter for growth and development as well as positive planning. The aim would be to enlarge the cooperative sector until the management of the entire land in the village becomes the cooperative responsibility of the community. Cooperation in credit, marketing and processing will also further cooperation in production. These activities are inter-related. Those which are simpler to organise will naturally be taken up first. Cooperation in all forms and in all activities is to be welcomed because the habit and outlook of cooperation is

as important as the forms through which it is expressed.

63. The main instruments for realising cooperative village management are:

- (1) the village panchayat and the functions assigned to it as a development agency at the village level,
- (2) steps taken to develop cooperative credit, marketing, warehousing, processing, etc.,
- (3) programmes for the development of village industries, specially for meeting local needs and for producing work opportunities to all persons in the village,
- (4) programmes for promoting and assisting voluntary cooperative farming societies, and
- (5) development of a 'community sector' within the village economy, that is, of land belonging to the village community as a whole (such as common lands, gifted lands, residential sites, etc.), and activities organised for the village as a whole.

The performance of any one of these tasks presents many serious difficulties, and their achievement will necessarily be a slow and gradual process. The establishment and working of village panchayats has in recent years revealed a number of defects. The panchayats are, in many cases, divided by factions and opposing groups in the village. They have not always succeeded in throwing up a strong village leadership capable of harmonising the conflicting interests of various groups, removing dissensions and of obtaining the loyalty and confidence of the village people in general. On account of the lack of leadership and the general low level of education, the village panchayats frequently lack the experience and ability required for discharging their duties efficiently. A long period of careful guidance, training and assistance will, therefore, be necessary to equip them adequately for these tasks. In the development of cooperative activity also there is strong psychological resistance which will have to be gradually overcome. Managerial skill and organisational talent which is at present a serious obstacle to rapid growth will need to be developed.

The forms which cooperative village management may assume and the stages in which it is approached will depend on the experience and initiative of the people in each area and the success which is achieved in implementing each of the individual programmes for rural community development.

64. Once the stage of cooperative village management is reached, the distinction between those who have land and those who are landless loses much of its significance. The true distinction then is between workers with varying skills who are engaged in different occupations, both agricultural and non-agricultural. The resources of the village community derived from agriculture, trade and village industry will be employed in securing the maximum increase in production and employment through action within the village as well as through cooperation in activities extending beyond the village. Such a village community will have an integrated social and economic structure and will be linked organically as a production and business unit with the economic life of the tahsil and the district. Thus, a rural economic structure is visualised in which agricultural production, village industries, processing industries, marketing and rural trade are all organised as cooperative activities.

65. An important step in the direction of cooperative development of the village economy, which has come from the Bhoodan Movement, is the gifting by their owners of about 800 whole villages in Orissa and in a few other States. These are commonly described as Gramdan villages. The practical success which is achieved in the development of Gramdan villages will have great significance for cooperative village development elsewhere in the country. Cooperative villages should receive in special measure the various forms of assistance specified earlier for cooperative farming societies. Two other aspects need to be emphasised. In these villages land revenue should be collected through the village panchayat. Secondly, depending on the form in which individual rights are held under the village community, credit and other assistance should be made available either to individuals on the strength of security which the community can furnish or on the basis of shares which individuals hold in the village lands. Such adaptations in existing revenue and cooperative legislation as are required by the transformation from individual to cooperative or community holding of land should be carried out.

Administration of land reform programmes

66. Land reform programmes are an integral part of national planning and in several fields progress depends on their speedy and efficient execution. At the same time they throw a heavy burden on administration, especially in the districts, which has, therefore, to be strengthened and equipped adequately to carry out these programmes. Broadly, administrative tasks to be undertaken fall into two groups, viz., (a) those which are required for ensuring efficient revenue administration, (b) tasks related to special programmes such as consolidation of holdings, land management, imposition of ceilings on agricultural holdings, redistribution of land and development of co-operative farming. It is necessary to take a comprehensive view of both sets of tasks as they are essentially inter-dependent in character and form part of an integrated scheme.

67. The first group of administrative tasks includes the following:

(1) maintenance of correct and upto-date land records as a prerequisite for the implementation of land reform. In several States, following the abolition of intermediaries, revenue records have been or are in the process of being prepared. Frequently revenue records are defective in-as-much as they do not provide information in respect of the holdings of tenants and crop-sharers;

/arrears  
in

(2) over large areas cadastral surveys are not upto-date. As a rule, they form part of settlement operations but these are in many States. Revision and preparation of village records has to be taken up urgently and cannot wait until cadastral surveys are completed. It would, therefore, appear necessary, as an immediate measure, to prepare upto-date revenue records on the basis of what may doubtlessly be rough maps;

(3) with the larger load of work which revenue staffs have carried in recent years, annual records are not always maintained correctly or upto-date and the elaborate instructions for supervision and correction of records which exist in most States are difficult to implement for want of adequate supervisory staff. In particular, entries relating to cultivating possession of tenants and crop-sharers may frequently be inaccurate. It is, therefore, desirable that at the time of field inspections by the revenue officials some members of the village panchayat should be asso-

ciated. Copies of the records which are prepared should be made available for inspection in the panchayat office and copies of changes which are proposed should be supplied to the parties concerned;

/a (4) in certain areas, especially those which were formerly under permanent settlement, recent and fairly reliable revenue or rent rates are not available. The process of determining these rates normally takes a long period. It would be desirable to adopt wherever possible, some simple course, such as fixation of rent as multiple of land revenue. This is a necessary measure if reductions in rent and commutation of produce rents into cash are to take place.

68. Among the second group of administrative tasks which arise from the special land reform programmes to be implemented during the second five year plan, the following may be mentioned: (i) consolidation of holdings; (ii) restoration of tenants wrongfully ejected; (iii) detection of malafide transfers of land (iv) determination of compensation for the acquisition of different rights, (v) enforcement of ceilings on agricultural holdings, (vi) redistribution of land obtained through imposition of ceilings, bhoodan and other measures, (vii) implementation of improved land management measures, especially at the village level, and (viii) assisting in the development of co-operative farming and co-operative management.

69. The administrative tasks taken together constitute a heavy burden on the revenue staff. It is obvious that considerable strengthening of both supervisory and field personnel should be planned for from the earlier stages. Much new legislation is complex in character and it is necessary that the revenue staff itself should understand thoroughly its objectives and the means through which they are to be attained. Short period training courses will, therefore, be necessary. While some of these tasks have to be carried out over the entire area of a State simultaneously, such as reduction in rents, or demarcation of non-resumable and resumable areas, there are other programmes which can progress quicker if first carried out in selected areas where experience is gained and personnel trained before other

areas are taken up. However, in regard to the latter, phased programmes are essential. Active public opinion will be of significant assistance in implementing land reform programmes. It is, therefore, necessary that the rights and obligations of different sections of the rural community in terms of the land reform legislation should be made widely known in simple language. In carrying out the various tasks the official machinery can and should derive a great deal of assistance from the agencies of district development administration which are described in Chapter VII, viz., village panchayats, development committees in talukas and development blocks and district development councils. In particular, village panchayats have a large role in the achievement of high standards of management and efficiency and in assisting the progress of consolidation of holdings. Through their association land revenue records can be maintained more accurately and injustices avoided. Also, they can assist materially in the settlement of disputes relating to ejection of tenants, arrears of rent, possession of land, restoration of tenancies and ejection of trespassers. Land reform measures are an important part of district and village development programmes and no small part of the response of the people to these programmes derives from the success of land reform.

ANNEXURE  
DISTRIBUTION AND SIZE OF HOLDINGS

(1)

In paragraphs 29 to 33 a brief account has been given of the procedure and concepts adopted for carrying out the census of land holdings and cultivation. In this annexure data pertaining to 17 States are given in summary form with reference to (a) holdings classified according to area owned, and (b) holdings classified according to area under personal cultivation. Data relating to Bihar, Rajasthan and Travancore-Cochin are under examination. Data relating to Uttar Pradesh and Orissa are not yet available. The progress of work relating to the census of land holdings and cultivation in other States has been reviewed in the Chapter.

(A) States where complete enumeration of holdings of all size groups was conducted

		1. <u>A N D H R A</u>							
		(In thousands)							
		----- Classes of holdings (in acres) -----							
		Less than 5	5-10	10-15	15-30	30-45	45-60	above 60	Total
a) Area owned	Number of holdings.	1767	423	178	181	50	20	26	2645
	Percentage	(66.8)	(16.0)	(6.7)	(6.8)	(1.9)	(0.8)	(1.0)	(100)
	Area	3270	2976	2168	3737	1201	1005	3074	13034
	Percentage	(18.1)	(16.5)	(12.0)	(20.7)	(10.0)	(5.6)	(17.1)	(100)
(b) Area under personal cultivation.*	Number of holdings.	1674	396	166	159	45	17	21	2426
	Percentage	(67.3)	(15.9)	(6.8)	(6.4)	(1.8)	(0.7)	(0.8)	(100)
	Area	3017	2739	1997	3330	1501	868	2199	15801
	Percentage	(19.1)	(17.3)	(12.6)	(21.4)	(10.1)	(5.6)	(13.9)	(100)

\* area under personal cultivation does not generally include cultivable land lying fallow for more than one year.



