

# **Journal of Indian School of Political Economy**

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**A Journal  
devoted to  
the Study of  
Indian  
Economy,  
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## ANNOUNCEMENT

Beginning with this issue, January-March, 1998, (Vol. X, No. 1), the publication of the *Journal of Indian School of Political Economy* is being taken over by the School. Henceforward correspondence regarding subscription to the Journal, etc., should be addressed to the Director, Indian School of Political Economy, 'Arthabodh', 968/21-22, Senapati Bapat Road, Pune-411 016 (India). Details regarding subscription rates are given on the last page.

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OF POLITICAL ECONOMY

A Journal devoted to the study of  
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If a paper is divided into major sections, the introductory section needs no heading. Subsequent sections should be given titles typed in capital letters and placed at the centre of the page. Do not use roman numerals. If there are sub-sections, the sub-titles should be underlined and placed justified with the left margin.

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Maital, S., 1973; 'Public Goods and Income Distribution', *Econometrica*, Vol. XLI, May, 1973.

Chakravarty, S. 1987; *Development Planning: The Indian Experience*, Clarendon Press, Oxford.

If a Reference is cited in a Note, the Note may use the shortened reference form:

4. For a critique of recent industrial policy proposals, see Marshall [Marshall, 1983, Pp. 281-98].

The full name of any organization or government agency should be spelt out first if subsequent reference is to be by acronym.

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# LAND REFORMS AND AGRARIAN STRUCTURE IN MAHARASHTRA

R.S. Deshpande

*Maharashtra does not have the impressive record of successful implementation of land reforms as that of Kerala or West Bengal. The agrarian structure of the state during the pre-Independence period and the historical emergence of spatially segmented land relations across the geographical regions of the state have together caused the differential impact of land reforms. The paper addresses itself to the specific issue of the impact of land reforms and changes in the agrarian structure in the state during the last five decades. Konkan, Western Maharashtra, Vidarbha and Marathwada regions of the state had a distinct historical emergence of land relations so also the agrarian structure. After the reorganisation of the state and during the process of reforms, the responses of these regions were quite different. The paper categorically brings out this fact along with the changes in the present agrarian structure in the state. During the discussions on the New Economic Policy, the issue to revisit land reforms featured prominently especially in the context of land market (tenancy and control through land ceiling limits). The paper reviews this paradigm in the context of Maharashtra and concludes by indicating a bi-directional impact process between land reforms and development.*

Economic transformation of Maharashtra is more known by its progress of industrialisation in sugar, textile and such other industries, than its performance in the agricultural sector. The present State of Maharashtra came into existence under the Bombay Reorganisation Act of 1960. The territories of Gujarat State were separated from the erstwhile Bombay State and the regions of Marathwada (out of Hyderabad State) and Vidarbha (from Central Provinces and Berar) were amalgamated to form the State of Maharashtra. Interestingly, these regions had differential development of agrarian structure prior to Independence.<sup>1</sup> Moreover, the peasant movements and other social movements (*Satyashodhak Samaj*, etc.) in Maharashtra had their impact on the emergence of the agrarian structure in each of these regions. Predominantly, *Rayatwari* system prevailed in a large part of the state but the settlement pattern and agrarian relations in Vidarbha, Marathwada, Konkan and Khandesh regions were quite different. In *Rayatwari* system each field was separately assessed and cultivators were asked to pay the revenue directly to the treasury. In some parts of Vidarbha region *Malgujari* system was prevalent. Under this system a *Malgujar* was made responsible to collect revenue from the assigned villages and he was recognised as a proprietor of the land. It was thus that in the natural course the *Malgujars* become landlords and emerged as significant intermediaries. In Marathwada, the intermediaries had different nomenclature as well as process of

emergence. Marathwada region had a mixed system and it ranged from *Rayatwari* to *Jagirdari* depending on the landlord-Nizam relationship. A large number of *Inam* lands were distributed among the relatives and officers of the Nizam and others for providing services (called *Mashrat-ul-Mash* and *Mashrat-ul-Khidmat*) and land records were such that many times the second and subsequent transactions of the *Inam* lands were not even properly recorded due to number of claimants. Konkan (western coastal) area, on the other hand, had *Khoti* system or a system of double tenure. The settlement in *Konkan* region was done during Adilshahi (prior to 1579) and the *Khot* was made responsible to collect and pay the village revenue. In return the *Khot* acquired the rights of leasing out land and collecting revenue. Thus in this system also the *Khots* emerged as significant intermediaries and usurious landlords. These systems changed over the years substantially across the regions and districts.

Thus, the emergence of agrarian structure in the present state of Maharashtra varied significantly across the regions. A number of historical reasons were responsible for the present agrarian structure [Rogers, 1892; Kumar, 1968; and Fukazawa, 1965]. The state showed a distinctive feature with an array of land relations, from usurious capitalist exploitative landlords to peasant proprietorship. The present paper is an attempt to understand the agrarian changes that have taken place after Independence in the State of Maharashtra against

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the background of historical trends and land-reform measures. In the immediately following section we have taken up a discussion about the historical emergence of the agrarian structure in the state. The history of land reforms and some brief comments on these measures are taken up in the next section. The following section on agrarian structure of Maharashtra takes account of changing land ownership patterns across the districts of the state. Here, we have tried to analyse the impact of the land-reform measures on the structure of land-holding in Maharashtra.

#### HISTORICAL EMERGENCE OF THE AGRARIAN STRUCTURE

Agrarian structure of any region is an outcome of the process of social change that takes place over time. Clear understanding of the agrarian structure and the emerging patterns of agrarian reconstruction are important both from the stand point of policy formulation and also of understanding the growth imperatives. In most of the analyses of this issue, attempts are made to interpret contemporary agrarian structure as an emerging transition from feudalism - semi-feudalism to capitalism. The attempts of the colonial rulers to introduce the *Zamindari* system of the British type and the peasant proprietorship (*Rayatwari*) based on the French system together created a new class of non productive usurious landlords under both the systems. The superimposition of these exogenous systems on the existing land use/ownership patterns created a more refractory agrarian structure [Thorner, 1962].

Maharashtra State has a unique distinction of having been formed out of four distinct provinces of British India. The then Bombay Presidency included the present western coastal region and the western Maharashtra region consisting of Pune, Ahmednagar, Nashik, Satara, Sangli, Kolhapur and Solapur districts. Of these, the districts of Sangli, Satara and Kolhapur were earlier under the rule of Chhatrapati of Satara and were characterised by small size of holdings under *Rayatwari* [Perlin, 1978]. The coastal districts of Konkan region also had relatively smaller

average size of holdings due to both, geographical features, like the terrain and climate, and tenurial arrangements.

Konkan region (consisting of Thane, Raigad, Ratnagiri and Sindhudurg districts) had a historically well entrenched system of double tenure, namely *Khoti* system. A village *Khot* was contracted by Adilshahi dynasty (1489 to 1579) to collect land revenue from the cultivators and deposit it into the treasury. Thus the rights of management were vested with the designated *Khot*. The *Khot* in turn was allowed to sell or purchase such rights. But soon the system became hereditary and the right passed on from father to son. A village *Khot* (some times even more than one) held land in his own name called *Khot Khasagi*. Even within the span of four districts of Konkan region the system differed substantially, i.e., from *Shilotri Maund* (embankment to reclaim the costal land) payments in Thane, *Izafatdars* in north Konkan to *Khoti* proper in the remaining regions. One common feature emerged here that though the system differed across districts, the result was the creation of a land-owning absentee usurious landlord as a powerful intermediary [Bhuskute, 1994].

In Western Maharashtra, which came mainly under the Maratha Kingdom, the settlements were mainly from the descendents of Chhatrapati from Satara or Peshwas from Pune [Fukazawa, 1965]. The settlement pattern and *Rayatwari* revenue system established by Malik Amber in some parts was emulated in the other regions also. In *Rayatwari*, each field or holding was separately assessed and no holder was responsible for anything but his own land revenue payments. Sykes, who investigated the land tenurial systems in Deccan, writes that the lands under hereditary control in each village or *thal* came under the control of revenue collectors, namely, Patils [Sykes, 1830]. The collection system of revenue was administered by an array of officers appointed for specific purposes, viz, Patils (Mali Patil and Police Patil), Deshmukhs (village head men or protectors of the village), Deshpandes (revenue collectors), Kulkarnis, (village

accountants), Patwaris (village clerks), etc. Initially, these officers were appointed by the ruler but the appointees soon assumed a hereditary status. Subsequently, these offices and the rights could be inherited or even sold [Guha, 1985]. It took little time for these officers to establish themselves as landlords or intermediaries, making use of the credit demand of the *Rayats* (cultivators). In the event of crop failures or low productivity, the cultivator who was unable to pay the land revenue, mortgaged the land with either of the officers (Deshpande, Deshmukh, Kulkarni, Patil) at exorbitantly high rates of interest or with the *Sowkar* (money-lender). These revenue officials lost no time or wit to usurp the land thus mortgaged, and we find that all these officers had, under their control at the time of Independence, large tracts of land in the state thus grabbed. It was observed that during 1869 to 1874 there was a considerable increase in the sales and mortgage of land in Pune and Ahmednagar districts [Guha, 1985]. This was immediately after the drought of 1866-67 and during the following drought the process was repeated giving rise to the infamous Deccan Riots during 1875 [Government of Bombay, 1878]. The post-1890 period was more favourable in arresting the land concentration trends in the Western Maharashtra districts. Possibly, this was due to the strong social reformist movements during that phase [Brahme and Upadhyay, 1979].

Marathwada region consisting of seven south-eastern districts of Maharashtra was earlier under the Nizam's rule. The land settlement pattern in Marathwada was established by Malik Amber. Further, under the Nizam's rule, land measurement surveys were taken up in the districts of Marathwada in the 1930s and were also extended to Vidarbha region. The Nizam had benevolently distributed land to a large number of his confidants and these were known as *Inams*, *Khalasa/Diwani*, *Jagirs* or *Sarf Khas* lands. The land records were kept in ambiguous condition both due to hereditary transfers in the face of number of claimants<sup>2</sup> and *Barai-e-Naam Pattedars*. *Jagirdars* were also responsible for the land appropriation, by operating the credit market.

Thus, inequality in ownership holding was much higher in Marathwada region, as against the Konkan or Western Maharashtra region. Prior to reorganisation of the states, the Hyderabad State Tenancy Act of 1907, which recognised the tenants of '12 years and above' as permanent tenants, and two later legislations of 1939 and 1944 were in vogue. The latter two legislations came more in response to the peasant uprising led by N.G. Ranga during the 1930s but had little impact on the agrarian structure of Marathwada region.

Vidarbha was a part of the Central Province and Berar at the time of states' reorganisation. Though Vidarbha region was an integral part of the Central Province and Berar region, a part of its revenue was honourably passed on to the Nizam of Hyderabad and the Nizam, was given a title as Prince of Berar by the colonial government. Historically, the development of agrarian structure in Vidarbha seems to be more or less similar to that of Marathwada. Even though *Rayatwari* system was prevalent in some parts of the region, *Malgujari* was the major land tenurial system existing in this area. Both the systems jointly created a large class of landlords and thus a region with higher inequality in land holdings.

#### LAND REFORMS IN MAHARASHTRA

It is well known that land reforms and agrarian changes in the state were taken up in two phases, as has been in other states of the country. The first phase constitutes the reform measures taken up during the period before 1965 and the second phase incorporates reform measures in the early seventies. Similarly, as regards the policy instruments for land reforms, these measures focused on prevention of fragmentation (consolidation of holdings), abolition of intermediaries and tenancy reforms. This was followed by the ceiling on the size of land-holding and the second phase of consolidation of fragments of lands. The third step involved redistribution of land to the landless. The first two reform measures (abolition of intermediaries and tenancy reforms) acted mainly on eliminating the basic causes of the systemic distortions which resulted in a disproportionately skewed and uneconomic land



distribution. In a natural sequence, the ceiling on the size of holding and redistribution of land came as the next logical step. The initial emphasis was on structural reorganisation of the agricultural sector and to create economically viable units. The need for reform in the sense of land-reform was recognised to create a conducive structure of production, as evinced from the statements made in the First Five Year Plan, but subsequently resulted into a mere 'programme' of land reforms [Dandekar, 1964]

Abolition of intermediaries began much earlier in the Bombay presidency as well as in the Central Province and Berar, and the princely Hyderabad State. In the year 1907, the Nizam of Hyderabad brought into force the *Malguzari* and Land Revenue Act thereby recognising 'tenants over 12 years' as permanent tenants. Apart from this, there were initiatives in other parts of the state towards reducing the exploitation of the tenants/peasants by the intermediaries but their impact was not perceptible. A large number of these intermediaries were nurtured by the then British government to create a class of supporters, even at times by honouring them with titles like *Rao Saheb* or *Rao Bahadur*. Interestingly, in Maharashtra, even in the *Rayatwari* region the intermediaries in the form of designated revenue officials emerged very strongly. Deshmukhs, Deshpandes, Kulkarnis and Patils (and also a few others) effectively manoeuvred their official position as revenue officers to accumulate property as well as land. As mentioned earlier the cultivators who were unable to pay land revenue were given advances by these officials at exorbitant rates of interest against the security of land and, finally, when the cultivator was unable to pay, the land was privately acquired by these officers. This group was quite large and did not fall directly under the elimination of intermediary act because they were unrecorded intermediaries.

Among the large number of enactments passed for the elimination of intermediaries in the state, the following were significant:

- i) The Bombay Taluqdari Tenure Abolition Act, 1949.
- ii) The Bombay Khoti Abolition Act, 1949.

- iii) The Bombay Pargana and Kulkarni Watans (Abolition) Act, 1950.
- iv) The Bombay Watwa Vazifdari Rights Abolition Act, 1950.
- v) The Bombay Personal Inams Abolition Act, 1952.
- vi) The Bombay Merged Territories (Baroda Watan Abolition) Act, 1953.
- vii) The Bombay Merged Territories (Mata-dari Tenure Abolition) Act, 1953.
- viii) The Bombay Merged Territories (Baroda Mulgiras Tenure Abolition) Act, 1953.
- ix) The Bombay Merged Territories Avas (Jagir Abolition) Act, 1953.
- x) The Bombay Merged Territories (Janjira and Bhor) Khoti Tenure Abolition Act, 1953.
- (xi) The Bombay Kauli Kutuban Tenure (Abolition) Act, 1953.
- xii) The Bombay Services Inams Abolition Act, 1953.
- xiii) The Bombay Bhil Naik Inams Abolition Act, 1955.
- xiv) The Bombay Merged Territories (Miscellaneous Alienations) Abolition Act, 1955.
- xv) The Bombay Inams (Kutch Area) Abolition Act, 1958.
- xvi) The Bombay Inferior Village Watan Abolition Act, 1958.
- xvii) The Bombay Tenancy and Agricultural Land (Vidarbha Region) Act, 1958.
- xviii) The Maharashtra Agricultural Lands (Ceiling on Holdings) Act, 1961.

All these acts had effectively eliminated all the recorded intermediaries but interestingly the sheer number of Acts (even though we have enlisted only the highly significant Acts) shows the multitudinous aspects of the existence of intermediaries in the state at the time of reorganisation. Therefore, the impact of the reform measures in Maharashtra is also of mixed type.

In pursuance of article 31(c), 39(b) and (c) of the Constitution of India, land, being a major source of agricultural production, was taken up for the purpose of exercising ceiling on the size of holding. The necessity for limiting the size of land-holding came on the background of the

recommendations of the Second Five Year Plan and also was based on the recommendations of the All India Congress Committee (1948), Maharashtra Land Ceiling Act No. XXVII of 1961, amended up to 1975. This Act of 1961 states as an object of the Act that land which is in excess of ceiling limit is to be distributed for full and efficient use for agriculture. Cultivated land defined under this law is the land which is under tillage or crop husbandry for the purpose of raising or improving agricultural produce. Thus *Pot Kharab* (waste) lands were excluded from the total land-holding. The lands exempted from the provision of the Land Ceiling Act were: (i) land held by government, (ii) land held by corporations, (iii) land belonging to local authority or a university or agricultural college or school or any institution, doing research in agriculture, (iv) land held by regimental farms, (v) lands leased by Land Development Bank or the Central Co-operative Bank before August 4, 1959, (vi) lands held by a bank or a co-operative society as security for recovery, and (vii) lands held by bonafide industrial undertakings, public trusts. The state government was empowered to constitute (i) Surplus Lands Determination Tribunal, and (ii) Land Distribution Tribunals under the Act. A Tahsildar or an officer above the rank of Tahsildar was appointed as the Chairman of the Tribunal. The Collector was authorised to notify, in the prescribed form, in the official gazette the area delimited as surplus land. The state government was to pay compensation for any land acquired

as surplus at the price specified by the state government. The state government was also directed to look into the claims of compensation submitted by the involved person. The surplus land thus acquired was distributed according to the procedure laid down in the law. Under the first Schedule ceiling limits were given (see table below).

These ceiling limits were applicable to a family or a person as the case may be. The family unit was defined as a person, his wife/wives, minor sons and daughters. It was provided that if the number of persons in any family exceeds five, then in that case for each additional person the family was entitled to hold excess land equivalent to one-fifth of the ceiling area but in no case the land held should be more than two times of the ceiling area. Any person or family, holding land in excess of the ceiling limit before the date of commencement (October 2, 1975) but after September 26, 1970, was required to file a return in the prescribed form and surrender the excess land for compensation at the price (Rs 80 per acre!)<sup>3</sup> decided by the Collector. The landlord however, had the choice in deciding about which land should be surrendered. Out of the surplus land thus acquired, the Collector was authorised to distribute 50 per cent land to the Scheduled Castes and Scheduled Tribes and the remaining to the persons according to the priority list given in the law.

Sr. No.	Category of Land	Ceiling Limit
1.	Land with an assured supply of water for irrigation and capable of yielding at least two crops.	18 acres (7.28 hectares)
2.	Land which has an assured supply of water for only one crop in a year.	27 acres (10.93 hectares)
3.	Land irrigated seasonally by flow irrigation from any source constructed or maintained by the state government or by any Zilla Parishad or from any other natural source of water with unassured water supply.	36 acres (14.57 hectares)
4.	Dry crop land, that is the land under paddy cultivation for a continuous period of three years immediately preceding the commencement date.	36 acres (14.57 hectares)
5.	Dry crop land, that is to say, land other than land falling under any of the above. (This clause was extended to land under horticultural crops excluding some specified crops).	54 acres (21.85 hectares)

Source: Government of Maharashtra, Maharashtra Act No. XXVII of 1961, amended up to September 20, 1975. Pp. 11-13 and p. 105.

Prevention of fragmentation and consolidation of holding is the least discussed subject in the literature on land reforms in the state. Ambedkar had brought forth the problem of uneconomic size of holding and the ills of fragmentation [Ambedkar, 1979, Vol. I]. The Bombay Prevention of Fragmentation and Consolidation of Holdings Act of 1947 was among the first under land legislations after Independence in the state. A fragment less than half an acre of irrigated land and up to 2 acres of dry land was considered as uneconomic fragment amenable for consolidation. Each village was taken as a unit for the purpose of consolidation and a scheme was prepared for a village it was declared in that village, and published in the government gazette by the Settlement Commissioner. The Consolidation Officer (appointed under the Office of Commissioner of Land Records) was to issue transference certificates. It is interesting to note that the officers from the Commissioner of Land Records were to organise the implementation of the consolidation scheme whereas other land reform measures such as land ceiling, tenancy reform, etc., were routed through the officers of the revenue department. Thus, largely due to the lack of co-ordination between the two agencies, the consolidation of holdings could not be effectively implemented.

The Indian National Congress, in its annual session held at Faizpur in Maharashtra in December 1936, deliberated on the deepening of the crisis due to the burden of loan on the peasantry and suggested quite a few measures. Prominent among these were the reduction of rent, land revenue, irrigation cess, exemption of uneconomic holding from payment of revenue, abolition of feudal levies, forced labour and fixing of tenure with inheritable rights. This was on the background of the peasant uprising in Andhra Pradesh led by N.G. Ranga and the Communist Party of India. The Congress sub-committee on land policy presented its interim report in June 1940 and there the questions of abolition of intermediaries (between the state and cultivators), peasant proprietorship and land revenue fixation were mainly deliberated. The Congress Agrarian Reforms Committee under the Chairmanship of

J.C. Kumarappa was appointed and a basic consensus about 'land to the tiller' emerged. The line of thinking was almost similar across the political groups. During this phase, the Congress party won the election to the Provincial Assembly of Bombay Province and, from 1946 to 1948, the then Bombay Government passed four important land legislations, namely, (i) the Bombay Money Lenders Licensing Act, 1946, (ii) the Bombay Agricultural Debtors Act, 1947, (iii) the Bombay Prevention of Fragmentation and Consolidation of Holdings Act, 1947, and (iv) the Bombay Tenancy and Agricultural Lands Act, 1948. These four legislations seem to have made the necessary impact on the exploitation by money lenders but caused no significant change in the agrarian structure. The land fragmentation was considered as the major drawback and thus the enactment to prevent fragmentation was also felt necessary. Among these four enactments, significant step was taken through the Bombay Tenancy and Agricultural Lands Act, 1948 with exclusive protection to tenant cultivators.<sup>1</sup> The Act and the subsequent amendment of 1956 ensured land to the tiller, protection to the tenant, and regularisation of rent and records of tenancy, as well as laid down procedure for the transfer of land to tenants. The Act provided that on the tillers' day (1st April, 1957), the tenant shall be deemed to have purchased the land. The agricultural land tribunal was to determine the purchase price and the tenant was required to pay the price of land decided according to the guidelines in not more than twelve equal instalments. Apart from this, the following specific sections were of importance:

- i) The landlord's claim for retaining land for personal cultivation and for non-agricultural purposes was considered for termination of tenancy of the tenant.
- ii) The land owner's claim to terminate the tenancy of the tenant was also considered in cases where the tenant fails to pay the rent, causes destruction or damage to the land, has sub-let the land, fails to cultivate personally, or uses the land for purposes other than agriculture.
- iii) A person who is not an agriculturist was barred from purchasing agricultural land (Section 63).



- iv) If any land was kept fallow for more than a specified time period, the same was liable to be taken over by the government.
- v) The exempted lands under the Act were lands leased out to government, local authorities, reserved lands, estates under government management, Bhoodan land and lands of universities and trusts.

As mentioned earlier the Bombay Tenancy and Agricultural Lands Act, No. XXI of 1948 was amended to make it more specific as well as to incorporate the Hyderabad Tenancy and Agricultural Lands Act, 1950 and the Vidarbha region act of 1958. Apart from the specific Hyderabad and Vidarbha Acts, the tenancy legislations applicable then in other regions of the present day Maharashtra were also applicable in the state, specifically the following legislations:

- i) The Bhagdari and Navadari Tenures Abolition Act, 1949.
- ii) The Panchamahals Mohwasi Tenure Abolition Act, 1949.
- iii) The Bombay Maleki Tenure Abolition Act, 1949.
- iv) The Saurashtra Barkhali Abolition Act, 1951.
- v) The Bombay Merged Territories (Ankadia Tenure Abolition) Act, 1953.
- vi) The Bombay Merged Territories (Janjira and Bhor) Khot Tenure Abolition Act, 1953.
- vii) The Bombay (Saurashtra Area) Aghat Tenure and Ijars Abolition Act, 1959.
- viii) The Gujarat Land Tenure Abolition Act, 1961.

The implementation of the tenancy Acts resulted in conferring ownership on about 15 lakh tenants, in the State of Maharashtra. A large number of them were small and marginal landholders. However, analysts have remarked about the mixed success of tenancy reforms in Maharashtra when compared with the ex-ante presumptions [Dandekar and Khudanpur, 1957; Dantwala and Shah, 1971].

#### BOTTLENECKS IN IMPLEMENTATION

Most of the analyses dealing with land reforms have brought forth the bottlenecks in the process of its implementation. As we have noted earlier, the abolition of intermediaries was among the first steps taken in the state. The historical emergence of a mosaic of agrarian structure in the state also finds its image reflected among the difficulties in

the process of implementation of the legislation. In Maharashtra State a large number of nomenclatures of intermediaries existed and thus the number of legislations encompassing these was quite big. The first and foremost difficulty encountered in the process of implementation of the land reforms for abolition of intermediaries was the non-existence of the record about the status of a large number of intermediaries, and these unrecorded intermediaries evaded the initial phase of the reform process. Secondly, one of the provisions of the law for abolition of the intermediaries allowed exemption to those intermediaries who preferred to self-cultivate their lands (read instead: were actually cultivating their lands), called *Khud Kasht*. This made the writing on the wall very clear to the intermediaries and absentee landlords and signalled the oncoming changes. Initially, the tenants who were hitherto cultivating the lands of *Jagirdars/Zamindars* were terminated (at least the recorded tenancy was nullified) and the lands were taken under self-cultivation. It is very clear from the various analysts that the Act had so many soft spots and making use of them was neither difficult nor out of reach for a large number of intermediaries. The irony of the situation is that even some of them were the members of the committees for drafting the Act itself [Dhar, 1990]. Joshi [1987] articulately sums the inconsistency between the ideology of the power elites and the programmes. He writes: 'These classes (power elites) try to rally the entire peasantry behind them under the slogan of "land to the tiller", in order to oust the old landed class from its dominant position in the land and power structure, and then, having broken the land and power monopoly of the old landed class, they try to dilute the "land to the tiller" policy into an agrarian programme suited to their own limited class aims' [Joshi, 1987, p. 231].