IX.

2. B O M B A Y

(ii)

(In thousands)

		Grades of Holdings (In acres)							
		Less than						above	Total
		5	5-10	10-15	15-30	30-45	45-60	60	
(a) Area owned	Number of holdings.	2446	961	483	568	172	65	69	4704
	Percentage	(51.3)	(20.2)	(10.2)	(11.9)	(3.6)	(1.4)	(1.4)	(100)
	Area	5086	6923	6001	11899	6253	3327	7710	47204
	Percentage	(10.8)	(14.7)	(12.7)	(25.2)	(13.3)	(7.0)	(16.3)	(100)
(a) Area under personal cultivation.	Number of holdings.	2183	862	442	515	155	57	59	4273
	Percentage	(51.0)	(20.2)	(10.3)	(12.2)	(3.6)	(1.3)	(1.4)	(100)
	Area	4431	6063	5350	10541	5527	2875	5889	40726
	Percentage	(11.0)	(14.9)	(13.1)	(25.9)	(13.6)	(7.0)	(14.5)	(100)
3. <u>M A D H Y A P R A D E S H</u>									
(a) Area owned	Number of holdings.	2648	842	366	375	105	42	60	4458
	Percentage	(59.4)	(18.9)	(8.7)	(8.4)	(2.4)	(0.9)	(1.3)	(100)
	Area	5076	5988	4592	7965	3305	2159	7617	37202
	Percentage	(13.6)	(16.2)	(12.3)	(21.4)	(10.2)	(5.8)	(20.5)	(100)
(b) Area under personal cultivation.	Number of holdings.	2553	779	344	350	94	37	49	4206
	Percentage	(60.7)	(18.5)	(8.2)	(8.3)	(2.2)	(0.9)	(1.2)	(100)
	Area	4782	5531	4195	7218	3001	1907	5705	32739
	Percentage	(14.6)	(16.9)	(12.8)	(22.1)	(10.4)	(5.8)	(17.4)	(100)

IX.  
(iii)  
(in thousands)

		Grades of Holdings (In acres)							Total
		Less than 5	5-10	10-15	15-30	30-45	45-60	Above 60	Total
<b>4. M A D R A S</b>									
(a) Area owned *	Number of holdings.	3348	860	324	285	70	27	44	4958
	Percentage	(67.6)	(17.4)	(6.5)	(5.7)	(1.4)	(0.5)	(0.9)	(100)
	Area	6592	6006	3952	5853	2553	1399	6194	32549
	Percentage	(20.3)	(18.5)	(12.1)	(18.0)	(7.8)	(4.3)	(19.0)	(100)
(b) Area under personal cultivation.	Number of holdings.	3219	808	301	200	61	23	31	4703
	Percentage	(68.4)	(17.2)	(6.4)	(5.5)	(1.3)	(0.5)	(0.7)	(100)
	Area	6316	5635	3664	5239	2205	1159	4284	28533
	Percentage	(22.1)	(19.8)	(12.3)	(18.5)	(7.7)	(4.1)	(15.0)	(100)
<b>5. H Y D E R A B A D</b>									
(a) Area owned	Number of holdings.	897	595	334	535	190	82	114	2798
	Percentage	(32.1)	(21.3)	(13.7)	(19.1)	(6.8)	(2.9)	(4.1)	(100)
	Area	2126	4332	4730	11287	6800	4245	13526	47186
	Percentage	(4.5)	(9.3)	(10.0)	(23.9)	(14.6)	(9.0)	(28.7)	(100)
(b) Area under personal cultivation.	Number of holdings.	844	520	335	464	162	70	92	2497
	Percentage	(33.8)	(21.2)	(13.4)	(18.6)	(6.5)	(2.8)	(3.7)	(100)
	Area	1985	3995	4139	9794	5005	3503	9776	30997
	Percentage	(5.1)	(10.0)	(10.6)	(25.0)	(15.1)	(9.2)	(25.0)	(100)

\* Lands left waste due to the negligence of the owner and 'marginal' waste have been included in the area owned, but not in the area under personal cultivation.

(iv)

(In thousands)

		Grades of Holdings (In acres)							
		Less than 5	5-10	10-15	15-30	30-45	45-60	Above 60	Total
<u>6. MIDDHYA BHARAT</u>									
(a) Area owned	Number of holdings.	652	323	173	193	51	18	19	1429
	Percentage	(45.6)	(22.6)	(12.1)	(13.5)	(3.5)	(1.3)	(1.4)	(100)
	Area	1414	2325	2124	4004	1831	921	2024	14643
	Percentage	(9.6)	(16.0)	(14.5)	(27.3)	(12.5)	(6.3)	(13.8)	(100)
(b) Area under personal cultivation.	Number of holdings.	626	306	162	179	45	17	16	1351
	Percentage	(46.4)	(22.7)	(12.0)	(13.2)	(3.3)	(1.2)	(1.2)	(100)
	Area	1352	2202	1937	3999	1623	799	1516	13183
	Percentage	(10.3)	(16.7)	(15.1)	(28.0)	(12.3)	(6.1)	(11.5)	(100)
<u>7. SAURASHTRA</u>									
(a) Area owned	Number of holdings.	34	46	46	115	60	24	18	343
	Percentage	(9.9)	(13.4)	(13.4)	(33.6)	(17.5)	(7.0)	(5.2)	(100)
	Area	100	355	579	2523	2182	1228	1533	8505
	Percentage	(1.2)	(4.2)	(6.8)	(29.7)	(25.7)	(14.4)	(18.0)	(100)
(b) Area under personal cultivation.	Number of holdings.	33	45	45	113	59	24	18	337
	Percentage	(9.8)	(13.4)	(13.4)	(33.5)	(17.5)	(7.1)	(5.3)	(100)
	Area	94	342	557	2492	2161	1216	1499	8371
	Percentage	(1.1)	(4.1)	(6.8)	(29.8)	(25.8)	(14.5)	(17.9)	(100)

(in thousands)

		Grades of Holdings (In acres)							Total
		Loss than 5	5-10	10-15	15-30	30-45	45-60	Above 60	
<u>8. J M E R</u>									
(a) area owned	Number of holdings.	76	18	7	6	1	..	1	111
	Percentage	(70.3)	(16.2)	(6.3)	(5.4)	(0.9)	(..)	(0.9)	(100)
	Area	131	128	88	119	30	16	30	551
	Percentage	(23.7)	(23.3)	(16.0)	(21.6)	(7.1)	(2.9)	(5.4)	(100)
(b) area under personal cultivation.	Number of holdings.	78	18	7	6	1	..	..	110
	Percentage	(70.9)	(16.4)	(6.4)	(5.4)	(0.9)	(..)	(..)	(100)
	Area	129	126	87	116	33	16	30	542
	Percentage	(23.8)	(23.2)	(16.1)	(21.4)	(7.0)	(3.0)	(5.5)	(100)
<u>9. B H O P A L</u>									
(a) area owned	Number of holdings.	39	23	17	25	9	4	6	123
	Percentage	(31.7)	(18.7)	(13.8)	(20.3)	(7.3)	(3.3)	(4.9)	(100)
	Area	62	174	212	522	321	194	770	2255
	Percentage	(2.7)	(7.7)	(9.4)	(23.2)	(14.2)	(8.0)	(34.2)	(100)
(b) area under personal cultivation.	Number of holdings.	37	23	16	24	8	3	5	116
	Percentage	(31.9)	(19.7)	(13.8)	(20.7)	(6.9)	(2.6)	(4.3)	(100)
	Area	60	165	200	494	206	178	630	2023
	Percentage	(3.0)	(8.2)	(9.9)	(24.4)	(14.6)	(8.8)	(31.1)	(100)
<u>10. K U T C H</u>									
(a) area owned	Number of Holdings.	16	17	10	17	8	4	6	73
	Percentage	(20.5)	(21.7)	(12.8)	(21.7)	(10.3)	(5.2)	(7.8)	(100)
	Area	49	123	129	370	200	212	623	1324
	Percentage	(2.7)	(7.0)	(7.1)	(20.8)	(16.4)	(11.6)	(34.4)	(100)
(b) area under personal cultivation.	Number of holdings.	13	14	8	15	7	4	5	66
	Percentage	(19.7)	(21.2)	(12.1)	(22.7)	(10.6)	(6.1)	(7.6)	(100)
	Area	43	107	112	327	205	130	303	1337
	Percentage	(3.2)	(8.0)	(8.3)	(24.5)	(15.3)	(9.7)	(22.7)	(100)

IX.

(vi)

(B) States where the census was confined to holdings of 10 acres and above (In thousands)

		Grades of holdings					Total
		10-15	15-30	30-45	45-60	Above 60	Total
		<u>1. P U N J A B</u>					
(a) Area owned	Number of holdings	121	130	39	15	19	324
	Area	1515	2743	1378	757	2301	8694
(b) Area under personal cultivation.	Number of holdings.	101	104	27	9	10	251
	Area	1246	2146	975	425	991	5343
		<u>2. M Y S O R E</u>					
(a) Area owned	Number of holdings	86	84	22	3	9	209
	Area	1039	1736	772	412	1085	5044
(b) Area under personal cultivation.	Number of holdings.	81	79	19	7	8	194
	Area	967	1607	699	352	864	4499
		<u>3. P E P S U</u>					
(a) Area owned	Number of holdings.	63	64	16	6	6	155
	Area	708	1321	537	233	616	3600
(b) Area under personal cultivation.	Number of holdings.	51	54	13	4	4	126
	Area	643	1106	453	223	353	2800

IX.

.. (vii)  
(In thousands)

		Grades of holdings.					
		10-15	15-30	30-45	45-60	Above 60	Total
<u>4. DELHI</u>							
(a) Area owned	Number of holdings.	3	2	..	..	..	5
	Area	33	37	11	3	6	90
(b) Area under personal cultivation.	Number of holdings	3	2	..	..	..	5
	Area	33	35	9	3	6	87
<u>5. HIMACHAL PRADESH</u>							
(a) Area owned	Number of holdings.	6	3	1	..	..	10
	Area	67	65	14	5	17	168
(b) Area under personal cultivation.	Number of holdings.	5	3	1	..	..	9
	Area	65	61	13	5	16	160
<u>6. VINDIYA PRADESH</u>							
(a) Area owned	Number of holdings	51	64	19	6	9	151
	Area	631	1343	691	333	968	4016
(b) Area under personal cultivation	Number of holdings	50	63	13	7	8	146
	Area	618	1296	657	32	854	3705

(..) Negligible.

(In thousands)

		Grades of holdings					
		10-15	15-30	30-45	45-60	Above 60	Total
<u>7. C O O R G</u>							
(a)	Area owned						
	Number of holdings	1	1	..	..	..	2
	Area	9	23	12	9	74	127
(b)	Area under personal cultivation						
	Number of holdings	1	1	..	..	..	2
	Area	8	21	11	7	70	117

(..) Negligible

## CHAPTER X

### DEVELOPMENT OF CO-OPERATION

#### Co-operation and National Planning.

Economic development along democratic lines offers a vast field for the application of cooperation in its infinitely varying forms. The socialist pattern of society implies the creation of large numbers of decentralised units, both in agriculture and in industry. These small units can obtain the advantages of scale and organisation mainly by coming together. The character of economic development in India with its emphasis on social change, therefore, provides a great deal of scope for the organisation of co-operative activity. The building up of a co-operative sector as part of the scheme of planned development is, thus, one of the important aims of national policy.

2. The limit to the range of activities to which the principle of co-operation can be applied is set by the fact that a co-operative group should be reasonably small for its members to know and trust one another. For certain purposes a number of small groups may, and indeed must, combine into larger organisations, but, the strength of co-operation comes from relatively small and homogeneous groups which function actively. If strong primary units exist, at the base, effective organisations can also be built at higher levels. The structure as a whole can then undertake activities and provide services which require large resources and organisation. From this aspect the fields which mark themselves out as being specially appropriate for the co-operative method of organisation are agricultural credit, marketing and processing, all aspects of production in rural areas, consumers' co-operative stores, co-operatives of artisans and construction cooperatives. In these fields the objective is to enable co-operation increasingly to become the principal basis for the organisation of economic activity.

3. In the areas appropriate to it the co-operative form of organisation has advantages which neither the system of private enterprise nor that of State ownership can match. In particular, it offers a means of achieving results valuable to the community by drawing equally upon



incentives which are social and incentives which are individual. Where it succeeds co-operation brings large gains to the community, but the human factors involved in it are complex and in some ways it is much more difficult for the co-operative form of organisation to succeed than it is for a completely socialised enterprise or for an individual entrepreneur. It is therefore necessary to take effective measures to enable co-operation to succeed specially in fields which are assigned to it in the scheme of national development.

4. This aspect has received special attention in the report of the Rural Credit Survey organised by the Reserve Bank of India. Programmes of co-operative development for the second five year plan have been drawn up broadly on the lines recommended, in the Rural Credit Survey. Because of historical circumstances agricultural credit accounts for the greater part of development in the field of cooperation during the past fifty years. The provision of adequate credit on reasonable terms is undoubtedly a most important part of co-operation, but the movement has wider and more far-reaching aims. In co-operation the crucial unit is the village. In implementing the programme of co-operation, there are three aspects to which special attention has to be given. Firstly, credit is only the beginning of co-operation. From credit, co-operation has to extend to a number of other activities in the village, including co-operative farming. In co-operation hard and fast rules of development cannot be made and every step is determined by the experience of the people. The second aspect is that every family in a village should be member of at least one co-operative society. The third aspect is that the co-operative movement should aim at making every family in the village creditworthy. At present, even in areas in which the movement has spread most, only 30 to 40 per cent of families are able to satisfy the tests laid down. The primary co-operative society and the village panchayat have to work in unison if the needs of all the families in the village are to be met.

5. The appropriate size of a primary society has to be considered both from the aspect of credit and from the point of view of cooperative development generally. Ultimately it is the aim, as stated above, that cooperation should extend to all activities in the village including cultivation. As has been explained in an earlier chapter more

than 380,000 villages have populations of 500 or less and the question of combining small villages into units with the population of about 1,000 deserves to be examined. It is necessary to have villages which are small enough to have a sense of solidarity and yet not so small that personnel cannot be provided for the essential services organised for their benefit. Considerations which bear on the organisation of convenient village units are also relevant to the consideration of the size of the primary cooperative society. Its area of jurisdiction should, on the one hand, be large enough to make it an efficient unit and, on the other, it should not be so large that it might become difficult to secure amongst members the knowledge, the sense of mutual obligation and concern for rehabilitation of the weaker sections of the community and the intimate contact between the committee of management and individual families without which cooperation cannot make a real impact on rural life. Cooperatives, like village panchayats, are institutional agencies for achieving social cohesion. In a country whose economic structure has its roots in the village, cooperation is something more than a series of activities organised on particular lines; basically its purpose is to evolve a system of cooperative community organisation which touches upon all aspects of life. Within the village community there are sections of the population who need special assistance. Cooperation should therefore mean an obligation towards all families in the village community and the development of land and other resources and of social services in the common interest of the village as a whole.

#### Review of Progress.

6. When cooperation was first introduced under the Cooperative credit Societies Act, 1904, it was confined to the organisation of the cooperative credit societies in urban and rural areas with a view to relieving indebtedness and promoting thrift. The Cooperative Societies Act, 1912, permitted the registration of cooperative societies for promoting non-credit activities as well as federations of primary societies into organisations at higher levels. Both in the field of credit and of non-credit activities the cooperative structure consists of primary societies at the base in villages or towns, central organisations at the district level and apex organisations at the State level.

7. The development of agricultural credit organisations falls broadly into two parts, those concerned with short and medium-term finance and those which are intended to provide long-term finance. In the first group there are in existence at present 22 State cooperative banks, 499 cooperative central banks and 126,954 agricultural credit societies with a total membership of 5.8 million. These various organisations operated in 1953-54 with total owned funds amounting to about Rs.39 crores, deposits of about Rs.71 crores and working capital of about Rs.161 crores. Fresh advances by agricultural credit societies were of the order of about Rs.30 crores. Institutions for long-term agricultural finance were developed to a much smaller extent, being confined to 9 central and 291 primary land mortgage banks with a total working capital of about Rs.24 crores. On the non-agricultural side credit institutions were confined to 716 urban banks and to 3651 societies of salaried employees and wage earners.