The Bombay Tenancy Act, 1939 gave some level of protection to the tenants by fixing tenure, rent, house sites, etc. But the difficulties in its implementation brought forth the necessity for another legislation and thus came the Bombay Tenancy Act, 1948 with further amendments over years. Dandekar and Khudanpur [1957] clearly brought forth the difficulties in the working of the

Bombay Tenancy Act, 1948 in Maharashtra. Among the major difficulties in implementation were: (i) the law was restricted only to protected tenants, (ii) the exclusion clauses for landlords were quite sweeping, (iii) absence of concession in purchase price (market price), and (iv) absence of compulsion on tenants to buy land [Dandekar and Khudanpur, 1957; Dantwala and Shah, 1971]. Even after the subsequent amendments the tenancy reforms in Maharashtra were only a partial success for four important reasons. Firstly, following the clue from the 1939 and 1948 tenancy legislations, the practice of recorded tenancy was drastically reduced and what was earlier available in the form of *Batai Patra*, *Thoke Patra* or *Kabulayat Nama* were replaced by oral tenancy agreement or *Nokar Nama* (service agreement). The Planning Commission puts the estimate of concealed tenancy in the country to about 33 per cent [Planning Commission, 1989]. In Maharashtra, Sawant [1991] estimated about 44.6 per cent of the total tenancy area to be under concealed tenancy during 1981-82. Thus, there was a substantial change in the conditions of tenancy as compared to the conditions of tenants. Secondly, the type of exemptions allowed included exclusion of the landlord who is a minor, widow, or serving in armed forces or mentally/physically disabled. In addition, exemptions were also given to the landlord who preferred to retain the land for self cultivation (to the extent of one family holding), in case the landlord does not have any other means of livelihood. These provisions were misused causing large scale evasion of reform provisions. Thirdly, the clause of voluntary surrender by the tenant of his claim on the land has also rendered the legislation ineffective in many cases. This was also supplemented by the clause of 'ineffective purchases' and 'retention of at least 54 acres of land by the landlord'. Lastly, it must be noted that the tenant-landlord relationship at the time of the 'tillers day' (April 1, 1957) were mostly economically inter-locked through credit/market. In such cases, a large number of tenants did not consider advisable to enforce their claims on the landlord. Further, the claims by tenants were considered only if their names were recorded in the 'other rights' column of the village form No.

VII-XII (7-12th Extract), which was often not done.<sup>5</sup> Thus, thereafter to obtain a *Nokar Nama* from the tenant became a regular practice in the state. Quite a few sections pertaining to compulsory transfer of land to the tenants were also not implemented strictly (especially Sections 38 (H), 52, 53 (c), (a) and (E) of Hyderabad Tenancy and Agricultural Lands Act, 1950 revised up to 1984).<sup>6</sup> For example, under section 38-H, the tenant has a right to purchase the land under tenancy created even after the notified date to purchase such land. In Chapter VI of Hyderabad Tenancy and Agricultural Lands Act, the management or acquisition of uncultivated land or improperly cultivated land is included. It is reported that some of the sections in this chapter are also not implemented strictly.

In addition to the above, certain other points regarding ineffectiveness of the 1948 tenancy legislation were noted by Dandekar and Khudanpur [1957]. Firstly, it was noted that the protection given to the tenants was ineffective due to the village socio-political set up. Secondly, the land market was not ready for such transfer of land to the tenant, and finally, almost no signs of any alternative to the existing tenancy practices were noticed. Shah and Sawant [1973] reported that by September 30, 1970, the total number of tenancy cases reported in Maharashtra were 20,40,142, of which in 14.6 per cent cases the tenant-landlord relationship did not exist, in 12.7 per cent cases the purchase was declared ineffective, in 1.4 per cent cases tenants had lawfully (!) surrendered the leased land, in 30 per cent cases the tenants surrendered land without any legal procedure for surrender, in 0.7 per cent cases tenants were unlawfully evicted, and in 14.7 per cent cases the proceedings were dropped for various reasons. Thus, they reported that in only about 28.7 per cent cases purchase price could be fixed. In effect, this shows that the tenancy reforms can claim only mixed success. Apart from converting *Batai Nama* (tenancy contract) into *Nokar Nama* (service contract) the tenancy reforms also created a class of 'large holder dominant tenants'. Nadkarni [1976] observed this significant change of reverse tenancy in parts of Marathwada region.

It is evident from the earlier discussion that the historical emergence of the agrarian structure, institutional set-up governing the process, interaction of interest groups with the process of implementation and the socio-political contents have finally culminated into the mixed impact of land reforms and especially the tenancy reforms in the state.

Ceiling on the size of holding also had a mixed success in the state. According to the Sixteenth National Sample Survey (NSS) Round covering period from July 1960 to June 1961, about 2.01 per cent of the holdings, with size of holding above 30 acres (20.24 hectares), held about 19.84 per cent of the total land, whereas, about 38.18 per cent holdings, with size of holding less than 0.50 acres (0.20 hectares), held only 0.14 per cent of the land. If this is compared with the distribution of land given in the 48th NSS Round (December 1991 to January 1992), we find that 0.41 per cent of holdings, with size of holding above 20 hectares, operate about 5.13 per cent of the total operated area whereas 19.86 per cent, with size of operational holding less than 0.20

hectare, operate 0.25 per cent of land. This along with Table 1 brings to the fore three important aspects.

Firstly, the distribution of land has been changing very fast reducing the concentration of land in the highest size-class of operational holdings. This substantial reduction in area under higher size-classes of holding has resulted in increase in the area under lower size-classes. Secondly, the area under the uneconomic holdings had increased substantially. About 20 per cent of the operational holdings have operated area less than even 0.20 hectare (half an acre) [NSSO, 1997, p. A-6]. This indicates a significant trend towards marginalisation of peasantry. Finally, we observe that on the one end of the distribution, marginalisation of peasantry is increasing at an unabated speed whereas, on the other side, we still have about 0.4 per cent of the holdings with operated area above 20.00 hectares constituting about 5.1 per cent of the total area [NSSO, 1997, p. A-6]. Similar trend is also confirmed by the data from 1990-91 Agricultural Census of the state. The above analysis suggests a mixed response to the reform measure of ceiling on agricultural holding.

**Table 1. Changes in the per cent Distribution of Area under Ownership Holding in Maharashtra**

Sr.No.	Size-class of Ownership/ Operational Holding*	1960-61 (16th NSS Round) % of Owned Area	1971-72 (26th NSS Round) % of Owned Area	1991-92 (48th NSS Round) % of Owned Area
(1)	(2)	(3)	(4)	(5)
1.	Up to 1 hectare	2.29	3.69	6.81
2.	1.0 to 2.0 hectares	5.45	8.55	12.13
3.	2.0 to 4.0 hectares	12.91	18.19	25.40
4.	4.0 to 10.0 hectares	33.24	35.12	36.54
5.	Above 10.0 hectares	46.11	34.46	19.12
6.	All Sizes	100.00	100.00	100.00

Note: 1) 16th and 26th NSS Rounds give size-classes of ownership holding and area owned but 48th Round gives area owned by size-classes of operational holding and, hence, these are not strictly comparable.

2) \* Size-classes of ownership holdings for 1960-61 and 1971-72 are: (i) upto 2.49 acres (or upto 1 ha); (ii) 2.50 to 4.99 acres (or 1.01 to 2.02 ha); (iii) 5.0 to 9.99 acres (or 2.03 to 4.04 ha); (iv) 10 to 24.99 acres (or 4.05 to 10.12 ha), and (v) 25.0 acres and above (or 10.13 hectares and above). For 1991-92 these are as given in the table.

Sources: 1) NSSO, 1970, *Tables with Notes on Some Aspects of Land Holdings in Rural India*, 16th Round, No. 159, July 1960 to June 1961, P. 32.

2) NSSO, 1975, *Tables on Land Holdings, at State Level: Maharashtra*, 26th Round, No. 215-11, July 1971 to September 1972.

3) NSSO, 1997, *Operational Land Holdings in India 1991-92 - Salient Features*, 48th Round, 1991-92.



Some major implementation problems of the Ceiling on Agricultural Holdings Act can be listed here. Firstly, the definition of the family unit, which included minor children, caused a serious problem in the process of implementation. The unborn-children were also recorded as minor children or even major daughters were included as minor children by falsifying the birth certificates. Such minor children were entitled to their share of holding under the law. Secondly, the partition of land was undertaken immediately, so as to create separate family units under the name of the major son.

This has helped land lords to retain larger land, reducing the amount of land to be surrendered. Though, by law, September 26, 1970 was decided as a cut-off date (date of implementation) and the partition of land only before this day was considered legal, the implementing authorities allowed notional partitions even beyond this date because of the socio-political factors in the village society. Thirdly, the emergence of *Benami* transactions (transferring the land in the name of non-existing entities) can be credited only to the process of implementation of land reforms. Such transactions were quite common in the rural areas of Maharashtra where lands were shown in the name of persons not existing. Fourthly, the law provided that if a portion of land is leased out to a tenant then such land should be excluded from the total size of holding of the family. Taking clue from this, a number of landholders created temporary false tenancy records in the name of permanent servants and avoided the land surrender. Fifthly, the categorisation of land (as per Schedule I of Maharashtra Agricultural Lands (Ceilings on Holdings) Act, 1961) was grossly misappropriated to retain large tracts of land. It is not out of place in the state to come across irrigated land above 30 acres in the name of a single holder. Lastly, lack of proper land records and the ease with which such records could be manipulated also caused a greater hurdle in the process of implementation.<sup>7</sup> In many cases the surplus land distributed in the village was transferred back to the same family or a member of the family from whom such surplus land was acquired earlier.

While commenting on the process of implementation Dantwala and Shah [1971] remark that 'The dominant impression left on the mind is that unless this type of legislation is considerably simplified, conniving at, if necessary, the niceties of equity, and recognising that there would inevitably be some unjustifiable penalties and preferences, implementation would never be quick and effective. The trouble is that meticulousness in framing legislation also does not help because the complexity of the legislation combined with administrative inadequacies, produces the same amount of injustice - but uncalculated - through overt and covert evasions, but spread over a longer time with all the disadvantages of gnawing uncertainties' (p. 158).

Consolidation of holdings also had its implementation level problems. The scheme was operated by the Land Consolidation Officer from the department of land records. The main bottleneck was regarding the decision about the major fragments and minor fragments and always the village elites held their sway by transferring and attaching fertile fragments to their holdings. Similarly, the tenants who were cultivating fragments were deprived of fertile lands for cultivation. Unlike the land tribunals constituted at taluka and district level the appellate body for consolidation was located only at Pune and many cultivators from weaker sections could not afford the expenditure even to lodge a protest against the decision of the Land Consolidation Officer.

The above discussion brought forth the fact that the land reform measures had partial success mainly due to the lack of support from below and of the political will to implement it. In the occasional papers of the Ministry of Agriculture, the lack of political will is clearly accepted as the cause of poor implementation of land reforms [Government of India, 1988]. In this context it was remarked that the experience of land reforms in India was mostly frustrating because the government had neither the political will nor the administrative capacity for successful implementation [Asian Development Bank, 1977]. Present Maharashtra State has an agrarian history emanating from different socio-economic

conditions and land always dominated as an asset representing social prestige and political power more than its economic value. Another important feature of the state is the level and process of politicisation. In Maharashtra, the political leadership emerged to a larger extent from rural elites, whose interests could be closely identified with land as an indicator of social prestige. This is further fuelled by the nexus between polity and bureaucracy which is emerging for over a long time but realised and discussed in the recent past. P. C. Joshi summarised the situation more precisely, 'It should be noted that politicians, administrators and planners have seldom a full appreciation of the psychological, economic, social and political implications of land reforms. In the land-based and, to be more precise, land obsessed Asian countries, property in land is tied up with powerful interests, passions, sentiments, prejudices and values. These possess a great psychological force and an explosive potential, capable of rousing millions of people into a state of ferment' [Joshi, 1987, p. 202].

#### CHANGING AGRARIAN STRUCTURE AND IMPACT OF LAND REFORMS

Land has always been the central resource around which the rural power groups are formed. The relationship of rural elites with land is a mark of social prestige as well as an expression of power nexus between classes. This total system is referred to as agrarian structure and its emergence is a product of historical trends, socio-economic interventions, typology of power elites and the process of overall economic development. It is more an organic emergence and hence decomposition into individual causal patterns is difficult. Distribution of land by ownership/operational status along with the means of production, patterns of land tenure, production relations, labour relations, production process and the scale of farm operations together decide the agrarian structure [Paulini, 1979]. The structure undergoes an embodied change due to demographic pressures, market forces, etc. Similarly, some changes occur due to policy interventions. Joshi [1975] puts this more clearly as follows: 'To the first category belong those changes .... which occur in an indirect manner in response to the spontaneous operations of socio-economic processes... The

second type of changes are those which are brought about as a result of direct intervention in the agrarian structure' [Joshi, 1975, p. 87]. The role of the state as well as that of social forces (agrarian movements in response to state action and also due to social movements) together decide the magnitude and direction of the agrarian state intervention. As mentioned above, the segregation of the individual impact is difficult but the end result given by the existing structure of land ownership over the last five decades gives us a fairly good idea about the changes. In the present section we have tried to look into the changes in agrarian structure (mainly through the distribution of land) in the state across districts as well documenting the impact of land-reform measures.

Two approaches are undertaken here to analyse the impact of land reforms and changes in agrarian structure. In the first approach, we have taken most of the broad indicators of changes due to land reforms and tried to document the changes in the impact parameters across regions in the state. These changes are based on field insights (obtained from revenue officials who have a long working experience in these regions) and broad generalisations in the absence of field studies. The results are presented in Table 2. Apart from the four important land reform measures, we have also taken into account five other structural characteristics which have marked changes in response to land reforms and other factors.

Among the land-reform measures, abolition of intermediaries seems to have made significant impact in Vidarbha region (abolition of Malgujars and Jagirdars), followed by Konkan (Khoti system) and Marathwada and the Western Maharashtra. Dhule and Jalgaon districts also felt the impact of this legislation. But largely the lands belonging to intermediaries in Marathwada region could not be brought under the legislation due to two reasons. Firstly, the land records were not in proper condition to locate the current status of land and, secondly, due to the Mohammedan law of inheritance for *Inam* lands (*Suls-e-Suls* under *Sher-e-Sharif*) the allocated lands were bifurcated into several fractions and even undergone changes in ownership status.<sup>8</sup>

Table 2. Impact of Land Reforms in Maharashtra: A Field View

Sr. No. (1)	Impact Parameters (2)	Region			
		Konkan (3)	Western Maharashtra* (4)	Vidarbha* (5)	Marathwada (6)
1.	Abolition of Intermediaries	Significant	Moderate to Significant	Significant	Moderate to Significant
2.	Tenancy Reforms	Moderate	Moderate to Significant	Significant	Significant
3.	Acquisition of Surplus Land and Redistribution	Moderate	Moderate	Significant	Significant
4.	Consolidation of Holdings	Moderate	Moderate	Significant	Moderate
5.	Reduction in Inequalities of Land Distribution	Significant	Moderate	Significant	Significant
6.	Adoption of New Technology	Low	Significant to High	Moderate	Moderate
7.	Increase in Production and Productivity Growth	Low	Significant	Moderate	Moderate
8.	Commercialisation of Agriculture	Moderate	Significant to High	Significant	Moderate
9.	Politicisation and Emergence of Rural Elites	Low	Significant to High	Moderate	Significant

Notes: 1. The table is based on the field experience of the author and as depicted from other studies. Broad generalisations are given, excluding specific examples. Discussions with retired senior revenue officers also helped in formulating the table.

2. \* In Vidarbha region the behaviour of Yavatmal, Chandrapur, Gadchiroli and, to a large extent, Bhandara is different from the rest of the region. Similarly, clubbing Dhule, Jalgaon, Nashik and Kolhapur with the other districts of Western Maharashtra created some difficulty in generalisation.

3. We have categorised here four levels of impact in ascending order, viz., low, moderate, significant and high. The impact categorisation is based more on the insights gathered from discussions as well as the impressions from literature.

Legislations pertaining to tenancy reforms had significant impact in the state, especially in Vidarbha, Marathwada and Western Maharashtra regions. Our experience in the field pertaining to different projects revealed that in parts of Konkan, Khandesh region (Dhule and Jalgaon districts), parts of Kolhapur and Satara districts as well as some talukas from Marathwada region, the tenants were forced to surrender the lands to the land-owners under social and political pressures. But still it is interesting to note that even today the data reported by the NSS (48th Round) pertaining to the period from January 1991 to December 1992, shows about 8 lakh hectares as 'leased in' area over varying periods of tenancy in Maharashtra.

It may be noted from Table 3 that there are about 21 per cent tenants who have land leased in above 5 years and at least 10 per cent who have leased in for more than 12 years. A large number of operational holdings leased-in land are from the two highest size classes of operational holdings. These two classes (constituting of operational holdings above 4 hectares) together account for 73 per cent of the total leased-in area [NSSO, 48th Round, p. 4.76]. More interestingly, 98 per cent of the area leased in for more than 12 years also happens to be part of the operational holdings above 4 hectares. This sufficiently underscores the initial findings of Nadkarni [1976] about reverse tenancy though we do not have any confirmation about the classes leasing out these lands.<sup>9</sup>



Table 3. Percentage Distribution of Area Leased-in by Period of Lease, 1991-92

Size-Classes of Operational Holdings (1)	% Distribution of Area Leased-in by Period of Lease				
	Less than 1 Year (2)	1 to 5 Years (3)	5 to 12 Years (4)	Above 12 Years (5)	Not Reported (6)
Up to 1 hectare	31.4	21.9	20.1	0.3	26.3
1 to 2 hectares	14.5	59.2	16.3	2.0	8.0
2 to 4 hectares	30.4	44.4	19.9	-	5.3
4 to 10 hectares	32.3	28.6	5.0	18.6	15.5
Above 10 hectares	-	67.4	11.8	7.5	13.3
All sizes	20.9	44.8	10.9	10.3	13.1

Note: Derived from Table 7 (Rural) by clubbing size-classes and re-working the shares of the NSS 48th Round.

Source: NSSO, 1997, *Operational Land Holdings in India, 1991-92. Salient Features*, 48th Round, p. A 76.

Ceiling on Holdings Act was moderately successful in Maharashtra and even here the implementation was more effective in Vidarbha, Marathwada and western Maharashtra region in that order (see Table 2). It has to be accepted that implementation of the ceiling limit was difficult in Maharashtra due to the widely reported grass-roots level politicisation, ill maintenance of land records, nexus between bureaucracy and rural elites, and the exemptions as well as the span of time given for 'land adjustments'. A successful

land reform has to be tested on the counts of land acquisition and redistribution of land. But this test may exclude all those who evaded reforms under different covers. In a recent study conducted at Gokhale Institute of Politics and Economics by Rajasekaran, some interesting data on land acquisition and distribution is given. Based on the data given in this study [Rajasekaran, 1996] we have presented the estimates of surplus land acquired and distributed (Table 4).

Table 4. Region-wise Surplus Land Acquired and Distributed in Maharashtra by December 1995

Region (1)	Land Declared Surplus (hectares) (2)	Land Taken Possession (hectares) (3)	Per cent of Land Taken under Possession to Surplus Land (4)	Land Distributed (hectares) (5)	Per cent of Land Distributed out of Land Taken Possession (6)
Konkan	28,652	26,340	91.93	22,950	87.13
Western Maharashtra	66,037	56,116	84.98	54,777	97.60
Marathwada	50,923	45,333*	89.02	45,355	100.00
Vidarbha	112,748	103,513	91.81	101,378	97.94
Total	258,360	231,056	89.43	224,460	97.15

Notes: (1) \* - The area estimated here is on the basis of the percentages reported, hence, it does not tally with land distributed.

(2) Districts of Khandesh are included in Western Maharashtra.

Source: Rajasekaran, N., 1996, *Trends in Operational Holdings in Maharashtra: An Analysis of Determinants*, p. 37.

It can be seen from the table that the total surplus land declared in Maharashtra State was more than 2.58 lakh hectares out of which about 89.4 per cent was acquired. The largest amount of land acquired is from Vidarbha region followed by Western Maharashtra. It may be recalled that the size of holding in Vidarbha was quite large and the existence of unrecorded intermediaries was also dominant in this region of the state. But the distribution of acquired land has been relatively

better in Marathwada and Vidarbha region.

The Ministry of Labour, Government of India, had appointed a sub-committee to examine the problems of unorganised rural labour. The committee in its report examined the implementation of the Act on ceiling on land holding from the point of view of redistribution of land, as on July 30, 1987. It can be seen from the reported data of the committee that about 4 acres land per bene-

ficiary was distributed to about 1.26 lakh beneficiaries in Maharashtra [Government of India, 1991; Planning Commission, 1989]. As mentioned above and in the paragraphs analysing the bottlenecks in the implementation of land ceiling Act, the land declared surplus in Maharashtra constituted mostly the area which could not be 'adjusted' by the landlords utilising different provisions of the Act. This fact is borne out by the 1990-91 Agricultural Census which reports about 17 thousand holdings with operated area of more than 20 hectares and average size of holdings of 34.77 hectares. Out of this, about 14 thousand operational holdings are individual holdings.

In this context, it will be also interesting to look into the changing pattern of land distribution from the data available over the two decades given by the Agricultural Census. Table 5 presents broad changes in the number of operational holdings and area under operational holdings across the six size-classes of operational holdings. It can be seen from the table that the number as well as area under the higher size-classes of operational holdings (4 to 10 hectares and above 10 hectares) have been declining significantly, and this decline

is reflected in increase in respect of the lowest three size-classes of holdings (less than 0.5 hectare, up to 1 ha, and 1 to 2 ha). Consequently, the average size of holdings is declining at a faster rate. During the last two decades, it has reduced to half. Two disturbing observations from the table need to be noted here: firstly, even though the operated area under marginal (less than 1 hectare) and ultra-marginal holdings (less than 0.50 ha.) is increasing, the number of operational holdings is increasing almost at the same rate, keeping the size of holdings almost unaltered. Secondly, the 1990-91 Agricultural Census first time recorded decline in the total area operated, this should not be brushed aside as an inconsequential observation. Our field observations in Maharashtra suggest an unabated ingress of urban elites in the rural land market, especially in the urban hinterlands and converting (or utilising unlawfully) the area for non-agricultural purposes. It cannot be ruled out totally that land under cultivation (in net terms) in the near future may go down. This will be accompanied by sub-marginalisation of the size of holdings, thereby increasing pressure on relaxing the upper limit of land ceiling.

**Table 5. Number of Holdings, Area and Average Size of Holdings by Size-Classes of Operational Holdings in Maharashtra**

Sr. No.	Size-Class of Operational Holding	Number of Holdings (lakhs)			Area under Operational Holdings (lakh ha)			Average Size of Holdings (ha)		
		1970-71	1980-81	1990-91	1970-71	1980-81	1990-91	1970-71	1980-81	1990-91
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	Less than 0.5 ha	6.8	9.9	16.7	1.6	2.6	4.1	0.24	0.27	0.25
2	Up to 1 ha.	12.4	19.3	32.7	5.8	9.7	16.1	0.47	0.51	0.49
3	1 to 2.00 ha.	8.8	15.4	27.3	12.8	23.3	39.8	1.46	1.51	1.46
4	2 to 4.00 ha.	10.9	16.9	21.3	31.3	48.2	58.8	2.88	2.86	2.77
5	4 to 10.00 ha.	12.3	13.9	11.7	77.2	84.5	68.6	6.28	6.07	5.86
6	Above 10.0 ha.	5.1	3.2	1.7	84.7	47.9	25.9	16.47	15.05	15.17
	All	49.5	68.6	94.7	211.8	213.6	209.3	4.28	3.11	2.21

Note: In the case of size-class (2) the figures shown in columns (3) to (8) cumulate the separate figures given for the two size-classes in the source mentioned. This is done for the purpose of highlighting a point made in the text.

Source : *Economic Survey of Maharashtra, 1996-97*, Directorate of Economics and Statistics, Government of Maharashtra, Mumbai, p. 143.

Table 6. Distribution of Operational Holdings in Maharashtra

			(Per cent)				
Sr. No.	Size-Class of Operational Holdings		1970-71	1976-77	1980-81	1985-86	1990-91
(1)	(2)		(3)	(4)	(5)	(6)	(7)
1	Less than 0.5 hectare	Number	13.8	14.1	14.4	15.7	17.6
		Area	0.8	0.9	1.2	1.5	2.0
2	Less than 1.00 hectare	Number	25.1	26.1	28.1	30.7	34.6
		Area	2.7	3.4	4.6	5.8	7.7
3	1.00 hectare to 2.00 hectares	Number	17.8	19.8	22.4	26.0	28.8
		Area	6.1	7.9	10.9	14.7	19.0
4	2.00 hectares to 4.00 hectares	Number	22.0	23.2	24.6	24.1	22.4
		Area	14.8	18.2	22.6	25.8	28.1
5	4.00 hectares to 10.00 hectares	Number	24.7	23.5	20.3	16.3	12.4
		Area	36.4	39.5	39.5	36.8	32.8
6	Above 10.00 hectares	Number	10.4	7.4	4.6	2.9	1.8
		Area	40.0	31.0	22.4	16.9	12.4

Note: Percentages represent share of the size-class in the state totals.

Source: Government of Maharashtra, 1997, *Economic Survey of Maharashtra, 1996-97*, Directorate of Economics and Statistics, Government of Maharashtra, Mumbai, p. 143, and *Report of the Agricultural Census of Maharashtra, 1976-77*.

Another way of looking at the changing structure of land holding as a component of the overall agrarian structure is to consider the changes in shares of land-holders across size-classes of holdings over time. Table 6 presents the movements of the shares under size-classes and number of holdings. The ultra-marginal holdings are seen to be increasing at a high rate in number and the area under them. Similar is the trend in the immediately next size-class of holdings. At the other extreme, in the highest size-class of operational holding, the number of holdings is declining at a slower rate than the area under them. Demographic pressure, reforms, adoption of new technology, commercialisation of agriculture and increased irrigation facilities are some of the important determinants causing such changes. But the writing on the wall is clear that we are moving towards sub-marginalisation of peasantry from the erstwhile infeudation trends. Neither of the trends are desirable or healthy for agricultural development in the state.