8. In recent years greater attention has been given to the development of non-credit organisations but, it cannot be said that in non-credit activities, except at selected centres, cooperation has made any large impression. In the field of agricultural marketing there are at present 16 State marketing societies, 2125 marketing unions and federations and 9240 primary marketing societies with a total annual turnover in 1953-54 of about Rs.51 crores. In some States during the first plan irrigation societies and milk supply societies have shown encouraging results. There were in 1953-54 937 irrigation societies, 65 milk supply unions and 1437 primary milk supply societies. In 1953-54 there were also 234 land colonisation societies and 601 cooperative farming societies. In the non-agricultural field perhaps the largest measure of success has been achieved in the formation of handloom weavers' societies of which there were in 1953-54 5748. The number of looms included in these societies has increased during the first plan from 626,119 to about a million and is to be increased to about 1.45 million by the end of the second five year plan. In consumers' cooperation only a fraction of the ground has been covered so far, the number of primary stores being 8251 and of wholesale stores 86 with a total turnover of less than Rs.40 crores. Other non-credit societies which have come into existence during recent years and a proportion of which are working fairly well are 2036 housing societies, 510 labour contract societies, 124 forest labourers societies and 78 transport societies. There

were also 4643 health and better living societies, almost entirely in rural areas.

Reorganisation of Rural Credit and Marketing

9. The main proposals of the Committee of Direction of the Rural Credit Survey have been accepted in broad principle by the Central Government, by the Reserve Bank of India and by representatives of the cooperative movement. These form the general basis on which programmes of development for the second five year plan have been drawn up. The main departure from earlier programmes which the Rural Credit Survey envisaged was that the State should enter into partnership with cooperative institutions at various levels. It was felt that such financial partnership would provide additional strength to cooperatives and make available to them in fuller measure assistance and guidance from the Government. The principle of State partnership will apply specially at the apex and the central bank level and in a more flexible manner at the primary level. It has been made clear that the essential basis of State partnership is assistance and not **interference or control**.

10. With a view to facilitating the partnership of the State in cooperatives the Reserve Bank has established a national Agricultural Credit (long-term operations) Fund with an initial capital of Rs.10 crores. Contributions of Rs.5 crores per annum will be made during the period of the second plan so that by 1960-61 the Fund will have a capital of Rs.35 crores. From this Fund loans are to be advanced to States to enable them to subscribe to the share capital of cooperative credit institutions. A second Fund, known as the National Cooperative Development Fund, is to be established by the Central Government. From this Fund States will be able to borrow for the purpose of subscribing to the share capital of non-credit cooperative institutions. Assistance towards the construction of godowns, staff for cooperative societies, and for strengthening the administration of cooperative departments will also be provided from this Fund.

11. Another feature of the scheme of reorganisation proposed in the Rural Credit Survey is that credit and non-credit societies should be linked to one another so that the agriculturist can be provided with credit for seeds, manures, agricultural implements and essential consumer goods and is also helped in disposing of his produce. In view of the range of operations contemplated, the Rural Credit Survey recommended that large-sized credit societies serving groups of villages should be formed by amalgamation of the existing small societies and societies constituted for the first time should conform to the pattern recommended by the Survey. The general pattern of organisation for a larger cooperative society is that it would have a membership of about 500, the liability of each member being limited to five times the face value of the capital subscribed by him. The society would have a minimum share capital of about Rs.15,000 and would serve a group of 10 to 15 villages. By 1960-61 it is proposed that 10,400 such larger sized credit societies, each with a trained manager, should be established.

12. Rural credit societies, whether those already existing or established afresh, are to be affiliated to the primary marketing society serving a mandi area. Agriculturists will receive loans for agricultural operations from credit societies. They will also obtain from them their requirements either for cash or against approved credit limits. Credit societies will collect the produce of their members for disposal through the marketing society. They will purchase the stocks required by them from marketing societies and distribute them to their members. Primary marketing societies are to be federated together in an apex marketing society serving the State as a whole.

13. In the development of rural credit perhaps the greatest difficulty in the past has been that a substantial proportion of agriculturists are non-credit worthy according to the rules and conditions for advancing loans which were generally proscribed. To meet the situation two main proposals have been made. The first is that loans should be advanced by credit societies on the basis of production programmes and anticipated crops. A maximum credit limit will be fixed for each member and within this limit he will be permitted to obtain loans according to his requirements. To ensure proper use of funds loans will be given as far as possible in kind, in the form of seed, fertilizer etc. Where cash loans are given, the payment may be in instalments. Members of credit societies will be persuaded to agree in advance to market their produce through the primary marketing society. The second proposal is that the cooperative society as a whole, should accept responsibility for productive loans advanced to the weaker sections of the community.

14. Warehousing will provide an importance of institutional link between the activities of credit and non-credit societies which have been described above. Primary marketing societies as well as the better organised credit societies will have to construct godowns on a large scale. As recommended by the Rural Credit Survey, it is proposed to establish a Central Warehousing Corporation and warehousing corporations for States. These corporations will function under the direction of the National Cooperative Development and Warehousing Board. The maximum authorised share capital of a State warehousing corporation is expected to be about Rs. 2 crores but the issue capital will vary according to the requirements of different States. It is proposed that the Central Warehousing Corporation should subscribe half the capital and the other half should be found by the State Government. It is anticipated that 16 warehousing corporations will be set up and in the course of the second five year plan they will establish about 250 warehouses at different centres with a total storage capacity of about a million tons. Suitable centres for setting up warehouses are under consideration. The Central Warehousing Corporation

is expected to have a total capital of Rs. 10 crores, of which the Central Government through the National Cooperative Development and Warehousing Board may subscribe Rs. 4 crores and the rest may be subscribed by the State Bank of India, scheduled banks, cooperative institutions, etc. The Central Warehousing Corporation is expected to set up large-sized warehouses at about 100 important centres. Warehouse receipts will be treated as negotiable instruments on the security of which banking institutions can provide credit to those who deposit agricultural produce in warehouses.

15. In the second five year plan provision has been made for developing cooperative processing on a substantial scale, especially for producing sugar, ginning cotton, crushing oil and baling jute.

16. The principal targets for cooperative credit, marketing, processing and warehousing and storage to be achieved under the provisions of the second five year plan are set out below:

Credit:

Number of larger-sized societies ...	10,400	
Target for short-term credit ...	Rs. 150	crores
Target for medium-term credit ...	Rs. 50	"
Target for long-term credit ...	Rs. 25	"

Marketing and Processing:

Number of primary marketing societies to be organised ...	1,800
Cooperative sugar factories ...	35
Cooperative cotton gins ...	48
Other cooperative processing societies ...	118

Warehouses and Storage:

Warehouses of Central and State Corporations ...	350
Godowns of marketing societies ...	1,500
Godowns of larger-sized societies...	4,000

The targets for cooperation credit mentioned above are to be achieved both through existing and new societies. The membership of cooperative credit societies is to be increased nearly threefold, from less than 6 million to about 15 million.

17. As recommended in the Rural Credit Survey, the Imperial Bank of India was converted into the State Bank of India. The State Bank of India has a programme for opening 100 new branches at district headquarters and 200 branches at sub-divisional headquarters. In addition to the provision of

Banking and of credit facilities in rural areas, the State Bank will be able to provide better remittance facilities and larger amount of market finance.

#### Non-credit Cooperatives

18. Measures to develop cooperative farming have been outlined in the preceding chapter. It is expected that under the integrated scheme of rural credit greater assistance for cooperative farming societies will become available. Existing by-laws which were framed with reference to the security which individual farmers could furnish would have to be adapted to the requirements of cooperative groups.

The place of industrial cooperatives in the development of village and small industries is described in the chapter on Village and Small Industries. Hitherto cooperative credit has not been available to any extent for those engaged in cottage and small-scale industries. The second five year plan provides for ambitious programmes in this field. Proposals for supply of credit for small-scale industries by various agencies, including State Governments, the State Bank of India and cooperative institutions in an integrated and coordinated manner are being worked out. They will be first tried out at selected centres for specific industries.

19. Reference was made earlier to the meagre progress achieved in the consumers cooperative movement. The principal difficulty in this field, especially in urban areas, lies in maintaining the loyalty of members to the cooperative institutions. With the extensive development of cooperative marketing which is now proposed, it is hoped that a considerable headway in the reorganisation of rural trade on cooperative lines can be carried out. Organisation along cooperative lines can ensure that the profits of rural trade, derived both from the marketing and processing of agricultural produce and from the supply of consumer goods and other accessories to meet the needs of rural areas, become available for promoting the well-being of villages. If rural trade is organised efficiently on business lines through cooperative agencies, it will become possible for villages to develop social services and amenities on a much larger scale than is possible at present. Development of village industries along cooperative lines and cooperative development of rural trade can have another important consequence, namely, the linking up of consumer cooperatives with

producer cooperatives. Programmes in this direction will be an important factor for increasing rural incomes and employment and raising rural standards of living.