The state level generalizations indicate the basic regional trends in the changing agrarian structure. We have discussed earlier the historical emergence of agrarian structure in different regions of the state. We have presented in Tables 7, 8 and 9 the proportionate shares of the number of operational holdings and area under them at three points of time, viz., 1970-71, 1980-81 and 1990-91, as reflected from the Agricultural

Census data. The analysis of these tables suggest quite a few interesting observations regarding the agrarian structure of the state. It is quite obvious from the land-holding pattern that the agro-climatic situations mainly dictate the pattern of land distribution. Western coastal districts and eastern districts of Bhandara, Gadchiroli and Chandrapur show tendency towards reduction in the size of holdings, whereas the districts falling in the deccan plains have not experienced reduction in size of holding to that extent. But apart from the agro-climatic considerations, the production relations broadly prevailing in the region are responsible for the changes. Vidarbha region had strong informal credit markets and the money-lenders had acquired large holdings in the process. Yavatmal, Akola, Buldhana and Wardha districts of Vidarbha showed relatively higher size of holdings.<sup>10</sup> Similarly, Solapur, Osmanabad, Ahmednagar, Beed and Aurangabad districts also have large farms compared to other districts of the state. Parts of Vidarbha had larger size of holdings due to the existence of unrecorded intermediaries; it is reported that the largest size holding from Yavatmal district was in the family of a leader from Nomadic Tribes. Vidarbha region in general (excluding Chandrapur, Bhandara and Gadchiroli) showed a declining share in area under large holdings. This was ranging between 39.3 per cent in Amaravati and 52.2 per cent in Yavatmal during 1970-71 but has gone down to a lower range of 10.9 (Nagpur) to 15.0 per cent

**Table 7. Distribution of Operational Holdings as Reflected from the Agricultural Census of the State: 1970-71**  
(Per cent to Total of Districts)

Districts (1)	Number of Holdings (%)				Area under Holdings (%)			
	I (2)	II (3)	III (4)	IV (5)	I (6)	II (7)	III (8)	IV (9)
Thane	45.5	18.0	30.8	5.7	6.6	9.2	47.8	36.4
Raigad	51.7	20.6	24.9	2.8	10.8	14.0	47.9	27.3
Ratnagiri	48.4	15.8	30.5	5.3	6.0	8.3	49.7	36.0
Nashik	17.9	16.5	54.6	11.0	1.9	5.2	55.9	37.0
Dhule	12.3	16.1	60.1	11.5	1.4	4.9	61.8	31.9
Jalgaon	18.4	24.0	50.8	6.8	2.8	9.4	59.8	28.0
Ahmednagar	17.0	16.3	53.1	13.6	1.7	4.6	49.6	44.1
Pune	27.8	17.8	44.9	9.5	3.2	6.4	51.6	38.8
Solapur	11.0	14.4	56.4	18.2	1.1	3.5	45.7	49.7
Satara	39.9	20.0	35.8	4.3	6.4	10.8	56.7	26.1
Sangli	34.2	19.8	39.1	6.9	4.7	8.7	51.6	35.0
Kolhapur	50.2	19.6	27.9	2.3	10.2	14.0	56.5	19.3
Aurangabad	8.9	13.2	60.1	17.8	0.8	3.3	50.2	45.7
Parbhani	7.7	12.2	60.3	19.8	0.7	2.9	48.4	48.0
Beed	10.6	14.0	57.1	18.3	1.0	3.4	46.8	48.7
Nanded	12.1	15.3	61.4	11.2	1.4	4.6	61.1	32.9
Osmanabad	7.0	11.9	60.1	21.0	0.6	2.6	46.0	50.8
Buldhana	15.5	21.8	49.8	12.9	2.0	6.4	46.4	45.2
Akola	14.9	20.9	50.7	13.5	1.9	6.1	46.8	45.2
Amaravati	19.5	24.1	46.7	9.7	3.1	8.3	49.2	39.3
Yavatmal	3.5	11.9	63.9	20.7	0.3	2.4	44.9	52.2
Wardha	8.3	17.3	59.4	15.0	0.9	4.5	49.6	45.0
Nagpur	12.2	17.5	58.4	11.9	1.4	5.1	54.0	39.5
Bhandara	43.5	23.3	30.6	2.6	9.7	15.4	56.0	18.9
Chandrapur	24.3	20.1	48.5	7.1	3.4	7.9	58.2	30.5
State	25.0	17.8	46.8	10.4	2.7	6.1	51.2	40.0

Note: Size-classes are: I - up to 1 ha; II - 1.0 to 2.0 ha; III - 2 to 10 ha and IV - above 10 ha.

Source: Government of Maharashtra, 1976, *Report of the Agricultural Census 1970-71*, Department of Agriculture, Government of Maharashtra, Pune.

(Yavatmal) in 1990-91. One important observation that needs to be noted from Table 9 is that Ratnagiri and Sindhudurg districts showed the highest proportion of area under large holdings in the state in the year 1990-91. This fact is significant because these two are coastal districts and it is reported that there is a recent trend of purchasing land for non-agricultural purposes in these two districts.

Marathwada region in general depicted a tendency of shrinking size of operational holding. In fact, in the entire state the districts of Marathwada, especially Aurangabad, Parbhani and Osmanabad, showed a substantial decline in the share of area under large holdings. In Aurangabad district the share of area under large holdings was 45.7 per cent in 1970-71, which went down to 20.8 per

cent in 1980-81 and, further, to 7.7 per cent by 1990-91. Osmanabad district also showed a similar decline in the share of area. During 1970-71 the share of area under large holdings in Osmanabad district was one of the highest and stood at 50.8 per cent, which declined to 32.3 per cent during 1980-81, and further slid down to 15.4 per cent, moving closer to the state average. The experience of Parbhani district is also worth noting. Parbhani district also had a history of money-lending like that of Yavatmal but the most significant change in the district is the availability of irrigation and sizable number of cases of partition.<sup>11</sup> In Parbhani district the share of area under large holdings during 1970-71 stood at 48.0 per cent which has gone down to 6.4 per cent during the two decades.

In Western Maharashtra, the districts of Kolhapur and Satara depict distinct behaviour as compared to Solapur, Ahmednagar, Pune or, to some extent, Sangli. Kolhapur as well as Satara have traditionally small size of holdings because of the peasant proprietorship and this distinction was maintained during the two decades. Kolhapur and Raigad are the two districts having more than 60 per cent of the total number of holdings below one hectare. Apart from the historical reasons, the availability of irrigation, cropping pattern and the terrain of the region are also responsible for the pattern of holdings. The most interesting case

emerging in this region is that of Ahmednagar district. This district is known for its drought-prone character as well as sugar factories. The proportion of small size holdings in Ahmednagar district, which stood at 17 per cent during 1970-71, doubled during the last two decades to reach at 35 per cent during 1990-91. This change is unparalleled and not noted in any of the districts in the neighbourhood. This is a good example of cropping pattern-led agrarian change and it is clear that sugarcane cultivation is responsible for the fragmented size of holdings in this district located on deccan plains.

**Table 8. Distribution of Operational Holdings as Reflected from Agricultural Census of the State : 1980-81**  
(Per cent to Total of Districts)

Districts (1)	Number of Holdings (%)				Area under Holdings (%)			
	I (2)	II (3)	III (4)	IV (5)	I (6)	II (7)	III (8)	IV (9)
Thane	47.0	20.8	28.7	3.5	15.1	12.6	48.5	23.8
Raigad	56.1	20.3	21.8	1.8	14.7	17.2	49.7	18.4
Ratnagiri	43.7	17.3	34.6	4.4	6.3	9.7	55.7	28.3
Sindhudurg	56.7	14.6	24.9	3.8	8.7	9.5	46.8	35.0
Nashik	21.3	19.3	53.7	5.7	3.0	8.3	65.9	22.8
Dhule	15.2	24.1	56.9	3.8	2.6	9.8	71.6	16.0
Jalgaon	20.2	26.3	50.0	3.5	3.8	12.7	67.9	15.6
Ahmednagar	24.6	21.8	48.7	4.9	4.1	10.6	61.8	23.5
Pune	30.9	21.3	42.4	5.4	4.9	9.8	57.9	27.4
Solapur	15.6	17.7	56.3	10.4	1.8	5.9	57.0	35.3
Satara	47.2	22.3	28.7	1.8	10.3	17.0	57.0	15.7
Sangli	39.3	22.0	35.0	3.7	7.2	12.7	57.1	23.0
Kolhapur	56.9	20.2	21.8	1.1	15.9	19.0	52.7	12.4
Aurangabad	15.6	21.2	57.4	5.8	2.7	9.0	67.5	20.8
Jalna	12.3	20.9	59.4	7.4	1.9	8.5	66.0	23.6
Parbhani	12.6	21.7	60.9	4.8	2.2	8.9	70.8	18.1
Beed	17.5	21.6	55.1	5.8	2.7	8.9	66.2	22.2
Nanded	18.0	23.3	55.0	3.7	3.3	10.4	70.4	15.9
Osmanabad	11.9	19.5	58.2	10.4	1.5	6.8	59.4	32.3
Latur	10.1	20.7	60.2	9.0	1.5	7.0	63.2	28.3
Buldhana	20.8	26.8	47.7	4.7	4.4	12.6	61.9	21.1
Akola	16.1	28.6	49.7	5.6	3.2	13.1	60.6	23.1
Amaravati	21.6	30.3	44.3	3.8	5.0	15.5	61.2	18.3
Yavatmal	6.7	24.4	61.7	7.2	1.3	9.1	64.9	24.7
Wardha	9.8	28.2	56.4	5.6	1.9	10.7	66.0	21.4
Nagpur	15.4	26.0	53.7	4.9	2.7	11.1	65.9	20.3
Bhandara	49.8	25.2	23.9	1.1	14.4	22.1	54.0	9.5
Chandrapur	28.6	22.1	45.4	3.9	5.7	10.8	64.7	18.8
Gadchiroli	30.5	27.5	39.8	2.2	6.7	16.7	63.3	13.3
State	28.1	22.5	44.8	4.6	4.7	10.9	62.0	22.4

Note: As in Table 7.

Source : Government of Maharashtra, 1988, *Report of the Agricultural Census, 1980-81*, Department of Agriculture, Government of Maharashtra, Pune.



**Table 9. Distribution of Operational Holdings as Reflected from Agricultural Census of the State: 1990-91**  
(Per cent to Total of Districts)

Districts (1)	Number of Holdings (%)				Area under Holdings (%)			
	I (2)	II (3)	III (4)	IV (5)	I (6)	II (7)	III (8)	IV (9)
Thane	53.3	21.6	23.1	2.0	12.1	17.5	51.9	18.5
Raigad	63.8	18.5	16.6	1.1	19.0	19.3	47.4	14.3
Ratnagiri	47.2	17.5	31.5	3.8	7.1	10.6	56.6	25.7
Sindhudurg	34.5	8.3	55.9	1.3	10.8	12.3	50.6	26.3
Nashik	28.9	29.1	39.6	2.4	6.1	17.1	61.7	15.1
Dhule	21.5	35.0	42.1	1.4	7.5	28.6	52.5	11.4
Jalgaon	26.2	34.9	37.7	1.2	6.8	22.1	62.7	8.4
Ahmednagar	35.1	31.4	32.3	1.2	9.4	23.0	57.9	9.7
Pune	34.1	21.9	41.9	2.1	8.1	16.1	58.6	17.2
Solapur	21.1	27.1	47.6	4.2	3.9	12.9	62.8	20.4
Satara	57.3	23.6	18.4	0.7	17.2	24.4	48.2	10.2
Sangli	48.6	23.5	26.4	1.5	12.1	19.0	56.2	12.7
Kolhapur	66.3	18.9	14.3	0.5	23.0	24.2	45.2	7.6
Aurangabad	24.4	34.7	39.6	1.3	6.3	22.3	63.7	7.7
Jalna	24.3	35.6	38.9	1.2	6.4	22.7	64.0	6.9
Parbhani	23.0	32.3	43.6	1.1	5.7	19.5	68.4	6.4
Beed	30.4	31.7	36.6	1.3	7.8	21.1	62.6	8.5
Nanded	26.5	35.0	37.8	0.7	7.6	24.3	63.8	4.3
Osmanabad	17.7	30.1	49.0	3.2	3.6	14.6	66.4	15.4
Latur	17.2	32.6	48.0	2.2	4.2	17.0	68.4	10.4
Buldhana	22.7	33.9	41.2	2.2	5.7	19.2	63.3	11.8
Akola	19.3	33.6	44.0	3.1	4.7	17.4	62.9	15.0
Amaravati	22.8	36.5	38.5	2.2	6.4	21.1	60.2	12.3
Yavatmal	4.2	35.6	56.6	3.6	0.9	15.9	68.2	15.0
Wardha	13.4	32.9	50.9	2.8	3.3	15.8	67.8	13.1
Nagpur	19.5	33.5	44.9	2.1	4.7	18.3	66.1	10.9
Bhandara	55.7	26.4	17.5	0.4	20.5	28.5	46.6	4.4
Chandrapur	28.7	27.0	42.1	2.2	6.2	17.1	64.4	12.3
Gadchiroli	34.5	31.3	32.7	1.5	8.7	21.1	60.5	9.7
State	33.7	28.1	36.4	1.8	7.8	19.2	60.5	12.5

Note: As in Table 7.

Source: Government of Maharashtra, 1993, *Report of the Agricultural Census, 1980-81*. Department of Agriculture, Government of Maharashtra, Pune.

#### LAND REFORMS, AGRARIAN STRUCTURE AND LIBERALISATION

The structural reforms introduced in response to the fiscal crisis have put the agrarian questions in a new perspective. It is well recognised that the growth and fluctuations in agricultural sector largely explain the overall growth and fluctuations in the Indian economy. The process of liberalisation has set free the economic forces in the non-agricultural sector and the questions, like why the agricultural sector alone should have ceiling on land or tenancy legislation while no such restrictions are imposed on other sectors, are being asked. It would be difficult to prevent the entry of the corporate sector in the domain of

agricultural/horticultural production. In contrast, we have the situation wherein, the number of ultra marginal peasants is swelling at a fast rate. This may set aside all the presumptions set forth while planning the land reforms in the country. A sharp contrast exists in the state of Maharashtra where under the present land legislation (under Section 63 of the Bombay Tenancy and Agricultural Lands Act, 1948) a non-agriculturist cannot purchase agricultural land without obtaining required permission,<sup>12</sup> but it is well known that unabated purchases of agricultural land is taking place in Thane, Raigad, Pune, Aurangabad and Jalna districts (at least I am aware of such bulk purchase only in these districts). For over the last

five decades, the rural peasantry was kept under continuous threat of land legislations and now we have enough examples of clear violations with the help of loopholes in the legislations going unchecked. The process of purchase of land by urban elites should not result in economic misery of a sizable number of ultra-marginal peasants and significant gains for a small number of large owners. This is an unfortunate outcome of the economic reform process. In this context the observation of Dandekar assumes importance. He remarked, 'Commenting on this, the reviewer advocates phasing of implementation and suggests a minimax principle, by means of which at each stage of implementation, the number of those adversely affected would be minimised while the number of those benefited would be maximised . . . the reforms did not correct the main weakness of Indian agriculture, namely, the existence of a large number of uneconomic holdings' [Dandekar, 1962a, p. 329].

Maharashtra has five specificities pertaining to the present analysis. Firstly, the state has emerged from historically diverse agrarian situations and, hence, the land relations were quite different in these regions. It is on this background that after Independence the land legislations were implemented and therefore the process of implementation was not only tardy but revealed many imperfections. Secondly, the state has a history of commercialisation and concentration of industries. A continuous link of the other regions with Mumbai (then the only industrial town in this part of the country) established a strong commercial linkage with the hinterlands. It is well known that the technological change of the mid-sixties in the agricultural sector took quite some time to establish itself in the state. By then, the land-reform measures had already reached the second phase of implementation. The level of adoption of the new technology together with the regional resource endowment and implementation of the institutional reform decided the regional pattern of development in the state. The uneven regional development profile caused by the uneasy nexus between agriculture and industry gave rise to many problems. Thirdly, Maharashtra has been one of the leading states in

the Independence and post-Independence Congress movement. The grassroots level structure of most of the political parties is quite well-entrenched here and this has facilitated the emergence of a strong class of rural elites. The process of increased politicisation together with the reforms imposed from above has given rise to their half-hearted implementation [Ladejinsky, 1977]. The process was further fuelled by the emerging politicisation of the bureaucracy. This has led to many evasions utilising legalistic loopholes, administrative inadequacies and contraventions of law. Fourthly, Maharashtra also has a history of social movements with an active role played by its peasantry. Beginning with the awakening among the rural peasantry, initiated by Jotiba Phule through the *Satya Shodhak Samaj*, to the present day *Shetkari Sanghatana*, the platforms for the arguments were quite different so also the arguments but the participants were common to all these movements. Such movements have created positive impact in the form of an intense awareness of the rights and requirements of the peasantry. Though the movements could not cut across the caste stratification, they could ensure the rights of peasantry to a large extent but ironically only of the highly politicised and strong peasant groups could take advantage of this. It was noted by this author in a separate analysis that the sub-marginalisation of peasantry is growing at a faster rate among the Scheduled Castes and Scheduled Tribes as against the other caste groups [Deshpande, 1997]. This clearly shows that the social movements also could not break the social stratification. Lastly, Maharashtra is among the leading states in the process of liberalisation participating with zeal in the programmes opened up due to the New Economic Policy (NEP). It is also a state which has attracted one of the highest amounts of foreign investments. The emerging economic forces in the state will require higher growth in the agricultural sector to deal with the demand forces and the consequent level of commercialisation.<sup>13</sup>

The agrarian changes in response to land reforms along with other institutional changes, and social and economic factors have put the agricultural sector presently at cross roads.

Among the major problems confronting the agricultural sector, the topmost priority has to be accorded to containing the sub-marginalisation of the peasantry. Apart from this, it has become essential to reactivate forces in the rural tenancy market which have been distorted due to the state interventions [Sen, 1981]. The ultra-marginal holdings are increasing at a rate higher than warranted by the current demographic trends. If this trend has to be arrested, then revisit to land reforms is essential to ensure economic floor level size of holding. In theoretical debates with Georgescu Roegen, Dandekar had taken up the issue of creating individual holdings less than optimum production unit [Dandekar, 1962b]. He forewarned throughout the arguments during the 1980s and thereafter about the possibility of non-viable, inefficient small units without proper resource endorsements. It seems that the possibility he then expressed has come close to reality.

Purchase of agricultural land by corporate sector and non-cultivator urban elites has become a recent phenomenon in Maharashtra. This is clearly visible in some coastal districts as well as in the urban hinterlands. The irony of the situation is that such purchases are not easily permissible under the existing land legislations but effectively carried out by making use of some loose ends in the law. If land is being used more economically and if the displaced cultivators are not worse off in their new vocation (if any!), then such purchases need not cause any alarm. However, little evidence is available to substantiate this.

Nadkarni [1976] brought forth the evidence based on the survey data from rural Marathwada about the tenants from dominant classes. We have also seen that the 48th NSS Round confirms the existence of cultivator tenants owning more than 4 hectares of land leased in for the period of more than five years as well as for more than twelve years. Thus, it becomes essential to distinguish between small holder tenants as against the tenants of dominant class. V.M. Rao [1992] argued for providing for an appropriate tax provision and compulsion for recording the tenancy in the village records. However, given the experience of tinkering with land legislations during the first

as well as the second phase of land reforms, such policy imperatives are unlikely to help. Given the present tenancy situation in the state, it is not only the tenant who needs protection but more precisely the landlords (small and marginal holders leasing out land to large holders) who have to be guarded effectively. In the process of liberalisation, it is not unfounded to expect corrections of the imperfect conditions prevailing in the tenancy market. Thus, the existing tenancy legislations can be relaxed in stages to allow the natural functioning of tenancy market.

An important positive gain of the legislations imposing ceiling on land holding and abolishing of intermediaries was the almost total elimination of absentee landlordism. But the pace with which the ceiling legislations were discussed and implemented was slow (slower than required) for the land owning class to make 'necessary' arrangements. Aided by the sufficient loopholes in the law the acquiescence of peasantry to the ceiling laws imposed from above was not very surprising. Now it has become necessary to reconsider the ceiling legislation to effectively stop further fragmentation and increase in the number of uneconomic sized holdings. Further, fragmentation and ceiling on the 'size' of assets (here land), if continued in the agricultural sector even in the present phase of NEP, there is a possibility of strong rural dissent. But at the same time the trend of good agricultural land going out of cultivation needs to be guarded.

Land legislations during the wee years of Independence were comprehended, discussed and framed by the leading freedom fighters, and not many of them felt it necessary to discuss these with farmers who were the likely beneficiaries or sufferers. The situation has changed significantly during the last five decades and the process of decentralised democratisation has taken firm roots in the rural soil. If we contemplate another phase of reforms (it must come now) in response to NEP, it will be neither desirable nor feasible to alienate the peasantry from the decision-making process. Long before, during the sixties Raj Krishna had argued strongly for peasant franchise which is still relevant in this context [Raj Krishna,

1961, p. 256]. There is one essential prerequisite for creating a favourable situation. It is necessary to initiate a debate at the state level (for individual states) culminating into a national level thinking process covering broadly: (i) Protection to lessors and lessees, (ii) Floor level ceiling for prevention of sub-marginalisation, (iii) Reconsideration of ceiling on agriculture holdings and the prevention of fragmentation legislations, (iv) Land for non-agricultural uses, (v) Commercialisation trends in agriculture, (vi) Optimum economic use of village commons, and (vii) Production organisation of the agricultural sector. This decade is likely to bring together some vital issues for consideration and recently a few such national level attempts have taken place [Government of India, 1988; Dhar, 1990; Singh, Haque and Reddy, 1992]. The outcome of this discussion culminates into one important consideration that a fresh look at the changing agrarian structure *vis-a-vis* the development strategy under the NEP, is quite essential. V.M. Rao's comment in this context is quite succinct: 'The policy makers usually spend considerable time and energy in improving the legislative and implementation aspects of land reforms (or any other policy tools). While these are important aspects, the crucial criterion for successful land reforms is the extent to which they form part of a cohesive development strategy, capable of integrating the objective of growth with those of equity and poverty eradication. Without the support of such a strategy, no amount of tinkering with legislation and implementation would be of much help in getting effective land reforms' [Rao, 1992, p. A-57].

## NOTES

1. There are five broad regions in Maharashtra having distinct history of the emergence of agrarian structure. These are:

- (i) Konkan Region: This is a western coastal region consisting of Thane, Raigad, Ratnagiri and Sindhudurg districts.
- (ii) Western Maharashtra: The districts falling in the south western and central Maharashtra which do not form the part of the other regions are included here. The districts included here are: Kolhapur, Solapur, Satara, Sangli, Pune, Ahmednagar and Nashik. The latter three districts actually form central Maharashtra region.
- (iii) Khandesh Region: Includes only two northern districts of Dhule and Jalgaon.

(iv) Marathwada Region: This was a part of the erstwhile Hyderabad State and includes Aurangabad, Jalna, Parbhani, Beed, Nanded, Latur and Osmanabad districts.

(v) Vidarbha Region: This region was in the erstwhile Central Province and Berar. It includes districts of Akola, Amaravati, Buldhana, Yavatmal, Wardha, Nagpur, Chandrapur, Gadchiroli and Bhandara districts.

2. Mohammedan Law of inheritance entitles large number of claimants.

3. The land price fixed was very low and no rationale behind fixing such low price could be traced. It clearly shows derecognition of the market forces while framing the legislations, a point often argued by Dandekar [Dandekar, 1994].

4. Dandekar and Khudanpur [1957] gave a clear picture of this. It was later confirmed and supplemented in an in-depth analysis by Dantwala and Shah [1971]. Even after the second phase of tenancy reforms, the discrepancies continued.

5. Not recording of 'other rights' in the proper column in the village records was a common practice in Marathwada. It was told by a retired deputy collector from the region that there were quite a few villages where there was absolutely not a single protected tenant. A village in Parbhani taluka of Parbhani district was cited as an example. This was mainly due to faulty recording.

6. The intricacies of the Hyderabad tenancy act were explained to me by a high level retired revenue official who worked in the region for all through his career.

7. The condition of land records has been pathetic in the country. The Planning Commission had appointed D.C. Wadhwa as a one man commission on registration of title to land. Wadhwa recommended 'Torrens System' on experimental basis to replace the present presumptive title to land [Wadhwa, 1989].

8. It is interesting to note that the partition could not be easily resorted to by Muslim landlords due to the Mohammedan Law, except for *Inam* lands. As a result, Muslim landlords could not circumvent the ceiling laws as easily as was done by the Hindus.

9. The terms of lease are also undergoing significant changes in the state. The NSS 48th Round reported 36.17 per cent of the total tenancy area under fixed cash rent and only 6.52 per cent area under rent in terms of fixed product. The share of produce forms the second preference among the terms of tenancy. But the share tenancy contract was more common during the seventies (26th Round) [NSSO, 1975]. Dogra [1991] analysed the economic reasons for such shifts, as seen from the literature.

10. Size of land holdings in Yavatmal was large mainly due to existence of money-lenders, *Mali Patils* and *Deshmukhs*. We have not seen any analysis of the intervention of caste as a social operand in changing agrarian structure in Maharashtra. It must be noted that the hypothesis pertaining to changes in the caste dominant use of resource structure is quite relevant in Maharashtra. Thirummaiah and Aziz [1983] analysed this unique hypothesis in the context of Karnataka.

11. Commercialisation of agriculture is noted in the case of Parbhani District.

12. Section 63 (a) and (b) of the Bombay Tenancy and Agricultural Lands Act, 1948 incorporates that - with a view to eliminating further absentee landlordism, no sale, gift,

exchange, or lease of any land or interest therein to a person who is a non-agriculturist or who is not an agricultural labourer be allowed. The Collector however, is authorised to grant permission for such transactions.

13. Lipton [1974] has given a theoretical setting for the process of land reforms in developing countries. The context is changing very fast with the relaxation of the Urban Land Ceiling Act being already on cards.

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# THE POLITICAL DYNAMICS OF GRASSROOTS ENVIRONMENT - DEVELOPMENT STRUGGLES: THE CASE STUDY OF THE STRUGGLE AGAINST THE ENRON POWER PROJECT

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*This paper follows up with the paper by the same author published in the July-September 1997 issue of this Journal. This paper is also divided into two main parts. In Part I, a framework for analysis of struggles by local communities against development projects is discussed in brief. This framework has already been discussed in detail in the earlier paper mentioned before.*

*In Part II of this paper, the struggle against the Enron power project by local communities in the Ratnagiri district of Maharashtra state is analysed at some length. Following the framework described in Part I, the discussion in Part II elaborates, first, on the details of the project and the contentious issues and, then, on the main actors in the controversy. It also presents a brief chronology of major events in the grassroots struggle. Finally, using the seven steps outlined in the framework, the discussion in Part II systematically analyses the political dynamics of the struggle in order to understand the failure of the movement to discontinue the project.*

## INTRODUCTION

The mainstream concept of development, its theories as well as the mainstream development programmes and policies have been contested and criticised since long. The debate on the theoretical and practical aspects of what is often called the conventional model of development is now almost three decades old. In the first decade, the debate was focused more on social issues especially poverty, equity and justice. However, in the last two decades, the environmental or resource dimension of development has also been given the centre stage. Now, the basic and widely accepted theme of current debate on 'sustainable' development is the 'interlocking nature' of social and environmental crises. While the theoretical debate on enviro-development issues matured through these stages, the resistance to the conventional development model at practical level has also come a long way. Initially, the struggles of rural and tribal communities against development projects and policies were less in number and sporadic in frequency. The demands made by these struggles were largely focused either on correcting the administrative or procedural shortcomings in the rehabilitation process or on expansion of compensation packages. Gradually, with the continued disillusionment with development and with the massive increase in scale of

encroachment (both in quantitative and qualitative sense) on natural resources in rural areas by development projects, the frequency and nature of resistance changed. The instances of resistance to individual development projects as well as acts of revolts by rural and tribal communities not just increased in number but also became a wide-spread phenomenon in the developing world. Similarly, the demands raised by these communities were no longer restricted to compensation or resettlement, but the resisting communities started questioning the rationale and the need of these projects as well as demanding a review, abandonment or scrapping of the projects. In many instances, the struggles went a step ahead and started demanding for *paryayi vikas neetee* (alternative development policy) and re-establishment of their right over local natural resources. In fact, the equation between the intelligentsia involved in the debate and the communities and masses waging struggles does also seem to be gradually changing. Initially, these communities used to look up to sympathetic elements in the intelligentsia for support, help and legitimacy. However, with the fall of the Soviet Union and proclamation by the American President of a new unipolar world order, not only the left radicals but even the liberal elements in the intelligentsia are on the retreat. Instead, in the

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new age of LPG\* (liberalisation, privatisation and globalisation), the conservative, pro-market elements led by the World Bank and the International Monetary Fund are on the assault. As a result, the resistance movements, stronger in political power and richer in the substantive content of their resistance, are now being increasingly looked up to as source not only of support and strength but also of legitimacy by some liberal and radical elements of the intelligentsia. Considering this important role these struggles are playing, it is necessary that both their dynamics and substantive contents are made subjects of detailed and systematic study by researchers working on development issues. This paper essentially analyses one such resistance movement.

#### PART I: THE FRAMEWORK: A BRIEF RUN-UP

Any systematic and detailed analysis would, in the first phase, require a comprehensive, versatile and appropriate framework. Such framework is presented here in this part of the paper in brief. This framework has been described in detail in an earlier paper [Wagle, 1997].

#### *The Objective*

The goal is to develop a versatile framework that is helpful for theoretical as well as applied purposes. In short, the objectives in developing this framework are as follows:

- (i) For a researcher with theoretical interests, the framework should facilitate understanding of the otherwise confusing mosaic of events surrounding the controversial development project or policy.
- (ii) The framework should answer the concerns of an activist or of members of the communities threatened by development projects.
- (iii) The framework should enable the investigator to focus on the grassroots struggle.

#### *The Underlying Theoretical Perspective*

The proposed framework for analysis of grassroots struggles is founded on a certain theoretical perspective on this debate which is articulated here. The perspective underlying the proposed framework essentially views the debate on development and environment in terms of four standpoints on development: conventional, moderate or reformist, radical, and grassroots or livelihoods.

The conventional development model relies mainly on modern science and technology, free-market economics, modernisation of societies, and western-style organisation of the state.<sup>1</sup> In short, the conventional standpoint visualises development as transition of the erstwhile colonised countries from their '*traditional and pre-industrial*' stage to the '*modern-industrial*' stage.<sup>2</sup> Subsequently, the radical and reformist standpoints emerged as reactions to theoretical shortcomings and practical failures of the conventional development model. Both are defined by their disagreement with certain aspects of the conventional development model, although there are significant substantive differences between the two standpoints, radical and reformist. The reformist standpoint adopts a moderate theoretical position arguing that certain aspects of the conventional model are problematic [Meadows, Meadows and Randers 1992; Pearce, Markandeya and Barbier 1989; WCED 1987]. While the reformist perspective finds nothing essentially wrong with the core ideas and concepts of the conventional model, it sees the need for appropriate corrective measures to address the problems accompanying development.

In contrast, the radical standpoint proposes that there are fundamental problems with the conventional development model and the practices that emerge from it.<sup>3</sup> These problems cannot be resolved through reform, according to the radical standpoint, because they stem from inherent contradictions in the idea and practice of development itself. If these problems are to be addressed, an entirely different development

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\* A glossary giving expanded forms of abbreviations is given at the end of the paper.

model must be followed. Though there is a near-total consensus on this basic diagnosis, the radical prescriptions are an eclectic mix of Marxist, Gandhian, ecological, feminist and anarchist propositions.

According to the classification scheme, there is a fourth standpoint - the grassroots or livelihoods standpoint - which is distinct from these earlier three standpoints [Bandopadhyay and Shiva, 1987, 1989a, 1989b; Gadgil and Guha, 1994; Taylor, 1995]. The standpoint on development that emerges from the experiences of grassroots people whose livelihoods are under threat from development or have already been destroyed by development is identified here as the grassroots or livelihoods standpoint. In contrast with the three theoretical standpoints discussed before, the grassroots standpoint does not originate as a theoretical position or political rationale. It is rather defined by the experience of development by grassroots people. The grassroots standpoint has not yet been articulated in terms of either theoretical propositions or practical examples. This standpoint is, however, often expressed in the resistance of grassroots communities to development.

To sum up, currently the theory and practice of development are dominated by theoretical standpoints. The conventional development model has gathered substantial ideological, economic and political support. Yet, crises of development and environment remain pervasive in the developing world. As a response to the theoretical and practical failures of the conventional development standpoint, various theoretical formulations representing the reformist and radical standpoints have emerged sparking a vigorous intellectual and political debate. However, missing from this debate is the grassroots standpoint that is rooted in the lives of people threatened by development.

#### *Definitions of the Concepts Used*

Four important concepts to be used in constructing the framework of analysis hereafter are

defined in this section in a detailed manner: the grassroots, the grassroots struggle, the macro-system and the grassroots initiative.

As mentioned before the term grassroots is used here to refer to rural people and their communities to indicate that they do not have any influence over decision-making process. Moreover, it is also used to emphasise that these people survive and earn their livelihood largely by depending on self-labour and skills, inherited knowledge, natural resources in the surrounding areas, cultural traditions and social norms of the community.

The term grassroots enviro-development struggle is defined here in terms of three distinguishing characteristics: (a) it involves some political movement against a particular project or policy that is claimed to bring 'development' to some area; (b) more importantly, this movement involves resistance by a community or a group of people whose livelihood, culture or habitat is/are threatened by the proposed development project or policy; and (c) most importantly, the livelihood-related concerns of grassroots people are at the top of the agenda of the struggle.

The term macro-system is used here not to convey an idea of a cohesive, homogeneous or monolithic system guided by one single entity having and implementing its own well-articulated design. Rather, it means an ensemble of individuals, organisations and institutions that emerged from or are connected with the conventional development theory and practice. The macro-system is guided by a common epistemology and by a set of common norms, values, laws and regulations. Furthermore, its material base is created and nurtured by the economic and political systems that are products of the conventional development standpoint discussed earlier. These commonalities bind various elements of the macro-system together to work toward an over-arching common purpose.

The grassroots initiative is defined as a well-coagulated alliance of individuals and organisations who set aside certain differences among themselves, in order to address a shared sense of

threat from development projects or policies.<sup>4</sup> The coagulation is achieved by arriving at an adequate level of concordance over objectives, principles and strategies through participation in the initial stages of the struggle. Within the grassroots initiative (henceforth referred to as 'the initiative'), there are adequately defined and properly functioning decision-making mechanisms and implementing structures that are largely dependent on the grassroots communities and are independent of the macro-system. The grassroots initiative is distinguished from reformist and radical elements criticising and opposing the same project on the basis of two defining characteristics: (a) its first and primary commitment lies with the livelihood-related concerns of the threatened grassroots people and community, as well as the demands and agendas that emerge from these concerns; and (b) its primary source of strength is support from and participation of the threatened people and community in the struggle (reformers and radicals may be allies but are not primary actors or reliable sources of strengths for a grassroots initiative).

*The Components of the Framework: Primary Components*

The framework is structured here in the form of four components: (a) a brief review of the project and the controversial issues; (b) the chronology of events; (c) the main actors or players that are directly or indirectly connected with the grassroots struggle; and (d) the phases of evolution of the struggle. The first three are called preliminary components mainly because they provide a foundation for the fourth component which involves analysis of the dynamics of the struggle.

As a context for analysis of dynamics of the struggle, a brief background description of the project details as well as the controversial issues and objections against the project is provided. The dynamic strategies, actions, and reactions of various actors that are behind the actual events are closely linked to the support extended by these actors to various positions in the debate over substantive issues. Thus, the substantive issues and the dynamics of the struggle have close

connections. Hence, a brief background review of the project and the controversial issues is necessary to understand the events in the struggle.

The chronology of events is the second step in the analysis of grassroots struggles. As mentioned before, the paucity of authentic documents and the lack of literature with organised information create confusion. Hence, in the initial stages of analysis, a systematic chronology is an important tool. First, it provides an overall picture of the struggle. Second, it helps to discern certain patterns in the actions and reactions of various actors and, hence, to understand their underlying rationales.

The analytical framework views grassroots struggles essentially as a conflict between the threatened communities and the grassroots initiative, on the one side, and the macro-system agencies and institutions supporting the development projects, on the other. There are other actors in the controversies pursuing their interests. Following this approach, various actors and players are grouped on the basis of their interests and motivations.

Thus, in grassroots struggles, several, if not all, of the following six major categories of actors are normally involved:

- (i) communities or groups of people whose livelihood, habitats, or cultures are threatened by the project;
- (ii) activists and their groups working in collaboration with threatened communities in their struggle;
- (iii) the pro-project elements largely from the mainstream of the macro-system;
- (iv) reformers from within the macro-system who, for a variety of reasons, criticise and want to modify the project by changing one or more aspects of the controversial project or policy;
- (v) some groups or organisations, mostly from the fringes of the macro-system, who use the controversy to demand fundamental restructuring of the development paradigm and the processes involved and, hence,

support the community and the grassroots initiative (these actors will be referred to as radical critics);

- (vi) regulatory or judicial institutions within the macro-system that are supposed to be neutral and act as arbitrators to sort out conflicts on different issues and at different levels (e.g., tribunals, courts, commissions, etc.).

#### *Analysis of the Dynamics of Grassroots Struggles*

The dynamics of the grassroots struggle is viewed in this framework in the form of successive phases through which grassroots struggles against development projects would normally evolve. There are seven phases in this framework

that are divided into three groups: formative phases, confrontation phases and decisive phases. Table 1 lists the seven phases aggregated into three groups and some of the major developments in the struggles during the phase. For the initiative, each phase represents a different stage of struggle requiring different kinds of resources, support-systems, skills and strategies. As can be seen from Table 1, each phase in the sequence represents a major step in the evolution of the struggle gradually moving toward culmination in the final phase. In the final phase, the initiative may be successful in forcing the macro-system to accept an alternative to the project that is more or less commensurate with the grassroots standpoint.

**Table 1. Seven Phases in Evolution of Grassroots Struggles**

Group /Phase Name (1)	Major Development in the Phase (2)
<i>Formative Phases</i>	
1. Project Design and Consolidation	Macro-System completes all aspects of project design and consolidates the project politically. The grassroots communities are still in the dark.
2. Emergence of the Grassroots Initiative	From initial resistance at the grassroots level, a grassroots initiative-committed to the livelihood concerns - emerges.
<i>Confrontation Phases</i>	
3. Establishment of Credibility	The initiative has to struggle to establish its credibility and authenticity as well as genuineness of its concerns.
4. Agenda Setting	While the initiative struggles to expand the agenda to include its own concerns, the macro-system tries to narrow it down to minor project design or procedure related issues.
5. Eruption of Struggle	Both, the initiative and the macro-system, engage in intense struggle through debate and political action.
<i>Decisive Phases</i>	
6. Resolution	Under pressure, the macro-system accepts and initiates efforts for resolution of the struggle by appointing some arbitrating authority.
7. Search for Alternatives	The initiative demands implementation of an alternative that addresses the concerns and demands of the grassroots communities.

Source: Reproduced from [Wagle, 1997]



Table 2. Simplified Matrix Form of Framework

Phase (1)	Threatened Communities (2)	Community Level Activists (3)	Radical Elements (4)	Mainstream Macro- System (5)	Reformist Critics (6)	Regulatory Institutions (7)
Project Design- Consolidation	Not Active	Not Active	Not Active	Active	Not Active	Not Active
Emergence of the Initiative	Active	Active	Modest Activity	Active	Modest Activity	Not Active
Establishment of Credibility	Active	Active	Modest Activity	Active	Modest Activity	Not Active
Agenda Setting	Active	Active	Modest Activity	Active	Modest Activity	Not Active
Eruption of the Struggle	Active	Active	Active	Active	Active	Modest Activity
Resolution Efforts	Active	Active	Active	Active	Active	Active
Search for Alternatives	Active	Active	Active	Active	Active	Modest Activity

Source: Same as for Table 1.

The last two components of the framework - the six categories of actors and the seven phases - are put together to make the framework more user-friendly. Table 2 presents the framework in a simplified matrix form with the two axes. While the seven phases are on one axis, the actors classified in six different categories are on the other axis of the framework. In analysing the actual struggles, the table helps identify the motives of the actors and their support to either of the two main adversaries: the threatened community and the initiative, on the one hand, and the macro-system on the other. Each cell in the table represents a set of actions by the particular actor in that particular phase. This table also indicates whether actors in a particular category are typically active, not active, or moderately active in a particular phase. This simplified format can be helpful especially in the initial stage of analysis as a template to place the actual events at appropriate locations so that a consistent and coherent picture of the struggle under study could be created.

## PART II: THE CONTROVERSY OVER THE ENRON PROJECT

This part of the paper deals with the second case-study, viz., that of the controversy over the Enron power project. While this controversy is

quite recent, it too has attracted international attention. The author has been closely studying the controversy from its emergence in 1993. Prayas (a voluntary organisation in India with which the author is associated) has been an important player in the controversy. The Prayas team conducted a detailed analysis of the power purchase agreement, worked on related policy issues, provided analytical support to the grassroots and other groups critical of the project, and, at one stage, lobbied the Maharashtra state government to cancel the project. During these activities, the author had the opportunity to develop a close rapport with grassroots activists, and worked closely with individuals and organisations supporting the activists' agenda. This close association with the grassroots activists as well as the opportunity to interact with various sectors of the macro-system provided a valuable vantage point to study the controversy.

This part is divided into four sections: the first section provides a brief background on the current state of the power sector in the state of Maharashtra; the second section provides a background on the project and the controversial issues; the third section describes main actors and presents a brief chronology of events; and the fourth section is devoted to an analysis of the dynamics

of the controversy that relies on the development controversy framework, discussed briefly in the earlier section.

#### THE POWER SECTOR IN THE STATE OF MAHARASHTRA

Before Independence, the power (electricity) sector in the state of Maharashtra was totally in private hands. The Tata group of companies and some other private companies were in the business of generating electricity and distributing it in the city of Mumbai. Similarly, there were large and small private companies spread throughout the state generating and distributing electricity mainly to the cities and towns and areas around them. After Independence, the sector was brought under public domain with a few exceptions. (There are two private companies in the business of generation and distribution of electricity in the city of Mumbai). The real boost to the growth of the power sector in the state came only after formation of the state of Maharashtra in 1960. The Maharashtra State Electricity Board (MSEB), an autonomous government body, was constituted to take over all the three major functions within the power sector in the state - generation, transmission and distribution. The MSEB was entrusted with the task of increasing the generation capacity of the state, extending the electrical grid to the rural areas and supplying electricity to farmers and poor households at subsidised rates. At the national level, the power sector is regulated by an autonomous organisation, called the Central Electricity Authority (CEA). The entire country is divided into regional grids, the state of Maharashtra being part of the Western grid along with Gujarat, Madhya Pradesh and Goa. The CEA, through its regional office in Mumbai, regulates the Western grid. In addition, there are some power generation organisations in the central public sector, including the National Thermal Power Corporation (NTPC) and the National Hydro Power Corporation (NHPC). Each state receives some pre-determined share of the electricity generated by these corporations (against set payments).

In the thirty-four years after the formation of the state, the total installed capacity in the state has grown from 759 megawatts (MW) to 9,414 MW.<sup>5</sup> The source-wise breakdown of electricity generated in 1994 was: 72 per cent thermal, 21 per cent hydro, 4 per cent natural gas and 3 per cent nuclear. In 1994, the average cost of generation of hydropower in the state was Rs 0.06 per kWh, whereas that of thermal power was about Rs 0.4 per kWh. The MSEB supplies this electricity to 9.8 million consumers in the state. The per capita electricity consumption in the state is 418 kWh per annum, whereas the national average is just 201 kWh. About 50 per cent of the electricity is consumed by industrial and commercial establishments in the state, whereas the share of the agriculture and household sectors are 23 per cent and 15 per cent, respectively. The MSEB is one of the few State Electricity Boards (SEBs) which until recently had been successful in making profits as well as in performing its social obligations. According to MSEB claims, every village in the state has been 'electrified'. It also boasts of one of the highest per capita consumption rates in the country. The power situation in the state has been satisfactory until now by Indian standards. There are no abnormal shortages or brown-outs.

But all is certainly not well with the power sector in the state. In fact, the state power sector, like all the other SEBs, is facing a series of crises. Currently, the state sector is plagued with four crises: a capital crisis, a performance crisis, an equity crisis and an environmental crisis [Sant and Dixit, 1994, Pp. 1-5]. The MSEB, much like its counterparts in other states, is in dire financial straits while it is simultaneously under severe pressure to increase capacity. The demand for electricity in the state is expected to increase at the rate of about 7 per cent to 9 per cent per annum. The MSEB has failed to collect arrears of about Rs 750 crore from its defaulting customers. The subsidy provided to agriculture sector costs the MSEB about Rs 1,200 crore per year. As a result, one of the usual sources of finance for future electricity growth - revenues from customers - has failed completely to meet the needs of the state utility. Financial support from the

government is already high (about 25 per cent of the state's development plan), there is no possibility of any significant rise in the future. Multilateral agencies, such as the World Bank, have already ruled out any possibility of providing finances for projected capacity additions.

Along with this financial crisis, the entire power sector is facing an equally severe performance crisis. The dismal internal efficiency of the MSEB is reflected in the fact that total losses (technical and commercial) are estimated to be more than one-fifth of its generation. There is vast scope for improving the technical efficiency of the generation plants as well as that of transmission and distribution networks. The MSEB is also suffering from 'commercial losses', which in plain language mean thefts, the total volume of which is not known. The thefts, corruption, and lax performance are often attributed to the political interference in the MSEB's policy decisions and daily functioning, at all levels. Though it is supposedly autonomous, the MSEB is largely run as a government department making its functionaries susceptible to pressures from other government departments and political bosses.

Coming to the equity crisis, although the MSEB claims that 100 per cent of villages are electrified, in reality only about 50 per cent of households in the state are electrified. Moreover, while about Rs 1,200 crore are spent every year on subsidising the electricity consumed by the agriculture sector, only 15 per cent of farmers in the state have access to electricity for their agricultural operations [Sant and Dixit, 1996]. A recent study of electricity consumption by agricultural pump-sets (the main consumer of power in agriculture sector) estimated that 80 per cent of the subsidy allotted to the agriculture sector is consumed by a small number of farmers who constitute about 2 per cent of the total number of farmers in the state [Sant and Dixit, 1996].

The environmental implications and costs - termed here as the environmental crisis - involved in the prevailing power policies had not been discussed much, until recently. The environmental hazards of coal-burning thermal plants

and notoriously unsafe nuclear plants are well known. The Tarapur Atomic Power Station (TAPS) in the state is described as 'the world's most polluting' nuclear plant in operation [Pereira, Sule and Mehta, 1994b, p. 4]. Even comparatively 'clean' energy sources such as hydro and natural gas have become the targets of environmental objections in the context of recent controversies, such as the Narmada dam project and the Enron project.

These four crises could be attributed largely to the particular policy approach adopted by the power (electricity) sector organisations in India, in general, and by the MSEB, in particular. The conventional standpoint charting the development path of the state is widely reflected in the power policies. A. K. N. Reddy has described this conventional policy approach in the power sector as the 'GROSSCON' approach: it is Growth-Oriented, Supply-Sided, and Consumption-directed approach [Reddy, 1990]. In this approach, instead of social development, macro-economic growth becomes the main objective of power policies. Similarly, this approach involves a single-minded emphasis on increasing electricity consumption and neglects, in the process, other ways of delivering energy services such as conservation. Further, the main strategy of the power policies for attaining economic growth is maximum possible increases in electricity supply, as if there is a direct linear relationship between development, economic growth, and the supply of electricity [Sakal (Marathi), June 12, 1995; Basalla, 1980]. And, finally, as a result, the increase in electricity consumption becomes the norm for power sector policies. The single-minded preoccupation with maximising electricity supply requires more and increasingly larger power plants that are built at increasingly faster rates.

The current diagnosis of the power sector's crises by the mainstream focuses on capital shortages and state ownership of the power sector, as the main causes of the crises. The other crises, especially the equity crisis are overlooked. The diagnosis that state ownership as the root cause of the problem is superficial. There is no reason

to believe that unregulated private sector power enterprises will be better managers than the unregulated public sector power institutions. Privatisation of the power sector may increase performance at the level of generating utility (i.e., as a private firm, competing with others to supply electricity) but this need not necessarily improve performance of the power sector as a whole, especially from the perspective of the society at large. And even the proposition, that increasing the supply of electricity by bringing in private power producers will resolve the capital crisis, seems problematic. Because of the high costs of the borrowed private (largely foreign) capital, imported technology, imported fuels, and very high profit margins demanded by foreign companies, private power enterprises can be expected at best to postpone the capital crisis and, at worst, further jeopardise the already precarious financial health of power sector. Further, because private companies will not have social obligations of the kind expected from public sector enterprises, the equity crisis will be further exacerbated.

However, mainstream decision-makers either fail to realise these dangers or regard them as 'separate issues'. As a result, the conventional solutions, like the Enron power project, are still pursued. The Enron project involves a 2,450 MW power plant with payment of high risk premium to foreign private capital, loss of livelihood for rural communities displaced by the project, and the beginning of a process of abandonment by the state of social obligations to provide universal and affordable access to electricity.

#### THE PROJECT AND THE CONTROVERSIAL ISSUES

This section of the paper provides an overall background to the controversy including information on the project, the first power purchase agreement between the state government agency and Enron, and concerns and contentious issues debated in the controversy. It first introduces the original project proposal and the power purchase agreement. Then, the concerns and objections of local people, along with the ecological and social contexts from which these concerns emerge, are

discussed. Finally, it provides a brief account of the objections that emerged from reformers within the macro-system.

#### *The Project and the Power Purchase Agreement (PPA)*

The Enron project is a product of the new economic policy (NEP), and the concomitant liberalisation and privatisation of the power sector which was initiated by the Government of India in October 1991. As mentioned earlier, privatisation was championed by the state and central governments and mainstream experts in response to the multiple crises in the power sector. The capital-starved governments, under pressure to expand the power sector multi-fold in a short period, realised that the two hitherto main sources of finance - multilateral development banks and revenue from electricity tariffs - could not anymore be relied upon for future investments in the sector. What is more, the state and the central governments also realised that indigenous private capital would be inadequate to satisfy the massive investments required for ambitious growth plans. In this situation, the state and the central governments concluded that the only possible way out would be to invite foreign private capital to invest in the power sector.

The Enron project is the largest of the first batch of eight 'fast-track' power projects with foreign private capital that have been cleared by the Government of India (GOI).<sup>6</sup> The GOI has also provided counter-guarantees to investors in these projects, in addition to the guarantees which were received from the respective state governments. These guarantees assure foreign investors that the respective governments will pay outstanding payments, in case the respective state electricity boards (SEBs) fail to pay.

Enron Development Corporation, an American multinational corporation, signed a Memorandum of Understanding (MOU) with the state government of Maharashtra (GOM) on June 20, 1992 for construction and operation of a thermal power project [Samant, 1995]. The planned capacity of this single plant - 2,000 megawatts -

was about one fifth of the entire installed capacity in the state at that time. In April 1993, two other American multinational corporations (MNCs) - Bechtel Enterprises and General Electric Company (GE) - joined hands with Enron Corporation to form a company called Dabhol Power Company (DPC) that was registered under the Indian Company's Act 1956. (DPC and Enron are used interchangeably in this paper as officials of the US multinational corporation still conduct affairs of DPC). The shares of Enron, Bechtel and GE in the equity of DPC are in the proportion of 80 per cent, 10 per cent and 10 per cent, respectively. On December 8, 1993, Dabhol Power Company entered into a power purchase agreement (PPA) with MSEB.