∠ need  
for con-  
sumers'

In urban areas also there is considerable scope and ∠ cooperatives which can serve a vital purpose as an organised network for the distribution of essential articles.

20. The important part which labour and construction cooperatives can play in irrigation projects and other public works is explained in the chapter on Irrigation and Power. The second five year plan will provide large opportunities for organising such cooperatives and it should be an important aim in district and village planning to organise labour and construction cooperatives on sound lines and to provide them opportunities for work on reasonable terms as well as the necessary guidance and supervision.

21. Cooperative housing societies have been encouraged at several centres during the first five year plan. A scheme for subsidised housing for industrial workers provides special facilities for cooperatives. These have, however, not been fully utilised. Some problems which arise in developing cooperation in this field are touched upon in the chapter on Housing.

#### Training of Personnel

22. The personnel requirements of a programme of cooperative development of the dimensions described in this chapter call for extensive training programmes. It is estimated that more than 25,000 persons will be required to undertake the administrative, technical and other specialised duties arising from the programme of rural credit, marketing and processing. The success of cooperation rests very largely on the ability to place it on a sound business basis so that, after an initial period, cooperative organisations can perform the functions entrusted to them without causing losses to the members or placing additional burdens on the State. It is, therefore, of the utmost importance that cooperative departments and all cooperative institutions should be manned by persons who believe in the principles of cooperativism and have the practical competence and experience to translate them into action.

23. These considerations were also stressed in the First Five Year Plan. In 1953 the Government of India and the Reserve Bank jointly constituted a Central Committee for Cooperation Training and entrusted to it the responsibility for establishing



the necessary training facilities for cooperative personnel. Under the direction of the Central Committee the Cooperative College at Poona provides six-monthly courses for superior officers of cooperative departments and institutions. Five regional cooperative training centres have been established at Poona, Ranchi, Meerut, Madras and Indore for training personnel belonging to intermediate grades. Eight special centres have been established for training 4000 block level cooperative officers needed by national extension and community project areas. For the training of subordinate staff, State Governments are establishing the necessary facilities and the central Government shares the cost with them. Training classes for members and office bearers of cooperative organisations are to be organised by the All-India Cooperative Union and State cooperative unions or federations with subsidies provided by Government and in accordance with the programmes proposed by the Central Committee on Cooperative Training.

#### Cooperation and Land Reform

24. There is a close connection between the success of land reform and the success of cooperation which is not always appreciated. For cooperation to succeed fully it is essential that the reorganisation of the agrarian structure should be carried out speedily so as to eliminate features which reduce the productive capacity of the community and permit exploitation. In the nature of things, as a result of land reform the number of small cultivators increases, those with large holdings or considerable surpluses disappear and the new owners need a great deal of credit. Also, as the national extension network is established and the rural people are ready and willing to participate in development programmes on an increasing scale, their requirements for credit and finance greatly increase. Cooperative institutions are the medium through which many activities in the village are to be reorganised and financed. It is therefore essential that in devising the land reform programme care should be taken to ensure that while its objectives are secured, cooperative credit institutions are not placed under handicaps which might affect their financial soundness.

25. The effects of land reform on cooperative credit institutions may be viewed from two ends, namely in relation to past debts and in relation to future debts. As regards past debts given on the security of land, payments due to cooperative financing institutions should be allowed a prior claim against

compensation to which individual owners of land may be entitled. The liability for repaying loans utilised in creating public assets should pass to individuals to whom rights in land are transferred. After allowing for the claims of cooperative financing institutions from these two sources, there may still be a possibility of cooperative institutions being put to loss, for instance, on account of decline in land values. In such an event State Governments should render the assistance needed for maintaining the financial solvency of cooperative institutions. These considerations arise specially in the case of land mortgage banks, part of whose advances to individuals were made for facilitating repayment of old debts.

26. As regards future operations three aspects may be mentioned. In the first place, cooperative institutions should advance loans only with reference to areas held under personal cultivation. Secondly, to facilitate the grant of medium-term and long-term loans to tenants who are brought into direct relationship with the State as a result of land reform, rights of mortgage, with or without possession, in favour of cooperative financing institutions should be allowed. In the third place, in respect of lands which come into the possession of cooperative financing institutions in the ordinary course of their operations, restrictions relating to ceilings on agricultural holdings or to cultivation through tenants or lessees need not be applied.

## CHAPTER XI

### COMMUNITY DEVELOPMENT AND NATIONAL EXTENSION

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#### Community projects and the National Extension

Service have a place of central importance in those sectors of development which bear most closely upon the welfare of the rural population. From the beginning three aspects of this programme have been emphasised. In the first place, national extension and community projects are areas of intensive effort in which development agencies of the government work together as a team in programmes which are planned and coordinated in advance. The activities comprised within the community development and national extension programme should be regarded as an integral part of a programme for improving all aspects of rural life. In the second place, the essence of the approach is that villagers coming together for bringing about social change and assist the people in building up a new life for themselves participate with increasing awareness and responsibility in the planning and implementation of projects which are material to their well being. If the programme provides them with new opportunities, in turn, through their active participation in its execution, they give it a distinctive quality and enlarge its scope and influence. Self-help and cooperation are the principles on which the movement rests. Thirdly, the movement should bring within its scope all rural families, specially those who are "under-privileged", and enable them to take their place in the cooperative movement and other spheres in their own right. It is on account of these features that, national extension and community projects are regarded as the normal pattern of the welfare state in action.

2. In the First Five Year Plan community development was described as the method and rural extension as the agency through which the process of transformation of the social and economic life of villages was to be initiated. Once the impulse has been given and the first stages of the journey covered, a programme such as that of community development and national extension grows out of its own experience and momentum. As it expands, it meets old needs and creates new ones. New methods are discovered, deficiencies long ignored come to be recognised, and in content and in the manner of its functioning the programme may succeed in solving the vital problems of the community. Gradually, the problems of the village are seen in a larger context, and activities in different fields are undertaken

so as to supplement one another. National extension and community projects provide the setting in which the national plan approaches the needs and aspirations of the countryside. It is natural therefore that during the second plan they should reflect increasingly the changes in emphasis, priorities and general outlook which guide overall planning. Thus, expansion in its coverage from one fourth to almost the entire rural population is but one aspect of the deepening and broadening of the programme which has now to be achieved. National extension and community projects should play a large part in promoting the diversification of the agricultural economy. They should also increase greatly the reserves of skill and the habit of improvisation of new techniques to serve local needs which are a condition of large-scale industrialisation. In underdeveloped countries there can be no substantial economic development without social change. Increasingly, through the operation of land reform, attention to the needs of the landless and the disadvantaged sections of the population strengthening of the village organisation and the building up of local leadership, and the growth of the cooperative movement, the programme should become a positive force for bringing about both an integrated rural society and an expanding rural economy.

3. In rural programmes the unit of operation is the development block which represents on an average 100 villages with a population of 60,000 to 70,000 persons spread over an area of 150 to 170 square miles. Since the programme commenced in October, 1952, in all 1,200 development blocks have been taken up, 300 under the community projects scheme and 900 under the national extension service scheme. Of the latter, after a period, 400 development blocks have passed into the relatively more intensive phase of development represented by the community development programme. Under the pattern which is now followed, every new development block is first taken up under the national extension service scheme, which provides for a programme budget of Rs.450,000. This amount is in addition to the special provision which is made in the national extension service scheme for short-term credit. This assured credit, along with the efforts of extension staff to promote its planned utilisation, is intended to estimate agricultural production in national extension areas. After a period, which may extend from one to two years, for a proportion of national extension projects, there is a further period of development of three years during which the rest of the programme envisaged in the budget of the

community development block budget of Rs. 1.5 million is undertaken. In this manner the national extension and community development aspects of the programme have become related phases of a single programme, the normal pattern of development administration being represented by the national extension service. National extension and community development blocks taken up during each year are reckoned as a separate series and their progress is observed accordingly. The distribution of 1,200 blocks taken up during the first plan is as follows:-

Development blocks taken up during the first five year plan

	1952-53	1953-54	1954-55	1955-56	Total
<u>Development blocks.</u>					
Community development	247	53	-	-	300
National extension	-	251	253	396	900
<u>Total:</u>	<u>247</u>	<u>304</u>	<u>253</u>	<u>396</u>	<u>1190</u>

Number of villages

Community development	25,264	7,693	-	-	32,957
National extension	-	25,100	25,300	39,600	90,000
<u>Total:</u>	<u>25,264</u>	<u>32,793</u>	<u>25,300</u>	<u>39,600</u>	<u>122,957</u>

Population (million)

Community development	16.4	4.0	-	-	20.4
National extension	-	16.6	16.7	26.1	59.4
<u>Total:</u>	<u>16.4</u>	<u>20.6</u>	<u>16.7</u>	<u>26.1</u>	<u>79.8</u>

Thus, by the end of the first five year plan coordinated development programmes will have been initiated in areas which comprise about 123,000 villages and a population of about 80 million. In villages which are not yet within the scope of the national extension and community development programme local development works as well as various agricultural programmes have been carried out.