According to the first power purchase agreement, DPC would build a thermal power plant using combined cycle gas turbine (CCGT) technology. The project, according to the original PPA, was to have a total installed capacity of 2,015 megawatts divided into two phases of 695 MW and 1,320 MW, respectively. In the initial two-year period, the project was to rely on distillate oil as fuel until natural gas becomes available. The natural gas was to be imported from Qatar where Enron Corporation had developed gas fields. It would be brought in liquefied form by sea route using special tankers. The total capital cost of the project was estimated at about 9,050 crore of Indian rupees (i.e., \$ 2.83 billion) or about \$1.4 million per MW [Pereira, Sule and Mehta, 1994b, p. 8]. The respective share of Phase I and Phase II capital costs were estimated as Rs 2,912 crore (\$ 0.91 billion) and Rs 6,144 crore (\$ 1.92 billion).

The plant was to be erected at a site about 250 kilometers south of Mumbai on the western coast of India. The actual site is near the port of Dabhol, but on the other side of the estuary formed by the river Vashishthi meeting the Arabian Sea. The villages that would be directly affected by the project are Anjanvel (especially the hamlets of Katalwadi and Borbhatlewadi), Veldur, and Ranvi. These villages come under the administrative jurisdiction of taluka (sub-district administrative unit) Guhagar and district Ratnagiri.

About 700 hectares of land was to be acquired from these three villages. According to the Environmental Impact Assessment (EIA) report submitted by the DPC, about 2,000 persons would be displaced [Pereira, Sule and Mehta, 1994b, p. 20].

The Power Purchase Agreement between the MSEB and DPC is the critical document which defines many important details of the project. It was kept secret for about fifteen months by both, the DPC and the state government, despite persistent demands to make it public.<sup>7</sup> The salient features of the agreement are:

- (a) It was a 'Build, Own and Operate (BOO)' type agreement.
- (b) The MSEB would buy power from DPC at a negotiated tariff for 20 years.
- (c) DPC would construct the Phase I plant with a capacity of 695 MW (625 MW base load and 70 MW peak load) in 33 months after financial closure is effected.
- (d) DPC assured 90 per cent (time) availability of the plant.
- (e) A two-part tariff would be used to calculate the amount of payment due to DPC. The two components would be: energy charges (cost of fuel and other related costs), and capacity charges (capital recovery charge, operation and maintenance cost, insurance and other related costs).
- (f) The tariff would be calculated on the basis of 44.9 per cent efficiency for base load operation and 28.1 per cent for peak load operation.
- (g) Cost of the fuel would be passed on to the MSEB. However, responsibility of securing the least cost supply of fuel rests with an Enron subsidiary against the payment of \$2.5 million per year.
- (h) The Government of India's new policy directions (restricting return on equity to 16 per cent) would not be applicable to this project. Hence, the profitability of the project is entirely governed by the (secretly) negotiated tariff.

While the invitation to foreign capital to enter India's power sector was in response to the perceived crisis of capital, the entry of multinational corporations in the sector has essentially been seen as a positive step towards development in this era of NEP. Advanced technology and efficient organisational management (as opposed to bureaucratic organisation and out-of-date technologies which are seen by the NEP advocates as pervasive in Indian power sector), brought in by MNCs, will result in the desired fast and ambitious growth in the power sector providing a much-delayed boost to industry. This, according to the logic of the underlying conventional development paradigm, will usher in a new era of prosperity to all. In this scenario, the DPC project has a special role to play. It is the first project with foreign private capital not just in the power sector but in any core sectors, which are now being gradually liberalised. As subsequent discussion will document, the macro-system has accorded the project substantial attention and support.

*Concerns of the Grassroots People Threatened by the Project*

The MSEB pamphlet, published to inform people of the state about the Enron project, ends with a poem describing Dabhol as the new center of pilgrimage and describing how the plant will serve everybody while turning the entire Konkan region green and prosperous [MSEB, Undated]. This was the promise of Enron project, especially to the people in the Konkan region.

Before a discussion of the reactions and concerns of the affected communities, two subsections provide background information on the environment, the lives and the lifestyles of local people, which form the basis of their concerns about the impacts of the Enron project.

*(a) The Locale, the People, and their Lifestyles:*

The narrow strip of coastline of the state of Maharashtra sandwiched between the mountain ranges of the Western Ghats and the Arabian Sea is called Konkan. Konkan is blessed with medium

to thin covers of fertile, mineral-rich soil, ample rainfall, a large number of streams and rivers, close proximity to the sea, and climatic conditions conducive for diverse flora throughout the year. As a result, the eco-system is endowed with a diversity of crops, horticultural plants, forest species, as well as wildlife. The marine eco-system on the coast of Konkan is similarly abundant and diverse in life-forms upon which fishing communities in the coastal areas have subsisted for centuries [Pereira, Sule and Mehta, 1994b].

The people of Konkan have lived austere but enriched lives for centuries using the gifts of nature in a prudent manner. They have not adopted intensive agriculture as the main source of their livelihood because the local eco-system is not suited for it. Instead, they have relied on a combination of sources for satisfying their livelihood needs including agriculture, horticulture and a wide range of forest and marine products. Their immense knowledge of the local ecological system, accumulated over generations, has taught them how to make use of these gifts without endangering the natural system itself. For example, for centuries, local people have been relying on manure and ash from burning twigs and branches as the major sources of nutrition for their agricultural crops. For about two decades, they have been resisting the efforts of the macro-system to convince them to substitute these sustainable practices with abundant use of chemical fertilisers and pesticides in order to increase 'productivity' of their crops. Local people have valid reasons for resisting the fertiliser and pesticide based techniques. The mineral-enriched soil in the region and the porous laterite stone layers underneath have very high water draining capability which enables the soil to grow crops even during the season of heavy rains. However, with these soil conditions, intensive use of chemical fertilisers and pesticides - as prescribed by the protagonists of 'modern' agriculture - is an invitation for ecological disaster. Applied in this geological situation, the toxic and hazardous chemicals in fertilisers and pesticides, after seeping down through the porous soil and stone layers, would cause chemical



contamination of large land-areas, streams, underground water bodies, sea coast and the sea water, endangering the entire land and marine eco-system.

But this wisdom and prudence is regarded by mainstream officials and experts as 'stubbornness' and 'backwardness' of the 'lazy' and 'ignorant' Konkani farmer. Their austere lifestyle involving sustainable use of soil, water, forests, trees and marine resources is termed as under-development. The state and central governments, academics, bureaucrats, industrialists and even media representatives, following the tenets of the conventional development standpoint, have supported calls for 'developing' Konkani and are joined by the sons and daughters of Konkani who have migrated to the cities and have been 'successfully integrated' into the mainstream.<sup>8</sup> With these sources of support, the macro-system has now decided to 'industrialise' the entire region by making maximum use of its natural resources.<sup>9</sup> It is claimed that about Rs 60,000 crore worth of investment would flow in Konkani in near future [Damle 1995, Pp. 32-35].

*(b) Past Actions of the Macro-System and Resistance by Local People:*

But, for Konkani, this is not the first threat to its natural resources. From the late nineteenth century, the British colonial enterprises were siphoning off forest resources (mainly timber) from the region. Because of the resultant loss of agricultural productivity, they were also successful in weaning away a large chunk of the male population to work in textile mills in the newly developing metropolis of Mumbai. However, the real blow came during the World War II, when the British government destroyed large tracts of 'public' forests leaving behind only a few 'private' and sacred forests.<sup>10</sup> With Independence from the British rule came 'development'. The first major project in the area was a large dam on the Koyna river in the higher ridges of the Western Ghats submerging large and heavily forested areas. Most of the rich wildlife in the submerged forest area simply perished but some sturdier and more mobile and flexible species, like monkeys

and wild boars, spilled over and spread into the northern part of Konkani. Since then, the increased population of monkeys has been responsible for large-scale destruction of horticultural crops which have been the mainstay of the local economy. On the other hand, the marauding hoards of wild boars have made it virtually impossible for farmers to plant the second agricultural crop after the rainy-season [Pereira, Sule and Mehta, 1994b, p. 15].

In the late 1970s, Maharashtra Industrial Development Corporation (MIDC), a GOM agency, developed an industrial area on the mountain-top plateau near the village of Lote which is situated about fifty kilometers from these three villages along the Vashishthi river. A news report in the *Times of India* (dated April 10, 1994) described the situation prevailing in the area thus:

Near the Lote-Parshuram industrial estate in Khed taluka, sprawling over 500 hectares, streams have been polluted, drinking water (has been) severely contaminated, and yields of mango and other crops (have been) affected. There has been no assessment of the damage to the environment from pollution by over 100 chemical units and the local people are quite fed up, having taken the issue up with the authorities several times. Local villagers said that the government is (acting) like the British (government) in the old days. It (the British government) started with getting small areas and, finally, the British took over entire country. The same scenario is confronting the villagers now, with the avowed intention of the government to expand Konkani as an industrial base [Menon, 1994a].

In recent times, there have been many attempts by industries to establish plants in Ratnagiri district to which there has been increasing resistance from the local farmers. A few years ago, farmers from Jaigad area (south of Guhagar) successfully resisted the plans of establishing a petrochemical complex in their area [Menon, 1994a]. The citizens of the city of Ratnagiri and horticulturists from the vicinity successfully compelled Sterlite Industries and the supportive state government to abandon the construction of

a copper smelting plant, using the weapon of excommunication. In Ranpar village near Ratnagiri, Finolex Industries has commissioned its chemical plant, despite opposition from the local farmers. However, it is now facing many problems due to the continued resistance by villagers from the area [Indulakar, 1995, Pp. 20-22].

*(c) Concerns and Objections of the Affected Communities:*

By early 1994, Enron had selected the site for its plant and a public debate on the merits and impacts of the project was underway. A local daily reported a brief visit by high ranking Enron officials who arrived by helicopter at the site and assured villagers that the project would not have any adverse impact on the environment, and promised those who would lose their lands that they would be handsomely compensated [*Sagar* (Marathi), April 3, 1994]. The establishment of DPC's district office at Guhagar was also reported.

By this time, individuals, groups and organisations from within the macro-system had started criticising the project on several counts (see the following section for a discussion on the objections and criticisms from the reformist standpoint). Out of these, two sets of objections were related to the local situation: objections regarding destruction of the local environment and those about displacement of the local population. DPC, MSEB and the GOM also came out with their responses regarding these two categories of objections.<sup>11</sup> Brahme [1994], Pereira, Sule and Mehta [1994a, 1994b] and Samaj Vidnyan Akadami [1995] have provided detailed counter-arguments to these responses from the pro-project elements.<sup>12</sup> Pereira, Sule and Mehta have also presented a detailed analysis of the Environmental Impact Assessment report submitted by Enron, exposing many incorrect statements, faulty interpretations and biased conclusions. They have demonstrated how the allegedly scientific EIA studies were manipulated to justify the project [Pereira, Sule and Mehta, 1994b, Pp. 24-29].<sup>13</sup> Ironically, contrary to this debate, the local people had no such categorisation of their

objections. They were simply concerned about the effects of the project on their daily lives, their livelihood needs, and of future generations. They had been quite articulate about how the project would destroy almost everything they had and valued. Local people, in letters and petitions to the state government and DPC as well as in interviews with the media, often pointed out that their daily lives and livelihood depended upon their lands in very complex ways.<sup>14</sup> On the other hand, the compensation policy of the Government of Maharashtra envisaged that acquisition of their land would affect only agricultural production of the land-owning families. The local people explained that they were critically dependent on the land and other land-based natural resources for their material needs (like food, fuel, fodder, fertiliser and fiber), for their daily activities like washing clothes and answering nature's call (as there are no public or private latrines in the village, village women were very concerned about this), and for their emotional needs (as their deities and cremation grounds are in the same land tracts). They also pointed out that many families who do not own land - including fishing communities - also depended for their livelihood and daily needs on the commonly shared resources from private, public, and common lands. Hence, without access to these land-based resources, sources of livelihood of these families would be as severely constrained as in the case of land-owning families. Further, in the case of fishing communities, the appropriation of the estuary as a waterway for large tankers and as a sink for discharge of effluents and hot water would result in serious threat to their livelihood.

The villagers also stated in their petition that people in the local area were not prepared to relocate or migrate as their lives were rooted in communal solidarity and, because the land is home to their ancestors, it would be a violation of responsibility towards their family and community to leave. The petition echoed these feelings in clear terms. According to the petition, '(the villagers) have always experienced (a sense of security in the) solidarity that emerges from the close social, cultural and emotional bonds among the members of the extended family, hamlet,

community and village'.<sup>15</sup> Villagers were apprehensive that the project and secondary economic activities would cause an influx of uprooted and poor people, mainly males, into their areas, destroying the peace, tranquility and security currently experienced by the community.

According to people in the area, payment of one-time cash compensation even to all villagers would not help them to continue with their rural livelihood and lifestyles. Neither would the cash compensation be adequate for shifting to urban livelihood and lifestyles. The transformation to urban lifestyles, in any case, would require a totally different material and psychological capability base which cannot be created in a short time and merely by a compensation scheme. For example, villagers point out that the compensation they get for their present homes is small because the government agencies do not account for the large component of labour input from family and friends as well as large proportion of natural material coming from their own lands or from commons areas. Constructing new homes of equivalent sizes and comfort levels without volunteer labour and free materials would cost far more in cash than that offered by the governments. Similarly, they point out that most of the livelihood earners in the villages lack the knowledge base, enterprise or skills necessary for competing for service-sector jobs or self-employment opportunities created by the project.

About the jobs that would be available to the local people, it was clear that most new employment would be as handymen, unskilled workers, gardeners, security guards and housemaids [*Sagar* (Marathi), September 23, 1994; Menon, 1994b]. Even for these menial jobs, they would have to engage in a cut-throat competition with a large number of poor people coming to this area from other parts of the country. Why should the local people be expected to sacrifice their current dignified and secure livelihood and accept menial and insecure jobs? The local people were quite clear about this danger and had expressed in a very articulate manner that they were happy

with their current lifestyles and did not want large cash compensation [*Ratnagiri Times* (Marathi), November 21, 1994].

Thus, as far as the local people from affected communities were concerned, resistance to the project was not based on concerns such as ensuring adequate and proper environmental safeguards or fair compensation or smooth transition to the new future. For them, the project would certainly be a disaster for their livelihood, their lives, and of future generations. They were convinced that if the project were commissioned, any amount of compensation in cash or alternative in-kind arrangements would not ameliorate the disaster. In short, for the local people, no correction in the project design or compensation package can be an alternative to cancellation of the project.

#### *Objections from the Reformist Standpoint*

The project was a target of serious objections representing the reformist standpoint. These objections, coming from within the macro-system, could roughly be classified in the following categories: techno-economic, financial, legal, procedural, ecological, safety-related, social and political.

In addition, there were allegations of favoritism and corruption against the decision-makers in the government and bureaucracy<sup>16</sup> [Brahme 1994]. These allegations were rooted in the lack of transparency in the procedures, secrecy over the negotiation process and documents, the extraordinarily rapid pace with which various government clearances were granted for the project, and the nature and number of extra-ordinary incentives and exemptions offered to DPC.

The objective of this section is to provide the reader with a brief introduction to these criticisms and objections from within the macro-system. Some of the main objections are as follows:<sup>17</sup>

- (a) Capital Cost: The project's capital cost is very high compared with that of the other new power projects including Enron's own Teeside project in the U.K.

- (b) Capacity Concerns: A project with such a large capacity is problematic, considering the demand for electricity in the state.
  - (c) Fuel Issues: Considering the fact that there are alternative fuels available, importing such large quantities of natural gas seems imprudent.
  - (d) Profit Allowance: Enron is allowed an exceptionally high profit rate. It is estimated to be as high as a 28 per cent internal rate of return (IRR) which is equivalent to a little over 40 per cent per annum of return on equity [Sant, Dixit and Wagle, 1995a].
  - (e) Electricity Pricing Issues: The negotiated tariff is very high when compared with the cost of electricity from similar projects in the country.
  - (f) Foreign Exchange Impact: The project involves a high outflow of foreign exchange estimated to be between \$400 million to \$650 million per annum [Sant, Dixit and Wagle, 1995a]. This will add to India's already growing balance of payments problem.
  - (g) Risk Distribution: The PPA stipulates a skewed risk distribution in which the MSEB bears risk for everything, except timely construction and supply of fuel [Samaj Vidnyan Akadami, 1995, p. 20].
  - (h) Special Incentives: Enron receives incentives in terms of exemptions from taxes and duties from the state as well as central governments [Samaj Vidnyan Akadami, 1995, p. 33].
  - (i) Involvement of Multinational Corporations: All three American multinational corporations involved in the project are alleged to have adopted unfair business practices and to have ignored environmental impacts in previous projects [Pereira, Sule and Mehta, 1994b, Pp. 1-38].
  - (j) Procedural Irregularities: The government was castigated for avoiding the procedure of competitive bidding, for maintaining secrecy during the negotiation process, and for treating various agreements and related documents as secret.
  - (k) Technological Dependency: The choice of technology in this case raises important problems. The turbines to be supplied by GE have not been adequately tested in field, whereas a competitive alternative to this technology is available from within India.
  - (l) Enron's Power Sector Experience: Enron does not have an established track-record of constructing and operating such a massive (2,015 MW) power plant. Enron reportedly operates about six power plants in the world ranging from 28 MW to 450 MW. Its latest plant at Teeside, UK (1,875 MW) was completed only in 1993 [Pereira, Sule and Mehta, 1994b, p. 4].
  - (m) Corruption: Enron is facing allegations of bribery which are based on revelations by a high-ranking Enron official in the testimony before a committee of the U.S. House of Representatives. According to the testimony, Enron spent about \$20 million toward 'educational expenses' of Indian officials [Greer and Singh, 1996, p. 43; Wagle, 1996].
  - (n) Sovereignty Concerns: Sovereignty of the country and credibility of the Indian judiciary are said to be sacrificed by the government's acceptance of the clause in the PPA, which stipulates that all disputes between DPC (or the MSEB (or Government of Maharashtra) are to be arbitrated in London's courts [Samaj Vidnyan Akadami, 1995, p. 45].
- Elements from within the macro-system which raised these objections against the project included environmental groups, consumer organisations, labour unions, cultural organisations, political organisations, lawyers' groups, and research institutions. The focus and content of objections and criticisms of these elements were diverse and often rooted in concerns specific to the particular organisation. For example, Mumbai Grahak Panchayat (Mumbai Consumers' Council), a consumer rights organisation, was primarily interested in protecting interests of electricity consumers in the state. Naturally, its criticism of the deal, rooted in its specific concern, was focused on the techno-economic issues and issues of procedural and legal propriety. By focusing on these issues, it aimed at securing a

fair deal for power consumers in the state without directly and expressly questioning the necessity of such big projects or raising objections over the destruction of livelihood of local people. In fact, many organisations from within the macro-system had their own primary concerns and directed their criticisms around specific issues. These organisations often included objections and criticisms other than their own in their petitions and arguments in order to further strengthen their case against the project. Moreover, as a strategy, many of them also participated in the activities of the loose collaborations against the project. However, each of these organisations was primarily interested in correcting the particular aspect of the project which it found 'problematic'.

#### THE MAIN ACTORS AND A BRIEF CHRONOLOGY OF THE CONTROVERSY

As a first step in applying the framework, this part of the paper identifies and categorises the key actors in the controversy. Further, before moving to the analysis of the dynamics of the Enron controversy, a brief chronology of important events is presented.

#### *The Main Actors in the Controversy*

Participants in the Enron controversy can be divided into six broad categories: (i) the local communities threatened by the project and the committees they formed; (ii) activists and groups working with the threatened communities; (iii) pro-project elements from the mainstream macro-system; (iv) radical anti-project elements from the fringes of the macro-system supporting the initiative; (v) reformist elements from within the macro-system, selectively criticising some aspects of the project; and (vi) judicial and regulatory elements within the macro-system. Table 3 lists the main actors in these broad categories.

#### *(a) Threatened Communities and Activists Working with Them:*

The Enron project posed a threat to the livelihood of three village communities. The local as well as migrated villagers, in response to the threat, formed various committees. In addition,

there were activists of political parties and organisations with both 'right' and 'left' ideologies. While some of these activists fully endorsed the grassroots standpoint, some represented the radical and reformist standpoints.

The local villagers and activists also received moral support from activists from other similar grassroots initiatives. Ms. Medha Patkar of Narmada Bachao Andolan (NBA) visited the area twice to address public meetings and meetings of the local activists. Also, at the March 1996 national convention of the National Alliance of Peoples' Movements (NAPM), the struggle of the local people against Enron project was accepted as a national-level issue on which all people's movements participating in NAPM would collaborate.

#### *(b) Radical Supporters of the Communities:*

The communities and activists, working with them, received support from several voluntary and political organisations with radical agendas working at local, district or regional level. In addition, many individuals and groups of environmentalists, theorists, experts and social activists with radical leanings came to the support of the community and the initiative. There, certainly, are many differences among these groups. Some of them are city-based environmental conservationists who are essentially interested in preservation of the environment and opposed to the project and the development standpoint emphasising industrialisation. The urban-based environmental groups like SOCLEEN (Society for Clean Environment), Save Mumbai Committee, and Bombay Environmental Action Group (BEAG) also participated in the fight against the project, especially on the legal side. Their focus was on approaching the judicial system (especially the High Court) and raising environmental, techno-economic, legal and procedural issues.

**Table 3. Main Actors in Enron Controversy**

Categories (1)	Main Actors in the Controversy (2)
Communities Threatened the Project and Their Organisations	Villagers in the Threatened Villages; The Three Local Vigilance Committees; and The Migrated Villagers and Their Committee in Bombay.
Activists Working with the Threatened Communities at the Grassroots Level	Activists of Political Parties and Political Organisations (Vinay Natu of BJP and Ashok Kadam of Parivartan); Outside Activists Working the Grassroots Level (Javalekar of Lok Vidnyan Sanghatana (LVS) and Rashtriya Swayamsevak Sangh (RSS) leaders from Chiplun); and Activists from Similar Other Grassroots Initiatives (e.g., Medha Patkar of Narmada Bachao Andolan).
Radical Anti Project Elements Supporting the Initiative	Radical Theorists and Experts (e.g., Sulabha Brahme, Winin Pereira, Prayas Group); and Environmental and Social Activists' Groups (e.g., Konkan Sangharsha Samiti, Lok Vidnyan Sanghatana).
Selectively Critical Reformist Elements From Within the Macro-System	Labour Unions of Employees from Various (Central and State) Government Agencies (e.g., MSEB Unions, BHEL Unions); Consumer Organisations (e.g., Mumbai Grahak Panchayat) Independent Experts as well as Professionals and Their Groups (e.g., NWGPS, A. Mujumdar, S.R. Paranjape);  Mainstream Political Parties (e.g., Janata Dal and Other Leftist Parties, Republican Party, BJP); Coalitions of Political Parties, Labour, and Other Organisations (e.g., Enron Hatao Kriti Samiti, Enron Virodhi Sangharsha Samiti); Non-Party Political Organisations Active at Various Levels (e.g., RSS, Swadeshi Jagaran Manch); and Media and Especially Local Media (e.g., <i>Ratnagiri Times</i> ).
Pro-Project Elements from the Mainstream of the Macro-System	Enron, Its Partners, and Their Joint Company, DPC; MSEB and Other Departments of GOM and GOI; Governments of Industrialised Countries (USA and UK); The World Bank and Other Multilateral Agencies; Mainstream Non-Government Organisations (e.g., Tata Energy Research Institute); Mainstream Macro-Institutions - Academia, Media, Political Parties, Industries and Trade Organisations (e.g., <i>Times of India</i> , Congress (I), Bombay Chambers of Commerce); and Local Political Activists and Local Traders and Businessmen (e.g., Nishikant Joshi, <i>Sagar</i> daily, Trading Community at Guhagar).
Judicial or Regulatory Institutions	Judicial System: Supreme Court, High Court, and District Court.

Some radical allies have been concerned primarily about the livelihood of local people and were protagonists of alternative ideas of development based on environmental sustainability and social equity. Three such groups were quite active in the struggle. The Center for Holistic Studies (CHS), a Mumbai-based group, worked primarily on the analytical front. In addition, the CHS also made an attempt to motivate one of their workers to camp in the threatened villages to support the local people. A Pune-based organisation - Lok Vidnyan Sanghataana (LVS) (People's Science Organisation) - conducted research as well as published pamphlets and booklets in the local language. It also supported one of its activists camping at Guhagar to work with the local people in their struggle. The Prayas group worked - the author also participated in this work - primarily on techno-economic and policy issues.

*(c) Some Major Reformist Critics of the Project:*

Beginning in October 1993, labour unions from the MSEB actively protested against the project. They were joined by unions from different departments of the state and central governments and other public sector agencies (including Bharat Heavy Engineering Limited (BHEL)). Finally, the major state-level federations of labour unions, several independent labour unions, and some voluntary as well as political organisations (including radical organisations) joined together to form a state-level coalition under the banner of 'Enron Virodhi Sangharsha Samiti' (EVSS - Committee for Struggle Against Enron).

A consumer action group, Mumbai Grahak Panchayat (Mumbai Consumer's Council), also participated in the controversy with the aim of protecting the interests of the consumers of electricity in the state. The group raised legal, techno-economic, and procedural objections against the project.

Many individual professionals, experts and their groups carried out in-depth research and analysis on different issues in the controversy. A Delhi-based group of power sector professionals

- the National Working Group on the Power Sector (NWGPS) - led by senior retired officials from the power sector, was the first to raise objections against the project from the techno-economic and financial perspective. They were joined by other experts and retired officials from the power sector who independently carried out critical analyses of the techno-economic as well as financial issues.

A major set of reformist actors comprised the mainstream political parties. There are three major groups of mainstream political parties in the state: (a) Congress (I) representing the 'centre' of the ideological-political spectrum; (b) Bharatiya Janata Party (BJP), Shiv Sena (SS) and their allies, representing the 'right' of the spectrum; and (c) Janata Dal (JD), various Marxist parties, the Republican Party and their allies, representing the 'center-left' and the 'left' of the spectrum. Congress (I), the party in government when the project was initiated, has always supported the project.<sup>18</sup> In contrast, the group of 'left' parties have continuously opposed the project. They formed a coalition to fight against the project called 'Enron Hatao Kirti Samiti' (EHKS - Action Committee to Scrap the Enron Project). The BJP-SS group was against the original deal brokered by Congress (I) but renegotiated the project, once it occupied the seat of the state government after winning the elections in March 1995.

Along with these mainstream parties, there were scores of political organisations - independent or connected with the mainstream parties - that also joined in the controversy. One group of organisations played a major role. Rashtriya Swayamsevak Sangh (RSS - National Organisation of Volunteers) is the parent organisation of the RSS *parivar* (i.e., family of organisation).<sup>19</sup> Swadeshi Jagaran Manch (i.e., Platform for Conscientisation on National Self-Reliance), a newly formed organisation, represented the *parivar* in the struggle against the Enron project.<sup>20</sup> It also tried to link up with the struggle of local people. However, its main concern in this controversy

has been the threat to national security from increased political, economic and cultural vulnerability seen as ensuing from the project.

*(d) The Pro-Project Mainstream of the Macro-System:*

The mainstream of the macro-system supporting the project is led by DPC, the Government of Maharashtra (GOM), and the MSEB which has been the main government agency dealing with this project. The GOM, MSEB, and DPC were helped and supported in different ways by various elements in the macro-system, especially when the project ran into serious difficulties after the new BJP-SS led state government took over. These elements included individuals and organisations from the 'macro-institutions' (i.e., political parties, bureaucracy, academia, judiciary and media) right from the taluka and district levels to the international level. Because the project was the first to involve foreign capital in a core sector of Indian economy, vested interests throughout the entire macro-system perceived themselves as having a direct or indirect stake in the outcome of the controversy.

*(e) Judicial/Regulatory Institutions Within the Macro-System:*

The major actor in this category has been the judicial system in the country. In the Indian judicial system, the High Court is the apex court at the state level in both civil as well as criminal matters. The High Court has been seen as a source of immediate relief in the case of controversies over social, political and human issues, especially when the usual legislative, executive, or lower level judicial mechanisms fail to provide satisfaction. For example, in the Narmada controversy, the grassroots initiative successfully utilised this avenue to seek relief on many occasions, especially on the issue of rehabilitation of people displaced by the dam.

However, in the case of the Enron controversy, the grassroots initiative as well as other individuals and organisations could not secure even temporary relief on procedural, environmental or land acquisition matters in approximately a dozen filings before the High Court.<sup>21</sup> The grassroots

initiative in the Enron controversy did not approach the High Court after the initial failure of the Mumbai-based Committee to seek relief against the government's efforts to acquire land forcibly. However, many reformist elements from within the macro-system sought action from the High Court, but to no avail.

The Supreme Court, the country's apex court, has recently been taking a keen interest in environmental issues and complaints as matters of public interest to the extent that some sections have started to express concern over this 'judicial activism'. However, the Supreme Court has not been approached by any of the actors in this controversy.<sup>22</sup>

*Chronology of the Important Events*

A brief chronology of important events in the controversy is presented in Table 4.

DYNAMICS OF THE ENRON CONTROVERSY:  
ANALYSIS OF PHASES

The first section in this part of the paper describes the issues and agendas in the controversy. The second section describes the major participants in the controversy and presents a brief chronology. In this third section, we return to an analysis of the controversy in order to understand the political, social and economic dynamics surrounding the efforts of the grassroots communities to resist the advances of conventional development and to save their livelihood and habitats. The development controversy framework described earlier is used here as the tool for analysis.

*The Project Design and Consolidation Phase*

The controversy over the Enron power project is unique in many respects. Unlike other development projects, it involves a consortium of multinational corporations as the main project agency from the macro-system. This agency is far different from the government agencies which normally are the major players in development controversies. This consortium is resourceful and influential, and does not have the political restrictions on its range of actions that a public sector agency must observe. The presence of such a consortium has given the controversy a new dynamics.



**Table 4. Enron Controversy: Chronology of Important Events**

Date/Year (1)	Important Events (2)
October 22, 1991	New power policy opening the sector for private and foreign capital is announced.
June 17, 1992	Enron team arrives at Bombay from New Delhi.
June 18 & 19, 1992	Enron team visits possible sites on Maharashtra's coastline.
June 20, 1992	An MOU is signed between Enron and the MSEB.
August, 1992	Enron submits its project proposal.
February 3, 1993	Government of India (GOI) gives its clearance.
March 12, 1993	GOI requests loan from the World Bank.
April 29, 1993	DPC is registered under the Indian Companies Act.
April 30, 1993	The World Bank declines to fund the project.
September 14, 1993	GOM grants its clearance.
September 21, 1993	DPC publishes the mandatory public notice.
October 2, 1993	First resistance: agitation is announced by the MSEB unions.
November 26, 1993	CEA grants its clearance (only on technical grounds).
December 8, 1993	PPA is signed between the MSEB and DPC.
February 10, 1994	Government of Maharashtra furnishes its guarantee to DPC offering to pay all outstanding payments in case of default by the MSEB.
February 18, 1994	A Citizen's Committee is formed to probe into various implications of the project.
April 27, 1994	Protest march is organised at the district headquarters.
June 5, 1994	A large conference to register protest against the project is organised jointly on project site by various trade unions and environmental, local and other outside organisations.
June 9, 1994	Various federations of trade-unions form a joint front to oppose the project.
June 24, 1994	GOM and DPC sign the 'State Support Agreement'.
July 25, 1994	The High Court rejects an appeal by the Bombay-based Committee of the villagers against the forced acquisition.
July 30, 1994	The Minister for Energy refuses to make the PPA public in the Legislative Assembly.
August 18, 1994	Public protest meeting at Bombay.
August 20, 1994	The High Court rejects the writ petition by Ramdas Nayak (BJP) against GOM and Enron.
October 5, 1994	Public protest meeting near site of the project.
September 21, 1994	GOI signs counter-guarantee for the project.
October 1, 1994	The High Court appoints a 23-member committee of experts to look into various aspects of the project.
October 10, 1994	A conference is organised by RSS <i>parivar</i> at Veldur.
October 22, 1994	Public protest meeting at Pune.

(Contd.)

Table 4. (Contd.)

Date/Year (1)	Important Events (2)
October 28, 1994	First attempt by government agencies to complete the procedure of acquiring land, foiled by local villagers.
October 29, 1994	Second attempt by government agencies to complete the procedure of land acquisition with the aid of a large police force. Police arrest 189 villagers including 144 women who were resisting the acquisition of their land.
October 30, 1994	The Expert Committee appointed by the High Court gives the green signal to the project except on safety aspects. The NGO representatives register their dissenting opinion.
November 1, 1994	In a public meeting in the affected village, villagers vow to fight back repression by government.
November 8, 1994	The second round of repression; police arrest 233 villagers including 152 women.
November 10, 1994	The third round of repression; police crack-down and arrest of 105 villagers including 88 women.
November 11, 1994	Strict prohibitory orders are clamped in the entire taluka banning all kinds of political activities.
November 25, 1994	MOEF gives green signal without compliance on many environmental aspects of the project by DPC.
December 8, 1994	Elections for the State Legislative Assembly are announced.
December 11, 1994	Protest procession is organised in Chiplun.
January 18, 1995	State-wide protest program of <i>dharana</i> (sit-ins) in front of government offices by outside supporters.
February 2, 1995	Amendment in PPA.
February 23, 1995	'State Consent Agreement' is signed.
February 25, 1995	'Fuel Management Agreement' is signed.
March 1, 1995	Financial Closure is brought into effect.
March 6, 1995	Gopinath Munde, who later became Deputy Chief Minister and Minister for Energy in the new government, visits the project site and assures his full support to the struggle of local villagers. He publicly vows to dump the project in the Arabian Sea, if he wins election.
March 12, 1995	New government led by BJP-SS assumes power.
March 18, 1995	About 40 local people provoked by the outside labour of the contractors attack the temporary offices of the contractors.
April 3, 1995	The Cabinet Sub-Committee under the Chairmanship of Gopinath Munde is appointed to review the project.
April 21-30, 1995	People from all over Maharashtra join local villagers in the program of courting arrest to protest against the project.
April 29, 1995	News report about a local woman being intimidated and hurt by the bulldozer working for DPC.
May 12, 1995	About 400 villagers clash with outside labour being used by contractors, destroy offices of contractors. Work is suspended for about two weeks.
June 5, 1995	US DOE warns Indian governments about cancellation of the project.
June 6, 1995	British Chancellor of Exchequer warns Indian governments about the cancellation of the project.

(Contd.)

Table 4. (Concl'd.)

Date/Year (1)	Important Events (2)
July 5, 1995	Left opposition parties organise a daily <i>dharana</i> (sit-in protest) in front of the Legislative Assembly during its session.
July 18, 1995	Gopinath Munde Committee (Cabinet Sub-Committee) submits its report to the Chief Minister.
August 3, 1995	GOM announces its decision to cancel the project in the State Legislative Assembly on the basis of recommendations of the Munde Committee.
September 6, 1995	GOM sues DPC in the Bombay High Court for engaging in fraudulent and corrupt business practices.
October 6, 1995	R. Mark, CEO of Enron declares that a new agreement will be entered within three months.
November 8, 1995	About 3,000 villagers march to the local government office.
November 11, 1995	GOM issues orders to appoint a committee of experts to renegotiate the deal on its behalf.
January 8, 1996	The State Cabinet decides to revive the Enron deal on the basis of recommendations of the expert committee appointed to renegotiate the deal.
January 9, 1996	Bhalekar, leader of the local fishing community, is arrested for issuing a statement against the decision. Released by the District Court a week later.
March 25, 1996	A writ petition challenging the renegotiated deal is rejected by the High Court.

Four to six weeks after receiving an invitation from a high-level GOI delegation, the Enron team arrived on June 15, 1992 in Delhi. The team left for Mumbai on June 17, 1992, and after finalising the site at Dabhol signed a Memorandum of Understanding (MOU) on June 20, 1992 [Samant, 1995]. The astonishingly quick site selection process and signing of a contract is made all the more remarkable by the fact that this was Enron's first entry into the country, and it was also the first project of any private foreign company in a core sector of the Indian economy. It is difficult to imagine such a rapid project design phase, without the major changes in India's economic policies that began in the early 1990s.

Unlike most development controversies, the entire design and preparation of the project was an in-house affair of Enron, in which the government agencies were not at all involved. Enron, its partners, GE and Bechtel, and their consultants conducted the necessary studies, prepared the designs and plans, and finalised the technical, economic, financial, managerial and legal details

of the project. Enron and its partners were indirectly helped by the state and central governments which provided them full protection from their competitors as well as exemptions from many prevailing legal and regulatory constraints. Effectively, in the project design phase, Enron had all the freedom it wished to define technical, economic, financial, managerial and even legal aspects of the project.

Moreover, its job was further made easy because of the vulnerability of the state government. First, the government was in a desperate situation ('self-created', according to the critics) trying to increase generating capacity in the state by multi-fold in the shortest possible time even, if necessary, by skirting normal procedures, checks and cautions. Second, the state government, by its own admission, was ignorant of project details and was not competent to monitor and control this project involving new technology and new financial mechanisms. In justifying the government's decision to avoid the competitive bidding route, Ajit Nimbalkar, then Chairman of the MSEB, acknowledged:

I submit that floating of the competitive tenders (bids) in a project like the present one is most inappropriate. Competitive bids require preparatory exploration and work which is particularly costly and time consuming, particularly in the case of power plants. In the present case, there was no preparatory exploration of the type for a plant like the one which Dabhol Power Company is setting up. Again the competitive bid procedure requires expert knowledge and experience for evaluating the competitive bids which, at present, is still not sufficiently up to the mark. For evaluation of such specialised projects, it is also necessary to have knowledge of risk identification and allocation which is also not sufficiently developed (by the government) [Pereira, Sule and Mehta, 1994b, p. 9].<sup>23</sup>

Emboldened by the support of the macro-system in general and that of the state government in particular, Enron never felt it necessary to make special efforts to create goodwill or credibility. Instead, it espoused the liberalisation policies and entry of the MNCs in the power sector as something badly needed and intrinsically beneficial, a position supported by the central and state governments [*Sakal* (Marathi), June 12-14, 1995]. Enron rightly assumed that its project would be embraced as a national symbol of the new era of Indian progress. Without needing to make any effort, Enron had arrived on the scene with all the credibility and goodwill that was needed. However, critics of the project kept the pressure on the government, emphasising the secretive manner in which the project and the controversy were handled by Enron, DPC, as well as the central and two successive state governments.

Given the limited technical capacities of the central and state governments, no independent scrutiny of Enron's plans, designs and claims took place. The state government never sought to develop these capacities in collaboration with other technical and financial agencies in the government sector.<sup>24</sup> However, two agencies with considerable reputation in the national and international arenas criticised the project (mainly

on technical and economic grounds). First, in its April 1993 communication, the World Bank pointed out serious faults with the project on techno-economic grounds, including the size of the plant as well as choice of fuel, and declined to grant a loan [Samaj Vidnyan Akadami, 1995, p. 8]. Second, in early 1994, officials of the Industrial Development Bank of India (IDBI), a premier project lending bank in India, also raised serious objections in their detailed techno-economic and financial appraisal of the project [IDBI, 1994].<sup>25</sup>

### *The Emergence of Grassroots Initiative*

On September 14, 1993, the state Cabinet granted its clearance to the Enron power project. This was reported the next day in Mumbai-based newspapers along with names of the three villages to be affected by the project [*Loksatta* (Marathi), September 15, 1993]. Following this, on September 21, 1993, DPC published a public notice - which is mandatory under Indian Electricity Act - in a Mumbai newspaper, inviting objections to the project within two calendar months from the publication of the notice. With these public announcements, the three villages came to know with certainty that the project would threaten them.<sup>26</sup>

Even though only about a fifth of the male population in villages in the Konkan region is estimated to have migrated to Mumbai, and only 10 per cent of village income comes from these migrated workers, they are major decision-makers, especially when it comes to dealing with the macro-system [Pereira, Sule and Mehta, 1994b, p. 13; Unique Features, 1995, p. 14]. In the case of the Enron project, it was these migrated villagers who organised one of the first protests. On October 30, 1993, a public meeting was arranged in Mumbai inviting all villagers who had migrated from the three threatened villages. The discussion covered many issues including project details and the threat posed by the project to the land, livelihood, houses and other aspects of life in the villages. Those attending the meeting also

discussed the rehabilitation policies of the government and the historical experience with rehabilitation efforts by the government in earlier development projects. At the end of the meeting, a committee was formed to initiate joint action - 'Veldur, Anjanvel, Ranvi Vidyut Prakalp Lok-Hakka Samiti' or the Committee for the Rights of the People of Veldur, Ajnanvel (and) Ranvi (threatened by) the Power Project. On November 6, 1993, this Mumbai-based committee sent a detailed petition to DPC as a reply to its public notice. In the following months, three village level *dakshata* (vigilance) committees were formed in the three threatened villages. While the migrated villagers had taken the first step, local villagers and their leaders in the vigilance committees quickly became involved in various political activities undertaken to challenge the Enron project. The vigilance committees also monitored the activities of DPC, government agencies, and their supporters at the project site [Ratnagiri Times (Marathi), November 20, 1994].

Simultaneously, there was activity also at the taluka level. Ram Redies, a prominent businessman from the nearby town of Chiplun, accidentally came to know about the proposed Enron project and its possible environmental implications from some Mumbai-based environmental activists.<sup>27</sup> Redies discussed and convinced his colleagues in the trading community and other elite elements in Chiplun to initiate resistance to the project. As the first step, Ratnagiri Zilla Vyapari Sangh (Ratnagiri District Traders Council) passed a resolution declaring its opposition to the project. The trading community and a part of the Chiplun elite (most of them influenced by the RSS ideology) had actively and openly supported the struggle of local people for a long time.<sup>28</sup>

In contrast, the trading community and elite from the town of Guhagar did not participate or support the struggle waged by the threatened communities, despite their proximity and direct links with the threatened communities. These elements actually helped and cooperated with the DPC and its contractors [Unique Features, 1995, p. 18].

Inspired by the activities of Ram Redies and his colleagues, the RSS leadership in Chiplun, which was cooperating with him, despite their political differences, also initiated their organisational efforts. The taluka level RSS and BJP leadership made a major contribution to the grassroots level activities carried out against the project, especially before the BJP-SS government came to power in March 1995. The BJP and RSS, through their hamlet-level workers, sensitised villagers not only from the three villages, but also from other villages in the taluka [Unique Features, 1995, p. 10]. The Member of the Legislative Assembly (MLA) elected from the area, Vinay Natu, was a BJP member. Sensing the sentiments of the local people, he formed a joint action committee of the three adjoining talukas threatened by the adverse environmental impacts of the project under the banner of 'Guhagar, Chiplun, Dapoli Bachao Sangharsha Samiti', i.e., Save Guhagar, Chiplun and Dapoli Action Committee [Ratnagiri Times (Marathi), November 20, 1994]. He was supported by the local and taluka level leadership of the BJP, RSS, and SJM (another organisation from the RSS *parivar*). The Secretary and leading personality in the Mumbai-based committee of migrated villagers, Yashavant Sonu Bait, and the leader of the local fishing community, Vitthal (Baba) Bhalekar, have been RSS sympathisers.

These elements essentially represented the 'right' flank of the ideological-political spectrum in the state. In addition, there were two active players at the grassroots level representing the 'left' flank. Ashok Kadam, from a local voluntary organisation called Parivartan, which was active in development and political issues, came from the social-democratic (center-left) background. He is based in Chiplun and has a small band of young workers with him. He was especially active in the early phase of the struggle against Enron. He had and continues to have rapport with local people, but never had a constructive relationship with the local BJP MLA. Kaka Javlekar, working on behalf of Lok Vidyan Sanghatana (People's Science Organisation), a Pune-based organisation subscribing to the Marxist ideology, is another representative of the 'left'. He is a very

devoted and senior activist from the labour union movement with more than two decades of organisational experience.

Thus, the following six groups were active in the struggle at the grassroots level in the initial stage: (a) local villagers working under the auspices of the three vigilance committees; (b) the Mumbai-based committee of migrated villagers led by Yashavant Bait having sympathies toward the RSS and BJP; (c) groups led by the two 'leftist' activists - Ashok Kadam of Parivartan and Kaka Javlekar of Lok Vidyan Sanghatana (LVS); (d) the three-taluka joint action committee led by Vinay Natu, the local BJP MLA; (e) a small band of activists from Guhagar subscribing to the RSS and SJM camps; and (f) a supportive group of traders and the elite from Chiplun led by Ram Redies and some RSS members. These activists and groups working at the local level represented different agendas. While the committees formed by the villagers from the threatened communities represented the grassroots agenda rooted in livelihood-related concerns of the villagers, the taluka-level RSS-BJP activists as well as the supportive traders and elite essentially endorsed the reformist standpoint. Some activists from the threatened communities (for example, Yashavant Bait and Baba Bhalekar) had prior links with the RSS-BJP, but remained loyal to the grassroots agenda. The third set of activists with 'left' ideological background (for example, Ashok Kadam and Kaka Javlekar) worked with a mix of grassroots and radical agendas. The grassroots level initiative was to coagulate from among these groups. However, it is interesting to see what really happened in the case of this controversy.

These six groups, in the initial stages, worked somewhat independently but collaboration among them was evident. For example, when an action programme was organised by some combination of these groups in the villages, at the project site, or at nearby towns such as Guhagar or Chiplun, the others would join in. In the initial period, Bait and Kadam took the initiative and worked together well. However, Kadam's role gradually started diminishing, at least at the grassroots level, mostly because of the increasing

involvement and leadership by the local BJP MLA with whom he did not have a good relationship. Neither was there any significant cooperation and rapport between Kadam and Javlekar, the only other 'left' minded activist at the grassroots level.<sup>29</sup> Moreover, Kadam had already been involved in the struggle against the planned expansion of the industrial estate at Lote-Parshuram. Later, he started working on organising a struggle against another controversial oil refinery project coming up next to the Enron project. Though ideologically isolated, Javlekar continued to work with the local villagers.

Gradually, however, activists from the BJP-RSS *parivar* (family) came to dominate struggle-related activities at the grassroots level. This shift could be witnessed in the participation of various elements in the programmes organised at the grassroots level. On June 5, 1994, the conference at the nearby village of Shringartali was organised and dominated by the 'left' oriented labour unions and 'left' organisations like Konkan Sangharsha Samiti, and was helped by Ram Redies. On the other hand, the conference organised at Veldur on October 15, 1994 was an entirely RSS affair [*Loksatta* (Marathi), October 16, 1994]. However, in the agitation against the forced land acquisition by the government and repression by police on October 29 as well as on November 8 and 10, 1994, all groups participated and helped villagers, though the leadership remained with Bait and Natu, both from the BJP-RSS *parivar*. Even Gopinath Munde, the state-level leader of the BJP, arrived at Guhagar on November 9, 1994 and led a protest march to the local government office [*Ratnagiri Times* (Marathi), November 9, 1994].

To sum up, while there was an ideological diversity among the individuals and groups that participated in the initial resistance at the grassroots level, those with the BJP-RSS allegiance became the dominant participants in the emerging grassroots initiative while those with 'left' ideologies slipped into the background.

### *Problems in Coagulation of the Initiative*

This domination of the grassroots-level activities by individuals and organisations owing allegiance to the BJP-RSS *parivar* influenced the critical process of coagulation of the grassroots level initiative. This section explains how this domination affected the nascent grassroots initiative both, at the level of its concerns and commitment as well as at the organisational level.<sup>30</sup>

#### *(a) Moulding the Concerns and Commitment of the Initiative*

As mentioned above, the main objective guiding the RSS ideology is rejuvenation of the 'Hindu Nation' in which the concept of the nation is defined in political as well as cultural terms. The mainstay of the RSS ideology is the glory of the Hindu culture and tradition. Its prescriptions to the pressing problems of the country emanate from a peculiar political ideology based on nationalism and cultural revivalism. Nationalism and cultural revivalism, as remedies against the danger of political and cultural invasion by enemies of the Hindu Nation from without and within the country, require unity and homogeneity within the Hindu fold even, if necessary, at the cost of inequality within. As a result, there is no emphasis within the RSS ideology on social justice and economic equality which are, rather, looked upon as 'divisive' issues.<sup>31</sup> Whereas, in the revival of the 'Hindu Nation', economic development remains critically important.

Thus, from this ideological perspective, there is hardly anything fundamentally wrong with the conventional development standpoint.<sup>32</sup> Rather, the 'development' policies and institutions rooted in the conventional standpoint are often glamourised as great contributors to the economic and political strength of the nation. The perspective tends to discount the costs involved - the economic inequality, social injustice and political marginalisation of large sections of rural and urban poor - as 'divisive' issues, and to rely implicitly on the 'trickle down' effect for prosperity to all. As a result, objections from such a

perspective against the Enron type of projects are essentially limited to the following concerns: (a) threat to national security; (b) economic and political vulnerability of the nation induced by the project; (c) cultural degeneration and domination of the Hindu culture by the Western culture, due to consumerism brought in by the MNCs such as Enron; and (d) conservationist concerns about nature and its beauty often rooted in the glorification of the virtues of culture in the past, especially its purportedly harmonious relationship with the nature. As can be seen from this list, these are typical concerns from the standpoint of reformist elements from within the macro-system.

In this situation, for the RSS activists, opposition to the project was essentially limited to selective criticisms of an otherwise acceptable project, mainly on the grounds of environmental conservation, involvement of an MNC, and fair compensation. The concerns of the local people focused on their lives and livelihood were all but lost with the increased dominance of the BJP-RSS cadre in the grassroots initiative. For the RSS cadre leading the initiative, commitment to local people and the environment was essentially reduced to ensuring due compensation and creating adequate environmental safeguards. As a result, the demand for cancellation of the project increasingly became strategic rather than purposive, and a slogan rather than a serious commitment. This absence of fundamental commitment to the livelihood-related concerns of the local people rendered the initiative largely reformist and actually weakened its grassroots claims.

#### *(b) Shaping the Initiative's Organisational Characteristics:*

The domination of the initiative by the BJP-RSS cadre also created deficiencies at the organisational level. The RSS has been successful in creating a huge organisational network spread across most parts of the country and has many achievements to its credit.<sup>33</sup> It thrives on disciplined, low-profile, patient, steady-going, middle-class institution-builders. The model is essentially cadre-based and does not envisage

participation of masses either as an important organisational strength or as a strategy for struggle. Further, the model is evolved mainly by and for urban-based, higher caste, middle-class, and educated male members of the population. It does not take into account the strengths and weaknesses of people in communities that are predominantly rural, with the prominent presence of women, and leading natural resource based lifestyle. Finally, the model is aimed at institution-building and not at organising issue-based political struggles at the grassroots level. As a result, in the context of the Enron controversy, the cadre and the local members of the RSS leading the initiative were simply ill-equipped to build a militant political movement focused on livelihood issues of the rural people.