4. All activities undertaken in national extension and community projects are integral parts of programmes in the respective sectors of development with which different development departments are concerned. It is necessary that in each State greater attention should be given to the methods adopted for reporting

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on rural programmes and for assessing the results achieved. The available data suggest that in national extension and community project areas programmes for minor irrigation, distribution of chemical fertilizers and use of improved seeds have been followed to a substantially greater extent than most other areas. The people have participated in a large number of activities, and this has given them a feeling of greater confidence in their ability, with some measure of assistance, to find solutions to local problems. Thus, the construction in project areas of 12,000 new schools, conversion of 4,359 primary schools into basic schools, opening of 30,000 adult education centres which have imparted literacy to 600,000 adults, the construction of 3,361 miles of metalled and of 25,000 miles of unmetalled road and the building of 67,000 village latrines are types of local development which have far-reaching social implications. In all these the greater part of the effort has come from the people and government agencies, notably extension workers, have served as guides. If the achievement in the field of cooperation and village industry has been small, this is due in some part to the fact that in these fields, even for the country as a whole, the development of cooperative activity and the organisation of new work opportunities have still to be adequately organised.

5. The participation of the people in the planning and execution of rural schemes is an essential feature of the movement and in this the results achieved are promising. Where a correct approach has been made on behalf of the administration the people have come forward readily to play their part. It is understandable that both villagers and extension workers should evince an initial preference for activities in which the local contribution was readily forthcoming, mainly in the form of labour, as in the construction of village roads and school buildings. The value of the contribution which the people have made in national extension and community project areas amounts to about 60 per cent of the expenditure incurred by the government. In enlisting the participation of the people, use has been made of local organisations like panchayats and cooperative societies, but it is appreciated that in this direction more might have been done. In some areas development activities have been entrusted to ad-hoc, non-elective bodies such as Gram Vikas Mandals and others. While such bodies have served a practical purpose, on the whole, as the second evaluation report on community projects pointed out, there has to be greater emphasis on the building up of strong basic institutions in villages, on strengthening their resources and on

providing them continuous guidance, opportunity and experience.

6. During the first plan, in implementing the community development and national extension programme, a major task was to provide for an adequate administrative structure, to establish appropriate practices, to train personnel and to evolve methods of achieving day-to-day collaboration between official and non-official agencies. The progress made in these directions has laid the foundations for the larger effort envisaged in the second five year plan. It has also pointed to directions in which more thought is needed and better arrangements have to be devised. On the whole, as pointed out in the chapter on District Development Administration, the scheme of coordination within the administration which has been evolved in the district has operated smoothly. The district administration is functioning to an increasing extent as a welfare administration. At the end of the first plan the staff engaged in national extension and community projects numbers over 80,000. Large-scale training programmes have been organised for several categories of personnel. For the training of village level workers 34 extension training centres were organised in 1952 and there are now 43 such centres with an annual output of about 5,000. Basic training in agriculture is being given to them in a large number of institutions, which include 30 new basic agricultural schools, 18 agricultural wings attached to existing training centres and several reorganised institutions. For training women village level workers 25 home economics wings and 2 auxiliary/home economics cells have been organised at extension training centres. Eighteen institutions for training auxiliary nurse-midwives are being assisted to make up the shortage which exists in this field and 9 schools have been approved for the training of lady health visitors and 12 schools for the training of midwives. Arrangements for training cooperative officers have been made under the auspices of the Central Committee for Cooperative Training, and for staff for village and small industries in collaboration with the Khadi and Village Industries Board and the Small-scale Industries Board. Three centres have been set up for training block development officers and 9 for the training of social education organisers. Training facilities for social education organisers available at existing centres have also been enlarged. At one centre social education organisers assigned to tribal areas are being trained.

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7. The organisation of training facilities on the scale required for the national extension and community development programme was a task of considerable magnitude. On its successful execution depended the success of the programme as a whole. In the expansion of the programme it is a guiding consideration that the training of personnel should be undertaken in advance of the programme and the rate of expansion should be determined by the numbers of trained personnel available. In addition to training in institutions, exchange of experience, opportunity to express opinion freely and participation by individuals engaged in the programme at different levels and in different fields contribute to the growth of the outlook needed for the dynamic implementation of the national extension and community development programme. In this connection the arrangements which have been made for inter-State seminars, in-service training and study tours have been of help and have provided a useful element of criticism and reform from within. In carrying out a programme of such dimensions it is recognised that every one engaged in it should feel free to receive and interpret new experience, to re-examine past practice and assumptions and to seek out new ways of achieving the basic aims. No part of the programme is permitted to become stereotyped, and the danger ever present in any large undertaking of rigidity and lack of adaptation to changing needs or of neglect of local judgement is vigilantly guarded against.

#### Programme for the Second Plan.

8. It was agreed by the National Development Council in September, 1955 that during the second five year plan the entire country should be served by the national extension service and that not less than 40 per cent of the national extension blocks should be converted into community development blocks. The question of converting a higher proportion up to 50 per cent of national extension blocks into community development blocks would depend upon sufficient resources becoming available for this purpose. During the second plan 3800 additional development blocks are to be taken up under the national extension scheme and of these it is expected that 1120 will be converted into community development blocks. The plan provides a sum of Rs.200 crores for implementing the programme.

9. While the results achieved during the first five year plan are encouraging, the reports of the Programme Evaluation Organisation of the Planning Commission and discussions in special seminars and project:



advisory committees have drawn attention to certain gaps. Among these the most important is the need to carry to every rural family a sense of participation and a definite programme of work for improving its standard of living. It is hoped that both through the national extension and community development programme as well as through other complementary programmes during the next few years there will be marked progress in the following fields:-

- (1) development of cooperative activities;
- (2) development of panchayats as institutions actively responsible for village development;
- (3) consolidation of buildings;
- (4) development of village and small industries;
- (5) organisation of programmes designed to assist the weaker sections of the village community, especially small farmers, landless tenants, agricultural labourers and artisans;
- (6) more intensive work among women and among youth; and
- (7) intensive work in tribal areas.

10. For implementing programmes in such diverse fields as village and small industries, cooperation, agricultural production, land reform and social services, areas selected for intensive work under the national extension and community development programme provide specially favourable opportunities. When these programmes are undertaken in a coordinated manner and the necessary local institutions and support are organised, success in one programme creates the conditions for success in another, and the entire economy of an area may gain greater strength. Next to food inadequate work opportunities are the most serious pressing rural need. In a balanced rural economy it is important that opportunities for non-agricultural work should increase steadily relatively to agricultural work. Recent experience of village and small industry programmes has pointed to the need for an extension service which can be in touch with village artisans, provide the necessary guidance and assistance, organise them in cooperatives and help them market their products both within and outside the rural area. A beginning in this direction has been made with 26 pilot projects. It is essential that as early as may be possible each extension and community project area should have a trained specialist to carry out the rural industry programme.

The implementation of cooperative programmes in community project and national extension areas has been

uneven in character and frequently either adequate personnel has not been available or existing cooperative organisations have not been reorganised and enabled to participate in the work of the project. These aspects are receiving special attention during the second five year plan. Various aspects of the question of consolidation of buildings have been considered in the preceding chapter.

11. The budget of each community development block provided for two women village level workers. Women are now becoming available in sufficient number for training as village level workers, but it is obvious that before long there will be need for much larger numbers. The experience gained in social welfare extension projects as well as in community project areas deserves to be studied more closely with the object of evolving suitable patterns of organisation for work among rural women and children. Work among rural youth is still in a very preliminary stage, but its importance for the development of leadership in rural areas cannot be under-estimated.

12. The special problems which tribal areas present are considered in a later chapter. It is the aim of the national extension service to render the maximum assistance possible in the development of these areas. This aim will be facilitated through new administrative arrangements which have been recently agreed between the Ministry of Home Affairs and the Community Projects Administration. In view of the scattered nature of the population in tribal areas, it is proposed that national extension service blocks should be demarcated on the basis of an average population of approximately 25,000 instead of 66,000. Where the population is partly tribal and partly non-tribal, a project could serve larger numbers. In taking up new development blocks preference will be given to tribal areas with a view to bringing them under the national extension programme as early as may be possible. The programme budget is flexible enough to permit such changes as may be required in view of local requirements. In areas having both tribal and non-tribal populations it is proposed that the extension team should include an official with close acquaintance with the tribal section of the population. As far as possible, areas selected for implementing the special programmes for the welfare of scheduled tribes and scheduled areas will correspond to national extension blocks. Welfare schemes taken up under this programme will be implemented in the first instance in development blocks under the national extension scheme so that maximum use is made of the available trained personnel. 9....