This discrepancy between the methods and capabilities of the RSS activists on the one hand and the task they faced (i.e., of evolving a grassroots militant political struggle), on the other hand, could be illustrated by one example. Following the RSS model, activists mainly relied on *baithak* - i.e., small hamlet-level informal and indoor meetings - as the main means of communicating with, motivating and organising threatened communities [Unique Features, 1995, p. 10]. These informal meetings were successful in sensitising and motivating some local people into action. However, because the *baithak* avoided large-scale participation, it quickly became a vehicle for a select few in the community to voice their concerns. Importantly, certain other members of the community, especially women and poorer families, remained on fringes of the struggle and especially of the decision-making function.<sup>34</sup> As a result, the *baithaks*, failed to involve the entire community in shaping the initiative. By contrast, grassroots political struggles typically rely on public rallies, public meetings, *gram sabha* (general body meeting of the entire community) which are better mechanisms to communicate with, to motivate, and to emphasise the involvement of every member of the community in the activity. Further, because *baithaks* were not properly coupled with a series of mass-action programmes directed at the project authorities, the repeated organisation of a larger

number of *baithaks* also failed to create an impact on the project authorities and, in turn, created some frustration among the community members.

Organisational problems also surfaced in relation to the strategies employed by the RSS cadres and local leaders. The major strategy employed by the leaders of the initiative was *samajik bahishkar* (social boycott or excommunication) [Unique Features, 1995, p. 10]. The strategy had been successfully used by the people of Ratnagiri recently to compel the Sterlite Industries and the supportive state government to abandon a copper-smelting project [Date, 1994].<sup>35</sup> However, leaders in the struggle against Enron failed to understand that the ground conditions in the two situations were different.

There are five major differences in the two situations. First, the Sterlite project was situated near the large, district town of Ratnagiri with a population of more than 100,000. So, the anti-project activists had a major advantage of having the support of a large number of local people feeling threatened by the project. Further, these people were urban, educated, comparatively affluent, resourceful, politically active and confident in dealing with the macro-system, especially with the police. In contrast, the activists in the Enron controversy were working with people who were dispersed, small in number, rural, less resourceful, economically vulnerable, politically marginalised, and not at all confident in dealing with the macro-system and, particularly, the police. Second, in the case of the Sterlite controversy, almost the entire town of Ratnagiri, including its trading community and its elite, were against the project. This solidarity greatly enhanced the effectiveness of the particular strategy. In the case of Enron, on the other hand, the elite and the trading community from the nearby town of Guhagar, on which Enron was dependent to some extent in the initial stages, did not support the struggle of the local community. This fact greatly weakened the strategy of *samajik bahishkar*. Third, in the Sterlite controversy, the economic activity generated during the construction phase was not large compared to the normal economic activity of Ratnagiri. Hence, the



immediate benefits from the project appeared small and less appealing. This was the exact reverse in the case of the Enron controversy. The construction activity of such a massive project provided unprecedented immediate benefits not only to the elite but to many people from the small town of Guhagar and adjoining villages. This resulted in conflict of interests between the three threatened villages and the surrounding communities. The project also offered large amounts of cash compensation to the landowners in the three villages. Many of the landowners who were not residing in the villages and did not depend on land for their livelihood accepted the compensation. Fourth, the Sterlite project, compared to the Enron project, was smaller, had to rely on the local communities for labour and other types of support, and did not attract as much state or central government protection and support as the Enron. The Enron project is about ten times bigger than the Sterlite project in terms of total investment. It did not have to rely on local supplies and services. And, the kind of support the Enron project received from the state and central governments (old and new) and from the macro-system in general was unprecedented. Finally, Enron had the advantage of hindsight, and had learned from the Sterlite experience and was prepared to deal with a boycott strategy, mainly by avoiding any dependence on the local people, businesses and communities, and manipulating the state-level and local government-level bureaucracy to work for it and against the resisting local communities [Unique Features, 1995, p. 12]. Thus, the peculiar context of the Enron project made the strategy of *samajik bahishkar* employed by the leaders of the initiative largely ineffective.

In addition, due to the middle-class background and peculiar organisational training of the RSS cadre, mass-action programmes involving confrontation with government officials, police or DPC staff during strategically critical periods were largely avoided. This created serious problems in the grassroots struggle against the Enron project. Local people and activists, through participation in mass-action programmes, often overcome their deep fear of the state apparatus, especially the police, courts, and jails. Through

participation in mass-action programmes and through suffering the harassment, repression, frustration and physical pain together, a new sense of communality and solidarity is created among local people and activists, giving rise to a new sense of security. Overall, mass-action programmes help local people as well as activists to gradually become seasoned and to prepare for an extended and intense battle with the authorities. The leaders of the initiative in this case committed a serious blunder in neglecting mass political action both as the main organisational mechanism and as a major strategy for struggle. As a result, the initiative remained organisationally ill-equipped and failed to handle strategic and political challenges.

Thus, the peculiar ideology and organisational model and methods of the RSS weakened the initiative in terms of its grassroots character and its organisational dynamics.

#### *Marginalisation of Grassroots Agenda and the Initiative*

On December 8, 1994, the elections for the State Legislative Assembly were officially announced. The state-level BJP-SS alliance had nominated Vinay Natu as its candidate from the Guhagar constituency. Vinay Natu as well as the BJP-SS alliance won the elections. The three month-long election campaign had three major effects on the grassroots struggle.

First, it accelerated the shift in focus of the controversy to the reformist agenda. During the election campaign, the controversy was elevated to a state-level issue. It was presented by the opposition parties and, especially by the BJP-SS alliance, as a case for establishing charges of corruption against the Congress (I) Party. Various reformist objections - techno-economic, legal, procedural, environmental, etc. - and supporting analyses which were cited as evidence received wide publicity and attention. The local communities and their leaders participated in the election campaign for Vinay Natu without adequately

distinguishing their own concerns and demands and, as a result, found themselves tied to the reformist agenda of the BJP-SS.

Second, during the election, the struggle at the local level was largely abandoned by the leaders of the initiative. This was unfortunate because in the later half of 1994, the MSEB, GOM, and DPC were in a strategically vulnerable position.<sup>36</sup> At that point of time, the initiative could have gained strategic advantage over its adversaries if it had prevented the government and DPC from physically occupying the land and starting the project work, until March 1995. The government made the first attempt to acquire land on October 29, 1994, followed by two attempts on November 8 and 10, 1994, which the local villagers resisted strongly. These three incidents were interspersed with two protest marches by the local people on November 1 and 9. On these occasions, the local people, especially women, had demonstrated the courage and tenacity suited for a long struggle. The protest marches, the mass arrests and the harassment meted out by the police had infuriated villagers and motivated them for further action. But, after the prohibitory orders were imposed on November 11, 1994, instead of intensifying their agitation at this critical juncture, the local leaders focused attention on election matters. This allowed the DPC to move in, construct a fence and start the project work. Once ensconced inside the fence, Enron's position was strategically secure, at least until it completed the initial construction work. The strategic weapon of *samajik bahishkar* lost its effectiveness, once DPC took possession of the site. In this situation, the organisationally weak initiative and its leadership had no other alternative but to rely on the state-level BJP-SS leadership for resolution of the problem.

Finally, the election effectively transferred control of opposition to the project to the reformist elements within the macro-system - i.e., the state-level leadership of the BJP. During this period, leadership of the grassroots initiative passed to Vinay Natu whose victory in the election was then portrayed as an expression of victory of the concerns and demands of the local

people, making him a symbol and representative of the local struggle. The hope of local communities for cancellation of the project now depended upon a politician who was a novice and held a comparatively low position in the hierarchy of the macro-system that was highly vulnerable to the pressures from above.

#### *Appropriation of the Controversy by Reformist Elements*

In the elections conducted in early March 1995, the BJP-SS alliance won the highest number of legislative seats, although it failed to secure an absolute majority. In the new minority coalition government, under the leadership of an SS leader, Manohar Joshi, the young BJP leader Gopinath Munde, who had vowed to dump the project into the Arabian Sea during the election campaign, became Deputy Chief Minister and Minister in-charge of Departments of Home (i.e., Internal Affairs) and Energy. He immediately announced that the Enron deal would be thoroughly reviewed by the new government. Many of the organisations and local people resisting the project celebrated their victory.

#### *(a) Cancellation of the Project:*

On April 3, 1995, a high-level cabinet sub-committee was appointed by the state government under the chairmanship of Gopinath Munde [*Times of India*, April 4, 1994]. The Munde Committee was asked to review the Enron project and the entire deal in detail and submit its report to the state cabinet. The committee invited representation from all those involved as well as from the public.

However, when the new state government appointed the cabinet sub-committee and actually started moving toward cancellation, the macro-system became alarmed. Many organisations and institutions within the macro-system rushed to the defence of the project. These included national and international media, academia, GOI as well as the governments of the USA and UK, and the World Bank. In fact, a wide array of macro-system institutions within India voiced strong

support to the project at that time. The mainstream media and its lead writers launched a blistering attack on the new government and all opponents of the project [Aiyer, 1995; Mathrani, 1995; Pangariya, 1995; Parikh, 1995]. The former Chief Minister, Sharad Pawar, himself penned down a series of articles defending the Enron project [*Economic Times*, June 11, 1995; *Sakal* (Marathi), June 12-14, 1995]. Many in academia also joined the pro-project side.<sup>37</sup> When the new government still remained adamant, the international linkages of the macro-system were activated. There were official warnings from the US Departments of Energy and Commerce [PTI, 1995]. On behalf of the UK Government, the Chancellor of Exchequer, Kenneth Clarke, issued a warning [*Times of India*, June 6, 1995]. Even the officials of the World Bank tried to persuade the Indian government to rescue the project.

Finally, the cabinet sub-committee submitted its report to the state cabinet on July 18, 1995 [*Times of India*, July 19, 1995]. Based on this report, the state cabinet made the decision to scrap the deal on August 3, 1995 [*Times of India*, August 4, 1995]. The decision created ripples in the state, the country, and was even reported in the USA [*Wall Street Journal*, August 4, 1995].

Even while the committee was working on its report, many people were suspicious of the real intention of the two political parties in the government. In the announcement of the decision to cancel the project, there was a hint of 'doors being left open' for Enron to apply again for the power project [*Times of India*, August 4, 1995]. In the following weeks, DPC initiated arbitration procedures in London against MSEB and the Government of Maharashtra, demanding compensation to the tune of \$300 million [*Sakal* (Marathi), August 11, 1995]. On September 6, 1995, simultaneously, the Government of Maharashtra sued DPC in the High Court at Mumbai for engaging in fraudulent business practices and enticing government officials via corrupt practices [*Times of India*, September 7, 1995].

#### (b) Renegotiations and Revival of the Project:

Despite all these developments, intense back-door activities were ongoing to patch up differences between the new government and Enron. The decision to cancel the project was made and announced with a lot of bravado and jingoism [*Loksatta* (Marathi), August 4, 1995; *Samana* (Marathi), August 4, 1995]. However, right from the beginning, there was clear disagreement over the issue of cancellation of the project between the two parties in the ruling coalition and even within each party. The state level leadership of the BJP led by Gopinath Munde, for whom the Enron issue had become a prestige issue, had insisted and prevailed upon other sections within his party as well as within the coalition government to arrive at the decision of cancellation of the Enron deal.<sup>38</sup>

Bal Thakre, Shiv Sena Pramukh (Chief of Shiva Sena), had severely criticised the Enron project in his election speeches, vowing to safeguard the environment and natural beauty of Konkan. However, to the surprise of many, it was Bal Thakre who first came out in support of renegotiations with Enron. Later, he continued to take the initiative in pushing the idea and, finally, made the state government seek renegotiations with Enron [*Loksatta* (Marathi), October 30, 1995].<sup>39</sup> Chief Minister, Manohar Joshi, an SS leader and a very successful businessman, was accused of having sympathy towards Enron from the very beginning. After assuming charge of the government in March 1995, Manohar Joshi proved himself an able administrator and an astute politician and acquired a dominant position in conducting the affairs of the government, despite his low-profile style of functioning. By contrast, Gopinath Munde could not create a positive image as a minister. Manohar Joshi seems to have secured full cooperation from the state bureaucracy.

In November 1995, with the election for Parliament due in early 1996, another political factor was added to the complex political situation in the state. The BJP, harbouring aspirations of forming a government at the centre on its own, started

feeling vulnerable *vis-a-vis* SS which essentially is a state-level party and has no significant role in the elections for Parliament. At the same time, the national BJP leadership had to guard against endangering the stability of the coalition government, ruling a prosperous state like Maharashtra, when such crucial elections are due.

In this changed situation, when Bal Thakre prevailed over his party to insist on renegotiations with Enron, the BJP leadership at the state level found itself under severe pressure from its central leadership not to persist with its earlier tough anti-Enron line. With the support of the more-than-willing Chief Minister and the largely pro-Enron bureaucracy, Bal Thakre's wish to invite Enron back was accepted as a government decision, without resistance from the BJP. Finally, on November 8, 1995, the state government announced the appointment of an expert committee to renegotiate the deal with DPC [*Times of India*, November 9, 1995]. The expert committee, with pro-project and pro-privatisation academics and bureaucrats as its members, was appointed only to finalise the details of the new deal and devise a set of face-saving measures.

The expert committee submitted its recommendations to the state government in late December 1995. The state government announced its decision to invite Enron back on new terms on January 8, 1996 [*Times of India*, January 9, 1996]. The salient changes made in the first PPA during the renegotiations (according to the government's announcement) are: (a) sanction for both Phase I and Phase II of the project with the total capacity of 2,450 MW; (b) reduction in capital cost by 35 per cent; (c) reduction in the tariff rate from Rs 2.4 per kWh to Rs 1.89 per kWh; (d) reduction in the foreign exchange component of payments to Enron by Rs 40,000 crore; (e) MSEB to get 30 per cent equity in the project; (f) use of indigenous naphtha as fuel in Phase I; and (g) increased and continuous monitoring of environmental effects. The renegotiated deal and its subsequent acceptance by Enron were hailed by the government as a victory.

As the new deal involves changes only in some techno-economic aspects, earlier objections other than those related to cost, tariff and foreign exchange remain unaddressed and unanswered. As before, the renegotiation process itself, as well as the details of the renegotiated deal were kept secret by the new state government. It was pointed out by many that the new government used similar tactics to those employed by the earlier government to push the deal through. The announcement of the decision created another round of analyses, objections and allegations, this time against the new government.

The revival of the project poses an interesting question for this inquiry: how to interpret the reinstatement of the project? One answer is to see the whole affair as a betrayal of the local people by the BJP-SS politicians prompted by political and extraneous considerations. This explanation suggests that the state-level BJP-SS leadership, after sensing the potential of the controversy as an explosive electoral issue, took control from its taluka-level cadre and leadership. Then, it registered an unprecedented election victory by capitalising on the issue. Once its purpose was served, the BJP-SS leadership sacrificed the cause in order to gain legitimacy within the macro-system. In effect, the BJP-SS leadership scuttled the controversy by appropriating the grassroots struggle, and then by canceling the project and reinstating it within five months.

The key factor from the perspective of the conceptual framework developed for this paper is the transfer of control over the controversy from local people in the villages to the reformist elements within the local political system. The reformist elements had embraced the conventional development standpoint, except on the issues of foreign capital and ownership, and were therefore already significantly aligned with political-economic interests created by the macro-system. Through ideological and systemic links, the macro-system gradually pressured the BJP-SS into changing its position and protecting the interests of the project and those of the macro-system.

The course of events in this controversy during and after the election campaign, generally, conforms with what is expected in the analytical framework of this paper. However, a key point that is illustrated with this framework is the consequence of the affected communities losing direct control of the agenda. The controversy in this period lacked the main antagonist - an initiative unambiguously controlled by groups directly tied to the affected villages and focused on the livelihood concerns of the affected people. Instead, the reformist elements, focused on an upcoming election, were in charge of the initiative, and they largely contested the techno-economic, legal and financial details of the project design, but not the underlying conventional development standpoint, as stipulated in the development controversy framework presented earlier. Hence, what transpired during and after the election campaign and mainly within the macro-system was essentially a 'project controversy' and not a 'development controversy' in the true sense. In fact, after the controversy was appropriated by the state-level BJP-SS leadership in early December 1994, the grassroots struggle as well as the 'development controversy' had all but dissolved.

#### *Rejuvenating the Grassroots Struggle*

While the 'project controversy' was winding to its conclusion in early 1996, the grassroots struggle re-emerged during the same period with more than its usual share of frustration and anguish. After September 1995, the new state government and Enron started signalling that renegotiation of the project was underway. And, on January 8, 1996, the revival of the project was announced. Local people were never consulted during the renegotiations.

The local people reacted to this rapid development with shock and anguish. Leaders of the initiative coming from the RSS *parivar* were themselves in a state of shock and disbelief. They reacted to this sudden about-face by their superiors in three ways. Some, including Vinay Natu, supported the revival of the project.<sup>40</sup> A few local leaders and cadre of the RSS openly revolted

against the decision of their leaderships to support the revival. This included a senior state-level office-bearer of the RSS who hailed from the area and was active in the struggle at the local as well as state level.<sup>41</sup> Most local leaders and cadre from the RSS camp resigned themselves to the decision of their superiors and discontinued their activities. The leaders of the vigilance committees at the villages and at Mumbai, despite their affiliations with RSS-BJP-SS, openly criticised the decision. Yashavant Bait, Secretary of the Mumbai-based committee, publicly protested the project's revival and vowed to continue the fight. Ashok Kadam, the left-oriented activist who worked with the local committees, threatened that: 'If we (the local people) can topple one government on this issues, then we can do the same to another' [Unnithan, 1996].

The dissatisfaction and frustration experienced by local villagers during this period was summarised by one grassroots-level activist as follows:

It was these very politicians who instigated us and caused the uprising against Enron for their own interests. Now (that) they are in power and have managed to bargain on the tariff, they are asking us to compromise (and) to make war amongst ourselves. But we are not going to give in and are bent on finishing the job that has been left undone. . . . (Local) people want their land back. They don't want Enron or any other project on their land [Nair, 1995, 1].

However, there was no spontaneous, mass protest against the decision by the larger community. The villagers felt betrayed and without power to act. The new government, following in the footsteps of the old government, had issued prohibitory orders against protests in the area just two days before the announcement of the revival of the project to avoid any possible 'disturbances'. The new government also tried to intimidate local people into submission. Baba Bhalekar, leader of the fishing community in the threatened villages and a RSS sympathiser, was arrested and detained in jail by police without bail for more than a week. The BJP-SS government did not release him,

despite repeated demands from many organisations (including SJM) which had helped them win the elections. He was finally released by the court.

While response of the local villagers during renegotiations and immediately after revival of the project was muted, there, nonetheless, were protests from some sections of village population. After it was learned that renegotiations were underway, local activists and village leaders, who were not directly connected with the RSS camp, organised local people in a new initiative with help from the leftist political organisations and political parties. Javlekar of LVS and Kadam of Parivartan became active again and started working with local leaders in organising political action programmes at the grassroots level. On November 8, 1995, local village committees organised a *morcha* (protest march) in which local women participated in large numbers [*Ratnagiri Times* (Marathi), November 9, 1995]. In the first week of December, the three village committees, the Mumbai-based Committee, Kadam, and Javlekar organised a three-day hunger-strike in front of the main gate of the project site [*Ratnagiri Times* (Marathi), December 6, 1995].

However, since the state government announced the revival of the project, activists and local leaders have experienced significant problems in sustaining grassroots resistance. Local people, bitter from the betrayal, have lost some of their confidence and will to fight. Their concerns have been misrepresented to the larger society which fails to understand why local people are continuing to resist even after an 'amicable' resolution has been reached. And the mainstream media does not anymore find this 'old' controversy newsworthy and is in search of a new one. Finally, with their former allies now occupying government seats and supporting the project, the strategic position of the local people has become weak. They face repeated attacks on their credibility from these former allies.<sup>42</sup>

In the meantime, the new government has initiated procedures to acquire larger areas of land (about 1,300 ha) for a new refinery project by Hindustan Oman Petroleum Company Limited

(HOPCL). The six villages affected by this project are in the vicinity of the three villages impacted by the Enron facility. The villagers in these six villages are now organising to resist efforts of the new government to acquire their land. There have been similar incidents of resistance and police action in this newly developing controversy. In the changed political situation, Vinay Natu is now supporting the new project. It is not clear how this new project and the emerging grassroots level resistance are going to affect the struggle of people against the Enron project. In one scenario, the two struggles will have synergetic effects if they pool together their resources and support structures, as well as learn from the mistakes already committed. This may result in the emergence of strong, independent and committed initiatives leading struggles against the two projects. However, in another scenario, the failure and frustration experienced by local people in the three villages threatened by the Enron project may dampen enthusiasm, confidence and the will to fight of villagers threatened by the new project. In addition, support from outside individuals and organisations, which often plays a critical role in nurturing nascent initiatives, may not materialise in the wake of defeat in the Enron controversy.

What is certain is that it will be difficult for grassroots activists to challenge the Enron and HOPCL projects. The macro-system has effectively blunted local resistance and would seem to be in control of the development agenda. In this situation, the local communities need to reorganise a homogeneous initiative and launch a strong political action at the grassroots level against the Enron project. Once the construction of the project restarts and reaches a certain stage, it would be very difficult to push the demand for cancellation of the project. In the present circumstances, the revival of the initiative and an effective political mass movement appear to be very difficult tasks.

#### CONCLUSION

In analysing and understanding the much-publicised and highly complex Enron controversy and its large number of high-profile participants and fiercely contested technical

issues, the framework developed for this paper helped to focus attention in key areas. First, the framework's focus on the process of formation of the grassroots initiative and that of a grassroots standpoint helped to point out a key problem. Instead of focusing on activities of participants and events which attracted media and public attention (such as court cases filed by reformist consumer groups and radical environmental organisations or the election speeches by the BJP-SS demagogues), this analysis was able to concentrate on problems encountered in coagulating a grassroots initiative that is unambiguously committed to the grassroots standpoint. Specifically, two critical deficiencies of the initiative were exposed: (a) the commitment of the initiative toward the grassroots agenda could readily be shown to be weak as a result of the reliance on the RSS; (b) rather than developing a mass-based organisation of threatened communities, a cadre-based RSS model was imported which proved a problem in later phases of the controversy. With these deficiencies identified, it was clear why the agenda of the controversy as well as the control over the controversy were lost to reformist elements in the macro-system. As a result, the initiative had to rely on the macro-system dynamics - especially partisan politics to cancel the project which also proved problematic. When pressure from the centre and from business interests came to the BJP-SS state government, their support to the demand for cancellation withered away.

Second, the framework's focus on phasing of the development controversy facilitated realisation that what raged after December 1995 within the macro-system was not a 'development controversy' but a 'project controversy' that would never lead to the search for alternative development practices. In this context, the revival of the project by the BJP-SS should not come as a surprise and really does not represent a 'betrayal' as some have charged. Rather, the revival was a logical outcome of a series of interconnected processes - coagulation of a poorly grounded initiative, marginalisation of the

grassroots agenda and initiative, and appropriation of the controversy by a political party - that began well before the elections were won by the BJP-SS.

Finally, the framework is helpful in pointing out what is required to rejuvenate the grassroots struggle. First, there is an urgent need to establish an unambiguously grassroots agenda and not allow it to be confused with reformist or radical agendas. Second, participation of the threatened communities as the principal source of political strength must be the focus. Rather than resources, contacts or lobbying power of the outsiders, the possibility of altering the Enron project to preserve livelihood will depend on activism of the local people to stand in the way of the project. This will mean preparing members of the threatened communities and grassroots activists to endure a protracted and difficult struggle. Third, the grassroots initiative will need to articulate a sound, project level, and truly grassroots development alternative. This will require support of radical and reformist elements without sacrificing the grassroots agenda of livelihood preservation.

At this point, the Enron controversy remains confusing. While the renegotiated deal has been announced and DPC has accepted the new terms, the local people are still fiercely opposed to the project as none of their grievances have seriously been addressed during the renegotiation process. However, the local people and other opponents of the project find themselves isolated as there has not been much public debate and protest against the renegotiated deal. The media and other influential sections of the population have focused on national issues with the arrival of a minority government at the center for the first time in India's post-Independence history. Many supporters, activists and professionals seem to have exhausted themselves in the earlier phase of the controversy. Protest by other organisations, which opposed the project earlier has faded. Most of the outside people are under the impression that the dispute is over. This is the impression conveyed by the mainstream media. The results of 1996 elections for the Parliament are expected to

turn Indian politics topsy-turvy. Whether and how these developments will affect the Enron controversy is difficult to gauge at this juncture.<sup>43</sup>

#### POSTSCRIPT

(The original research covered events only until the end of March 1996. The major events in the period after March 1996 are reviewed here in brief. Some of the major events after March 25, 1996 are depicted in Table 5).

As mentioned before, for the local people, revival of the project brought with it not just disillusionment and anguish, but also harassment and repression. The local people and activists took some time to regroup and restart their resistance activities. A new committee was formed at the local level by the Mumbai-based leaders of the local villagers. They were supported by the EVSS and

**Table 5. The Enron Controversy: Chronology of Important Events**

(1)	(2)
April 26, 1996	CITU files a suit questioning the renegotiated project in the Bombay High Court.
April 28, 1996	Ishara Parishad (warning conference) organised by various committees at the project site.
May 1996	Visits by various groups of NAPM activists from outside the state to express solidarity.
December 2, 1996	The Bombay High Court dismisses CITU petition. Enron restarts project work which was stopped on August 8, 1995.
January 12 to 17, 1997	<i>Satyagraha</i> by local protesters and their supporters in batches. Assessment of arrested protesters.
January 30, 1997	Massive <i>Ishara Satyagraha</i> by activists of local action committee, EVSS, NAPM and other supporting organisations; police let loose terror; 1,200 protesters arrested.
February 7, 1997	Residents of Arey village forced government to stop water supply to Enron from their village.
April 9, 1997	Protesters sit in front of the State Legislative Assembly in Bombay.
April 28 to May 26, 1997	<i>Satyagraha</i> in batches by activists of EVSS, NAPM and other supporting organisations coming from all over the country.
May 26, 1997	The BJP government at the centre clears the project even before proving their majority in the House.
May 29, 1997	Protesters in the police custody assaulted by unidentified persons. Ladies were beaten up and treated in indecent manner.
June 2, 1997	Women in Veldur village try to stop Enron employees from using the old jetty.
June 3, 1997	In early hours, a police party attacks the village Veldur when men folk have gone for fishing, beating up even pregnant women and juvenile girls.
July 27, 1997	Public debate on various aspects of the project at Anjanvel after four postponements by government. Representatives of the government fail to turn up.

other supporting activists and organisations. During this period, a new actor came into picture on the side of the local communities. National Alliance of People's Movement (NAPM) in its national convention in March 1996 announced its support to the local people's struggle against the Enron project. Entry of NAPM leader, Medha

Patkar, who had led the Narmada struggle to its historic success, galvanised the Mumbai-based leadership of the local people and EVSS into action. Similarly, admission and court proceedings of the suit filed by the Centre for Indian Trade Unions (CITU) in the Mumbai High Court provided another boost for political action. On



April 28, 1996, action committee of local people, EVSS, and NAPM organised *morchas* (protest marches) in the project area. This was followed by programmes by NAPM activists from around the country in the month of May. However, on December 2, 1996, the CITU petition was dismissed by the High Court at Mumbai. Enron restarted the project work immediately.