13. During the second five year plan the national extension and community development programme will require about 200,000 workers in addition to those already serving the programme. The necessary arrangements for training have been made. It has been decided to add 18 extension training centres, 25 basic agricultural schools and 16 agricultural wings for imparting basic agricultural training. Thus, for training in extension and agriculture during the second plan there will be altogether 61 extension training centres and 95 agricultural schools or agricultural wings attached to training centres.

14. As the programme grows in size and the range of activities which it encompasses or influences increases, a great deal of the initiative in implementing it must pass to the people of each local area. Some of the simpler needs such as village roads, water supply and sanitation and opportunities for education may be met at a fairly early stage. The problems of increasing production and employment and diversifying rural economic life are more complex and will need sustained administrative effort over a considerable period. It is necessary to stress that while the material conditions have to be assured, transformation of the social and economic life of rural areas is essentially a human problem. It is a problem, briefly, of changing the outlook of 70 million families living in the countryside, arousing in them enthusiasm for new knowledge and new ways of life and filling them with the ambition and the will to live and work for a better life. Extension services and community organisations are among the principal sources of vitality in democratic planning, and rural development projects are the means by which, through cooperative self-help and local effort, villages and groups of villages can achieve in increasing measure both social change and economic progress and become partners in the national endeavour.

## CHAPTER XII

### RESEARCH AND STATISTICS FOR PLANNING

#### Research Programmes

The object of this chapter is to set out briefly steps which have been taken during the past three years to develop research, statistics and evaluation in relation to planning and the directions in which further work is proposed to be undertaken. When the First Five Year Plan was being drawn up there were many gaps in information. By its very nature and the processes which it entails nation-wide planning leads to better organisation of the available information. At the same time, planning raises new problems in the solution of which field investigations, analytical enquiries as well as statistical methods have a most important contribution to make. Accordingly, in the first five year plan a provision of Rs. 50 lakhs was made for research and investigation into economic, social and administrative problems of national development. It was proposed to organise investigations into selected problems of development in cooperation with universities and other institutions. For carrying out this programme a Research Programmes Committee consisting of leading economists and other social scientists was set up by the Planning Commission in July, 1953.

2. The Research Programmes Committee determined upon four broad categories of subjects to which programmes of research might be directed in the first instance. These were : (1) savings, investment, employment and small-scale industries, (2) problems relating to regional development with special reference to problems of rapid urbanisation, (3) land reforms, cooperation and farm management, (4) Social welfare problems and public administration. In all, under the direction of Research Programmes Committee, 64 investigations have been taken in hand through universities and other centres of study. Of these projects, for 14 reports have been received, field investigations have been completed for 28, and field work is in progress in respect of 23 research schemes.

3. The object of investigations in the field of savings, investment, employment and small-scale industries was to study the effects of large-scale investment on river valley projects and heavy industries, the economics of small-scale establishments and problems connected with savings. Individual studies were planned with a view to measuring the effects of large-scale investment projects on income and employment, changes in wages and consumption habits, the volume and types of secondary investment activity and the study of other changes likely to arise from the

direct and indirect effects of such investment. Surveys of small-scale industries were intended to throw light on investment, capital-output ratio and employment in these industries, the area and problems of competition between small-scale and large-scale industries, and the place of small industries in the development of the economy. The studies undertaken included investigations into employment at the Bhakra-Nangal project, survey of unemployment in Travancore-Cochin, survey of urban employment and unemployment in Assam, investigations into rural incomes and savings and a number of studies of small-scale industries in selected centres.

4. Surveys of 21 cities and towns\* were initiated with the object of studying two important aspects of growth, namely, rural-urban migration and employment opportunities associated with rapid urbanisation. The main purpose of these studies is to ascertain the factors which influence rural-urban migration, the economic position and status of the migrants, changes in their occupational status after migration and factors that favour or impede migration.

5. The third group of subjects included 18 research schemes, of which 7 related to land reforms and 11 to the economics of farm management and allied matters. Various aspects of land reform measures in Bombay, Hyderabad, Andhra, Saurashtra and Madhya Pradesh were selected for investigation. These included enquiries into the effect of abolition of intermediaries, regulation of tenancy and consolidation of holdings. Investigations in the economics of farm management were undertaken with the object of studying the relative merits of the cost accounting and the survey method, input-output relationships, the structure of costs, capital and labour requirements of varying sizes of farms and the comparative economics of competing crops. These studies cover a wide field and are being undertaken in Uttar Pradesh, Bombay, Madhya Pradesh, Punjab, West Bengal and Madras.

6. Studies in social welfare included investigations into the beggar problem, evaluation of cultural change in a rural area and investigations into the social and economic conditions of three-ex-criminal tribes. In this field the Planning Commission also sponsored the preparation of/collection of studies on various aspects of social welfare which have been recently published by the Government of India under the title "Social Welfare in India". In the field of public administration, a study of district administration is being undertaken.

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\* Agra, Allahabad, Aligarh, Amritsar, Baroda, Bhopal, Bombay, Calcutta, Cuttack, Delhi, Gorakhpur, Hyderabad, Hubli, Jaipur, Janshedpur, Kanpur, Lucknow, Madras, Poona, Surat and Visakhapatnam

7. Early in 1955, for assisting in the preparation of the second five year plan, a Panel of Economists was constituted by the Planning Commission. Members of the Panel prepared a number of special studies which have been published by the Planning Commission under the title "Papers Relating to the Formulation of the Second Five Year Plan". These related to capital formation and the investment pattern, employment and occupation structure, problems of resource mobilisation, relationship between small-scale and large-scale industries and policy and institutional implications of the second five year plan. A series of technical and statistical studies relating to planning for National Development were also prepared at the Indian Statistical Institute and these are being published by the Institute.

8. For continuing the work of the Research Programmes Committee during the second five year plan a provision of Rs. 60 lakhs has been made. The Committee has outlined the principal fields in which further studies might be undertaken. In view of the attention given to surveys of various kinds during the first five year plan, it is now proposed to shift the emphasis to a greater extent to analytical studies. In selecting subjects for investigation and research it is proposed to keep in view especially those problems which are likely to arise in connection with the implementation of the second five year plan. From this aspect studies in the following fields have been suggested by a sub-committee of the Research Programmes Committee.

- (1) Resources for planning, including questions relating to capital formation, incidence of taxation and mobilisation of small savings;
- (2) Urban-rural relationships;
- (3) Effects of construction projects on employment in different regions;
- (4) Problems of decentralisation, including studies of what would constitute the minimum economic and social overheads necessary for ensuring decentralised development of cottage and small-scale industries;

- (5) Economics of house construction;
- (6) Studies of agrarian legislation, land reform and community development; and
- (7) Socio-economic problem of tribal people.

It is also proposed to undertake studies regarding the structure of the Indian economy from the point of view of its long-term perspective with special reference to the question of relationships between different sectors.

9. Systematic planning requires a considerable body of information relating to capital-output and capital-employment ratio, norms of output, norms of consumption for various materials, and manpower requirements in different fields of economic development. The information at present available is extremely limited and cannot yet be used to any great extent in elaborating a plan of economic development. There is need, therefore, for a large number of technical studies in which technicians, economists and statisticians are all associated.

10. During the past four years a number of important enquiries have been carried out and these have yielded a wealth of information. Special mention may be made of the Agricultural Labour Enquiry, the Population Census of 1951, the investigations and findings of the Taxation Enquiry Commission, the Rural Credit Survey and the reports of the National Sample Survey. Studies in manpower requirements in different fields of development were also initiated in the Planning Commission. Although there are several areas in which the information available is still quite insufficient for effective use in planning, considerable data are now available, and, what is not less important, a number of agencies with experience of investigation and with trained manpower at their disposal are available for carrying much further the work which has been begun during the first five year plan.

### Evaluation

11. In the First Five Year Plan it was recommended that systematic evaluation should become a normal administrative practice in all branches of public activity. How new policies and programmes are being received and what effects they have are questions which arise at every stage in the implementation of a plan of development. Evaluation is, therefore, an essential aid to policy. It may be considered to be a branch of research which is oriented primarily to the needs of an action programme.

12. With the object of developing the techniques of evaluation, in 1952, with assistance from the Ford Foundation, the Planning Commission set up the Programme Evaluation Organisation as an independent unit for assessing the work of the national extension and community development programme. In relation to this programme/tasks entrusted to the Organisation were set out as follows:-

- (1) keeping all concerned apprised currently of the progress being made towards accomplishing the programme objectives;
- (2) pointing up those extension methods which are proving effective and those which are not;
- (3) helping explain why some recommended practices are adopted while others are rejected by the villagers; and
- (4) furnishing insight into the impact of the national extension and community development programme upon rural economy and culture.

The purpose of evaluation was, thus, to assess whether the programme was succeeding in its fundamental objectives. Evaluation was thought of as a study of extension methods and their effectiveness in reaching the people, and of changes in economic and social conditions under the impact of the development programme.

13. The Programme Evaluation Organisation at present consists of a Director, a unit at headquarters, three regional evaluation units and 20 project evaluation units located in different parts of the country. The project units has to assess the progress of the national extension and community development programme and to carry out field surveys and enquiries. Continuous contact is maintained with staff of the project, but reports are submitted only to the Programme Evaluation Organisation. The annual evaluation reports and the



results of enquiries into particular aspects of the programme which have been prepared by the Programme Evaluation Organisation have assisted in the implementation of the community development and national extension. The Organisation has prepared three evaluation reports on the national extension and community projects which are being studied by it. These reports have drawn attention to administrative and other problems which have arisen in the working of the programme at different levels, and more especially at the village level. A bench mark survey was carried out in the evaluation centres early 1954, 1000 to 1500 families in each area being specially interviewed. Further surveys are to be carried out at regular intervals so that changes which take place can be appraised. Among studies undertaken by the Programme Evaluation Organisation, reference may be made specially to those concerning the structure of village organisation, the first reactions of different sections of the village community to the programme, the extent of acceptance of improved practices, and the role and functions of the village level worker. The purpose of the enquiry into the acceptance of practices, whose results will be available in the near future, is to ascertain what practices have been adopted by villagers, how they have been persuaded to adopt them, what facilities had to be offered to encourage their adoption and how they themselves viewed the results which had been obtained. Intensive studies into the working of 23 cooperative farming societies have also been carried out and a report will shortly be published.

14. During the second five year plan, the organisation of the national extension service will spread over the entire country. Evaluation will therefore encompass the entire field of rural development and the bulk of the activities which are comprised in the district plan. With the progress of land reform, cooperation, village and small industries and with the rapid pace of urban and industrial development, fundamental changes are already taking place in the country-side. These are likely to be accelerated during the second plan. It is of the utmost importance that social and economic changes should be analysed objectively as they occur and the impact of economic development on different sections of the rural population observed, at first hand. The need for evaluation exists in all fields of development and more especially in those in which new or expanded activities are being undertaken. In all planned development many unknown factors have to be reckoned with. Understanding of the interaction of different elements that enter into programmes which bear closely on the life of the people can be of material help in enhancing their contribution to the welfare of the community.

Statistics

15. At the time of the formulation of the First Five Year Plan reliable statistics were lacking for many important sectors of the economy. Statistical agencies in the States were not adequately organised. Although there had been some expansion of statistical activities at the Centre during the war, no attempt had been made to build up a coordinated statistical system. Much use was not made of the older statistics for policy or administrative decisions; and, in consequence, enough attention was not given to the consistency or reliability of the data.

16. The position changed as the need for more and better statistics began to be felt after independence. A Central Statistical Unit for the coordination of statistical work was established early in 1949. The National Income Committee was set up in the same year and its work has provided the basis for the development of statistics relating to national income. The National Sample Survey was started in 1950 as a comprehensive fact finding agency, and is collecting, on a continuing basis in the form of about two rounds of survey every year much information on demographic characteristics, pattern of consumption, household production, landholdings and crop surveys, employment and unemployment, manufacturing industries, etc. in urban and rural areas, and conducting special enquiries from time to time. Extensive ad hoc sample surveys have also been initiated. Much valuable information was obtained in the Agricultural Labour Enquiry organised by the Ministry of Labour and in the Rural Credit Survey arranged by the Reserve Bank of India. The Central Statistical Organisation was set up (with which the Central Statistical Unit was merged) in 1951; and its advisory and consultative work has been extended to the State Statistical Bureaus. Developments also occurred in the Indian Statistical Institute, whose activities include, amongst others, a Research and Training School providing, in collaboration with the Central Statistical Organisation, Professional training in statistics at a post-graduate level and special courses for Government statisticians; a Project Branch which is looking after the technical work of the National Sample Survey and other enquiries; Statistical Quality Control Units at different places; an electronic computation laboratory with workshops; and other activities.

17. The Central Statistical Organisation <sup>has</sup> close technical links with State Statistical Bureaus, and functions as a coordinating agency assisted by a Standing Committee of Departmental Statisticians and a Joint Conference of Central and State Statisticians, which meets every year, ad hoc joint meetings being also according to requirements. State Governments are being encouraged with the help of central grants to set up sampling organisa-

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sations in the States which would operate independently of the National Sample Survey but would work on identical schedules with the same concepts, definitions, and standards. Completely independent but strictly comparable estimates would be available in this way which would greatly improve the validity, comparability, and compliability of the data.

18. The gradual emergence of a comprehensive statistical system has been of help in the formulation of the second five year plan. In 1954 the Planning Commission agreed that a special cell should be organised in the Central Statistical Organisation to deal with the statistical work relating to planning, which would work in close collaboration with the Planning Commission, the Ministries and the operational research unit in the Indian Statistical Institute. At the suggestion of the Planning Commission the Indian Statistical Institute and the Central Statistical Organisation jointly undertook technical studies relating to planning, and a number of working papers were prepared. These were followed in March, 1955 by the preparation of a 'plan frame' containing draft recommendations for the formulation of the second five year plan.

19. The basic approach in the draft plan-frame was to build up the industries producing capital goods and to increase facilities for education, technical training, research and care of health as fast/as possible which would generate increasing purchasing power and demand for consumer goods; and at the same time to expand the production of essential consumer goods in sufficient quantities as much as possible in household and small industries in the immediate future to meet the additional demand. The right quantities of machinery, raw materials, and man-power must be available at the right time to enable the production target being fulfilled. Right quantities of essential consumer goods must also be available at the right time to meet the demand so as to avoid the dangers of inflation. The essential task of planning would be a continuous balancing of demand and supply of machinery, materials and labour. Planning must, therefore, take care of short period balances in the form of annual plans and also work out perspective plans with a wide time-horizon of 10, 20 or 30 years and more.

20. In this type of planning an increasing volume of statistical information would be needed for the formulation of both the current and the perspective plans. Also, owing to gaps or inaccuracies of technical and statistical data, unforeseen impacts of economic conditions outside India, unexpected changes in the domestic economy and other disturbing factors it is inevitable that small or large deviations from the plan would continually occur. There would be need, therefore, to make a continuing appraisal

of the implementation of the plan in both financial and physical terms and to use this information to make necessary adjustments in both the current and perspective plans. The statistical system must supply a regular flow of information which would act as a feed-back arrangement for the continuing formulation and revision of current and perspective plans.

21. The aim is to develop a statistical system which would integrate work at the Centre and in the States. Emphasis is being given not only on increasing the quantity of information but also on improving its quality. At the Centre, a special planning section has been established in the Central Statistical Organisation to look after work relating to planning. The Planning Commission has suggested to State Governments that Statistical Bureaus should be made responsible for statistical/relating to Planning at the State level. Special schedules and reporting forms have been prepared and circulated for this purpose. The Central and State statistical agencies are being strengthened and some central assistance is being provided for this purpose. A general plan is being formulated for the coordinated development of statistics over the whole country under the guidance of the Central Statistical Organisation. The State Statistical Bureaus should have special planning units at the State level. At the district level, there is a proposal to set up district statistical agencies according to a phased programme to improve the coverage, accuracy and timely availability of statistical data from primary sources. Arrangements are being made to organise training programmes at various levels jointly by the Central Statistical Organisation and the Indian Statistical Institute in collaboration with the statistical units in the Central Ministries and in the States.

22. The Planning Commission proposes to strengthen and expand the technical and statistical work on physical relations between demand and supply or between investment, employment and income, balances of commodities and manpower and operational research relating to planning generally and to give greater attention to perspective planning and to related statistical work undertaken in the Indian Statistical Institute. To promote coordination it has been decided to set up a joint Committee consisting of representatives of the Planning Commission, the Department of Economic Affairs (Ministry of Finance), the Central Statistical Organisation, and the Indian Statistical Institute.