The next phase of the local protest began with the dismissal of the CITU case in the High court. Between January 12-17, 1997, the local people affected by the project organised a *satyagraha* (protest by courting arrest) to protest against the project work. Later, the local action committee, EVSS and NAPM announced to carry out a large-scale *Ishara* (warning) *satyagraha* on January 30, 1997, the Martyrs' Day and the death anniversary of Mahatma Gandhi. The government made elaborate arrangements to foil this programme. On January 29, 1997, all local leaders and the main activists were asked to leave the district. All entry points into Guhagar taluka were sealed. All activists coming from outside were arrested. Police parties went around in the villages, terrorising local people. The senior police and government officials were patrolling the area from above, using a helicopter provided by Enron. Despite all these efforts, about 10,000 protesters gathered at the four pre-determined locations to protest against the project and the supportive government. The police resorted to caning and tear-gassing them. More than 1,200 protesters were arrested. Such a fierce resistance compelled Enron to declare stoppage of work. On February 7, 1997, residents of Arey village forced entry into the pump house located in their village and discontinued water supply to the Enron project from their own source of water. More government and police machinery was brought in to quell the protest and re-start the project work.

From April 28, 1997 again, the local action committee, EVSS and NAPM organised demonstrations in batches. On May 17, 1997, about 4,000 villagers from the affected and neighboring villages participated in a protest demonstration. The protest demonstrations continued till end of May, 1997, in which activists from around the

country participated. All these protesters were given cruel treatment and harassed by the police. Unfortunately, the local judicial system failed to protect the rights of the arrested protesters.

From May 26-28, 1997, a *Konkan Vikas Yatra* was organised in the three coastal districts of Maharashtra. The *Yatra* visited all the sites where villages and communities have revolted against the destructive development projects. During the *Yatra*, trouble erupted when the government prohibited entry of the leaders of the struggle into two coastal districts. The participants of *Yatra* courted arrest in the protest. The arrested protesters were taken into police custody and put into buses. While in the police custody, these arrested protesters were assaulted and beaten up mercilessly by police and some unidentified persons. Even women protesters, including NAPM leader Medha Patkar, were not spared and were subjected to indecent treatment.

On June 2, 1997, some villagers from the village Veldur, mostly women, confronted a group of workers from Enron who tried to use the old jetty in the village Veldur. This led to what is described as a 'minor skirmish'. In the early hours of June 3, 1997, a posse comprising personnel from the state reserve police force (SRPs) and local police swooped on the village when most of the men-folks were away for fishing. The police stormed in the houses by breaking doors and dragged women (including juvenile girls) to the police vehicles. Twenty-six women and juvenile girls, who were arrested and detained in the magisterial custody for a week, sustained various injuries on different parts of the body. This is the latest reported incidence of police atrocities which seem to be continuing, despite protests by various human rights organisations including the Amnesty International.

Due to bad publicity attracted by the incidents of police brutality and due to the pressure exerted by the activists through continuous action programmes, the state government was forced to retreat. In a meeting with activists, the Chief Minister accepted to hold an open public debate on the issue in early June 1997. However, when

the activists followed up on this, the government postponed the debate on four occasions. Finally, on July 27, 1998, the last date on which the Deputy Chief Minister himself had accepted to attend the debate at the project site, the local committee held the debate in the absence of representatives of the government. This debate, attended by many outside experts and distinguished citizens acted as a great morale booster for local people who had thronged the venue of the debate in a large number, despite heavy rains. This tactical success and heavy monsoon apparently lulled the activists into inaction. Ambitious programmes such as banning the ministers from entering into the taluka had been announced at the time of the public debate. However, when the Deputy Chief Minister made a visit to the area, in September 1997, the local leaders failed to make an effective show of strength in the face of heavy concentration of police forces. The government machinery, Enron's money power, and party machinery and cadre of the BJP and RSS from other parts of the taluka and the district collaborated to make the ministerial visit to the area a resounding success.

This symbolic defeat caused the already simmering mistrust and discontent among the leaders of the local communities to reach to the point of explosion, resulting into open accusation and infighting. The infighting soon developed into an open rift in the local leadership breaking it into two distinct camps: one comprising those belonging to the BJP-RSS camp and the other group belonging to the 'left' and those having sympathies with the Congress party. The anti-BJP-RSS group accused the BJP-RSS group of being in league with the BJP government secretly and sabotaging the movement from within. The members of this group wanted the local leaders from the BJP-RSS camp to be removed from the leadership position, though they had no objection if these leaders participated in the movement. This group organised a meeting in Mumbai to put forth its view among activists, in which it announced its intention to re-invigorate the agitation by making a renewed effort to organise people in the affected villages. Unfortunately, nothing concrete came out of the meeting or of the subsequent

efforts of these leaders. Even the members of the Mumbai-based coalition EVSS were divided on this issue. Some supported position taken by the anti-BJP-RSS group, while some, including NAPM, felt that in the interests of the movement, these differences should not be over-emphasised. This difference in opinion is still continuing unresolved, seriously affecting, rather completely paralysing the grassroots level movement. In the recent past, the leaders belonging to the BJP-RSS camp were accused of encouraging small-tenant farmers to accept the compensation offered by the government. While, on the other side, the BJP-RSS camp seems to be continuing its resistance through the ballot-box. In the recent parliament poll held in February 1998, a rebel RSS leader who had resigned from the RSS on this issue is contesting the elections on SJM platform, exclusively on anti-Enron agenda. This will surely affect votes of the official BJP-RSS candidates. However, none of the other players fighting against Enron (e.g., EVSS, NAPM or other anti-BJP-RSS local leaders), are taking this effort seriously. In short, the local grassroots struggle is in complete disarray, if not in shambles at this stage.

A quick diagnosis of these developments, based on the analytical framework used earlier, indicates at a conclusion similar to one mentioned before. Even in the post-revival phase, the efforts of the local leaders remained rooted in the macro-system. In fact, in this period, the local committee went out of picture and all the initiative was handed over to Mumbai-based leaders of local people who merged themselves in EVSS. EVSS has been essentially a Mumbai-based, heterogeneous coalition of organisations representing different constituencies and having a wide spectrum of ideological backgrounds. In opposing Enron, each member organisation of EVSS has its own agenda, own priority, own constituency and own problems. As a result, though most members of EVSS possessed radical agendas, the predominance of EVSS in the anti-Enron movement caused further neglect of the process of evolution of a truly grassroots initiative committed exclusively to the cause of protection of livelihood of local people. It also resulted in

the neglect of development of a strong organisational structure at the grassroots level and preparation of local people for a long-term, arduous struggle against repressive authorities.

Entry of NAPM and its leader, Medha Patkar, did not make a significant change, as far as evolution of the grassroots initiative is concerned. Though the leadership of the struggle was handed over to her, Patkar continued to operate through the existing organisational structures. Her Mumbai-based colleagues in NAPM became part of EVSS, while her efforts at the grassroots level were mediated through the leaders of local community who were divided into two camps. Though a new band of youth and women workers from the local areas coagulated around Patkar, it was not developed into a strong organisational structure. Thus, reliance of both, the local people and outside activists, on a small group of about five to six mostly Mumbai-based leaders proved disastrous. Internal fighting and incapability of these leaders caused the newly evolving initiative to remain weak in terms of militancy and effectiveness of action programmes and of wider participation of the local people.

#### NOTES

1 A large body of literature is available on conventional standpoint. For example: Alexander [1994]; Arndt [1987]; Gill [1973]; Hagen [1962]; Hunt [1989]; Harrison [1988]; Kuznets [1966]; Larrain [1989]; Preston [1986]; Rostow [1971]; Sharma [1992]; So [1990]; Webster [1984].

2 The two terms are italicised here to highlight the controversial character of this basic proposition of the conventional standpoint. The controversy pertains to the tendency on the part of the colonising western countries to club together all other societies on the globe into a single category. In doing so, this tendency simply neglects the rich histories of these societies extending thousands of years in the past. It also overlooks their immensely diverse social structures, knowledge-systems and cultural traditions as well as equally diverse economic aspirations, norms, and achievements. Objections are also raised against the 'euro-centric' mind-set of the Western societies which prompts them to brand this group of societies in condescending terms such as 'underdeveloped' or 'developing' and, in turn, try to establish themselves as yardsticks of human progress.

3 There is a considerable volume of literature on various shades of radical thought. For example: Agarwal and Narain [1989]; Clark [1991]; Court [1990]; Friedmann [1992]; Korten and Klaus [1984]; Kothari [1990]; Mellor [1993]; Merchant [1982]; Pereira and Seabrook [1992]; Redclift [1987, 1992]; Shiva [1988].

4 The term initiative is used here to suggest an organised collective effort to resist the conventional development standpoint, and to propose and work for the grassroots standpoint on development.

5 All information about MSEB and power scene in the state in this section is compiled mainly from Dastane [1994]; GOM [1995]; MSEB [1995]; and Sant and Dixit [1994].

6 Most of the information and the preliminary data provided in the following paragraphs were obtained from MSEB [Undated].

7 Finally, a national daily newspaper (*Hindu*) managed to get a copy of the PPA and published important portions. At the same time, political parties opposing the deal at that time won the elections for the Legislative Assembly in the state and formed the new government. In this situation, DPC found it prudent to publish the PPA officially.

8 About one-fifth of the male population from villages in Konkan is estimated to have migrated in search of jobs. These migrated male workers have great influence on village affairs. However, in contrast to the impression created by the term - remittance economy - often used to describe the economy of Konkan region, only about one tenth of the village income is estimated to be coming from these migrated villagers [Pereira, Sule and Mehta, 1994b, p. 13].

9 Until very recently (about 3 years ago), the state government officially and actively promoted massive horticulture schemes and programmes to develop Konkan, particularly the districts of Ratnagiri and Sindhudurg, on the basis of the 'California model' (i.e., development through horticulture and food processing industry based on horticultural products). This recent shift to the idea of 'development through industrialisation' can be traced to the fact that there is no scope for further industrialisation of the two districts (Thane and Raigad) adjacent to Mumbai. The land, water and other natural resources in these two districts are now totally devastated due to the uncontrolled industrialisation of the area. Now the industries are eyeing the district of Ratnagiri for its natural resources, hence, the government's emphasis on industrialisation of this area. This push for industrialisation of Konkan is further strengthened by the massive inflow of capital towards Mumbai in the NEP era.

10 Through the process of taking over forest land which was part of village commons and by distributing part of it to its revenue collecting agents (khot), the British government created 'public' (controlled by the British government) and 'private' (controlled by khot) forests, leaving a very small portion of forests under common property regimes, mainly the sacred groves.

11 On the first set of criticisms related to the environmental destruction, the rejoinders from pro-project agencies could be summed up as follows: This project was perfectly sound on environmental grounds. The fuel, natural gas, is the most clean fuel available. Further, DPC would create a green zone around the plant in order to contain the pollution created within. A comprehensive Environmental Impact Assessment report had been submitted by DPC to the Ministry of Environment and Forests of the Government of India based on which MOEF had already granted environmental clearance [MSEB Undated; Sulakhe 1995; *Times of India*, June 12, 1995].

On the issue of displacement of local people, DPC and MSEB responded that the project was not going to displace any family from the villages as the villages would be left intact.

and only lands would be acquired. Those who would lose their lands would be compensated at more than the prevailing government rates. Efforts would be made to provide direct employment or vocational training for members of the affected families. They would also be benefited from the jobs and self-employment opportunities created by the secondary economic activity the project will generate in the area.

12 These counter-arguments could be summarised as follows: First of all, in Phase I of the project (and probably for the entire project life, if Phase II is not constructed), the plant is going to use distillate oil and not natural gas. The effects of pollution generated due to distillate oil are not discussed and accounted for. Secondly, natural gas is not an entirely pollution-free fuel as portrayed. It produces less amounts of pollution for every unit of electricity generated, when compared to the other fuels used in thermal power plants. But, the power plant using natural gas certainly creates some thermal as well as chemical pollution. The huge capacity of the DPC plant becomes a matter of concern when the huge amount of total pollution generated by the plant at one place threatens the environment and local people. Emitting a large amount of harmful gases at one location is expected to have adverse effects on flora and fauna in the area surrounding the plant, especially the delicate horticulture plantations of mango and cashew. Finally, similar concerns are expressed about the thermal pollution from release of about 60 million liters of hot water per hour in the Vashishthi estuary. Such a large amount of heat is expected to have adverse impact on the marine eco-system in the area and on traditional fishing communities, who are dependent on sustainable harvesting of these marine resources [Samaj Vidnyan Akadami, 1995, p. 16].

13 The Environmental Impact Assessment report is to be submitted by the concerned industry to the Ministry of Environment and Forests, and the MOEF grants its clearance, with the assumption that the EIA is based on correct and adequate data, proper methodology and honest conclusions. DPC and government agencies treated the EIA report as a secret document and refused to reveal its contents even to the people affected by the plant. Pereira, Sule and Mehta, managed to secure a copy of the document, [Pereira, Sule and Mehta, 1994b, Pp. 10-11].

14 This discussion is based on personal conversations, media interviews and various petitions sent by local people to Enron and governments. Following sources should specifically be mentioned: (a) the petition [dated November, 11, 1993] sent to DPC on behalf of the 'Anjanvel, Veldur, Ranvi Vidyut Prkalp Lok-Hakka Samiti' (Committee for (Protection of) Rights of People of Anjanvel, Veldur, Ranvi (affected by) Power Project); (b) the interviews of local people that appeared in a story in the local daily, *Ratnagiri Times* (Marathi), dated November 18, 19, 20, 1994; (c) a series of news reports by Meena Menon in *The Times of India* [Menon, 1994a, 1994b]; and (d) an article syndicated by Unique Features [1995].

15 This quote is a translated from the same petition (p. 4) submitted by the 'Anjanvel, Veldur, Ranvi Vidyut Prkalp Lok-Hakka Samiti' to DPC on November 11, 1993. The petition could be obtained from Mr. Y.S. Bait, Vrshali Niwas, Shivaji Colony, Kalyan (E), Dist. Thane, Maharashtra, India.

16 Enron Hatao Kriti Samiti (Action Committee to Scrap Enron) in its letter [dated November 22, 1995] made allegations of corruption. This letter can be obtained from Enron

Hatao Kriti Samiti c/o Janata Dal, 10. CDO Barracks, Jeevan Beema Marg, Nariman Point, Mumbai, 400-020, India.

17 For a detailed discussion and analysis of various objections and criticisms, following literature should be consulted: Brahme [1994]; Dixit, Sant and Wagle [1995]; Greer and Singh [1996]; NWGPS [1994]; Pereira, Sule and Mehta [1994a, 1994b]; Purkayastha [1995a, 1995b]; Samaj Vidnyan Akadami [1995]; Samant [1995]; Sant, Dixit, and Wagle [1995a, 1995b]; Wagle, Dixit and Sant [1995]; Wagle [1995a, 1995b, 1996].

18 Lately, after the new BJP-SS government renegotiated the deal, Congress (I) has been critical of certain changes in the deal, for example, use of naphtha as a fuel during Phase I.

19 The RSS is a cadre-based, cultural-political and exclusively male organisation that was started in the 1930s. The ultimate goal of the organisation is re-establishment of the 'glorious' Hindu *Rashtra* (i.e., the 'Hindu Nation'). However, in practice, this nebulous goal is supplanted with the objective of Hindu-Sanghathan which literally means organising Hindus, but is interpreted as building up and consolidating the RSS organisation itself. Gradually, the organisation has become an end in itself toward which every *swayamsevak* (member-volunteer) needs to have his first and primary commitment. The main organisational mechanism of the RSS is *shakha* which literally means a branch. In practice, it means a daily gathering of male members of the local community at a convenient public place in the community, such as a playground, community hall or private premise. Membership is free to all males, irrespective of their age or their social, political and economic status. The daily program is comprised of physical and intellectual activities. *Shakha* holds a supreme position in the organisational philosophy of the RSS. Regular attendance in daily *Shakha* is, in itself, both a fundamental duty and an ultimate expression of dedication to the organisation and, hence, to the nation. Thus, attending *Shakha* becomes literally a 'be all and end all' of the public life of most of the *swayamsevak*s. The centrality accorded to rigorous adherence to ritual in daily organisational life has shaped the peculiar mind-set and style of the RSS.

20 Swadeshi Jagaran Manch (SJM) is exclusively devoted to the mission of 'conscientisation and agitation' for the cause of swadeshi, i.e., national self-reliance. SJM, with help from the RSS cadres, is now running nation-wide campaigns against the multinational corporations and government's NEP-related policies in various fields. In the Enron controversy, SJM took a very vocal and militant stand even against the BJP (a member of the RSS *parivar*) government in the post-renegotiation period.

21 The reasons for this failure are several. Those involved in these efforts have cited the following: technical difficulties, inexperience (especially in enviro-legal matters) of the attorneys and tactical mistakes. One hypothesis is that the judicial system has long accepted the conventional development paradigm and, unlike the Narmada case, the Enron project did not threaten the same scale of harm as the cost of its pursuit.

22 First, this is because the High Court did not even allow petitioners to appeal to the Supreme Court on many occasions. Second, although some outside supporters contemplated approaching the Supreme Court directly, they could not garner adequate resources and support from the Delhi-based activists

and lawyers who normally work on this type of public interest cases in the Supreme Court. These small groups also believe that it is beyond their capacity to move the Supreme Court, as it would involve huge expenditures, in addition to equally enormous human efforts to collect data and prepare case-related documents. (However, at a later point of time, the Supreme Court was approached. See the postscript at the end).

23 This is from the affidavit of Ajit Nimbalkar, Respondent No. 7, in the Writ Petition No. 1,702 of 1994, in the Mumbai High Court: *Ramdas S. Nayak and Another vs Union of India and Others*.

24 It may be true that the state government and MSEB do not have the necessary expertise and competence to carry out, entirely on their own, a critical and in-depth evaluation of the project details. However, many other government agencies jointly (if not single-handedly) possess the knowledge base, expertise and even experience, that are necessary to evaluate projects like the Enron project. These agencies include: Central Electricity Authority (CEA), National Thermal Power Corporation (NTPC), Bharat Heavy Electrical Ltd. (BHEL), and Industrial Development Bank of India (IDBI).

25 IDBI reportedly was forced to tone down its criticisms under political pressures [Sridhar, Ram and Perez 1995]. In any case, Enron had to make several concessions because of the criticisms of IDBI staff. Both the World Bank's and IDBI's appraisals initially were not released but, in the subsequent debate, they proved quite embarrassing for Enron as they provided potent ammunition for criticisms of the project.

26 The description of events in this section is based on, in addition to the sources cited, interviews and conversation with local people, with activists such as Yashavant Bait, Ganapat Dhopat, Ashok Kadam, Mangesh Pawar and Pradeep Balgude, and with their supporters such as Arun Joglekar, Ram and Manoharsheth Redies, and Sulabha Brahme.

27 Chiplun town holds a special significance in this situation. The project site, the three villages and the Guhagar town are (at present) connected with the outside world only by a road link via Mumbai-Goa National Highway. Chiplun is located at the junction where the road from Guhagar connects to the Highway. In addition, Chiplun is a traditional centre of trade and business in the region. In recent years, the importance of the town has further been enhanced due to the nearby power station at Pophali (Koyna dam) and the industrial area at Lote-Parshuram.

28 Many members of the Chiplun elite, individually and collectively, provided money and logistic support to the activists and their programmes as well as help to the members of the struggling local community. Although at a later stage, under pressure from pro-project government officials and political forces, some of their members had to take a low-key position, the trading community at Chiplun and part of the elite continued to support the struggle, at least, till December 1995 when this author met them last.

29 This may be rooted in the historical relationship between the Indian Socialists (Social-Democrats) and the Indian Marxists, which is characterised by mutual suspicion and distrust.

30 The information on the RSS and the analysis of its ideology and organisational character is based on the author's long and close association with many members, cadre and functionaries of the RSS.

31 This is further exacerbated by the dogmatism and

fanaticism of the RSS cadre - rooted in uncritical dedication and ritualistic mind-set cultivated through daily organisational chores - which obstruct any thinking beyond the prescribed doctrine.

32 This is especially true for the mainstream of the RSS organisation. There are certain small and not-so-influential sections on the fringe of the massive organisation which are trying to break down these barriers and disseminate the analyses and ideas leading to alternative paradigms of development. But, it will be a long time before these ideas will be accepted in the mainstream of the organisation.

33 The organisational network of the RSS *parivar* includes about 3,000 organisations. Prominent among them are Bharatiya Janata Party which has won the largest number of seats in the parliamentary elections in 1996 (and also in 1998) and Bharatiya Mazdoor Sangh (BMS), the national level federation of trade unions with the largest number of registered members. The organisational feats of the RSS *parivar* include exemplary humanitarian work carried out in extremely adverse conditions during severe national tragedies such as the Andhra cyclone in the late 1970s, and the Morvi dam burst. They also include political 'feats' such as the successful movement against the Emergency (suspension of fundamental rights granted by the Constitution) in 1975 and destruction of the Babri mosque in 1992.

34 First because, in the rural situation, the *baithak*, ordinarily addressed by the cadre-member or the taluka level leader from outside the community, is normally held at a bigger and better house owned by some influential family within the community unless the outsider explicitly insists on avoiding such a venue. Secondly, in the *baithak*, only the leaders of the community get an opportunity to talk and express themselves, and they are normally the target audience for the outside leader. Though women are not barred from these meetings, their participation is not insisted upon. As a result, women and poorer families tend to avoid attending these indoor meetings in the house of the influential family.

35 People from the town of Ratnagiri excommunicated everybody who was associated with the Sterlite project in any manner. Their 'non-cooperation' extended to the employees of the company, the contractors of the company and their employees, and the government and other officials working with the project. They did not spare even those among themselves who continued to cooperate with the company. The excommunication (the term used was *samajik bahishkar*) involved refusing all sorts of contact with the target persons including selling and purchasing, renting a house, and socialising. With a great show of solidarity, the entire town effectively employed this strategy against the effort to construct a copper-smelting operation on the outskirts of the town.

36 First, they were running a race against time. Once the PPA was signed in December 1993, the DPC was under pressure from its investors to complete construction in the stipulated time and begin production. The state government and MSEB were also under pressure to provide the promised assistance necessary for DPC to commission the plant in record time. This pressure was rooted in the fact that the Enron project was being viewed by the entire macro-system as a test-case for the success of the NEP in India. Second, the state government was demoralised and, hence, was on the defensive after the humiliation it had recently suffered in asking Sterlite Industries, first to suspend the project work, and later to

abandon its project at Ratnagiri. Third, the government could not afford to allow the struggle and the controversy to exacerbate or drag on until the end of 1994, as it would then have proved a severe embarrassment during the campaign for the 1995 state assembly elections.

37 Some faculty members from the Tata Institute of Social Sciences initiated a research project studying the socio-economic impact of the project on local population which was reportedly commissioned by Enron. When local people came to know about this, they confronted the researchers saying: 'You did not bother about us for forty-five years (after Independence), and now when a foreign company like Enron has paid you, you suddenly got interested in our problems' [Unique Features, 1995, p. 14].

38 In the case of the BJP, it has always been accused of being a 'right'-oriented party influenced by businessmen and traders. The BJP and its parent organisation, the RSS, are known to have anti-left leanings and draw inspiration from Hindu tradition and culture. Lately, mainly out of the cultural threats posed by the new economic policies, the RSS has vigorously adopted the *swadeshi* (national self-reliance) line involving opposition to the entry of multinational corporations as a part of the process of economic liberalisation. The BJP is said to have been divided over this issue into two camps: one following the *swadeshi* line of the RSS, and the other taking a moderate stand on multinationals and the liberalisation policies. The section in the central leadership of BJP following the moderate line was known to have reservations about the decision to scrap the Enron deal. The state level BJP leadership in Maharashtra which comes from the rural areas and which had allegiance to the cause of *swadeshi* (taken up by the RSS) had prevailed over this section to push the decision, in order to fulfil its most important election promise.

39 The SS led by a cartoonist-turned-charismatic cult figure, Bal Thakre, is mainly a state-level party with an urban base. Its politics has always been based on militant localism and parochial and jingoistic issues rather than on economic or social issues. Thakre is famous for his mercurial style and capriciousness as well as for his autocratic control over the SS. However, these personality traits do not provide adequate explanation to this major shift in policy. One hypothesis may be that the young leadership of the SS - i.e., son and nephew of Thakre - now occupying the seat of real power wanted to change the maverick image of the SS, and yearned for respect from the influential elements of the macro-system which were enraged by the scrapping of the Enron project. Rethinking the cancellation and arriving at a 'rational and objective' decision regarding the Enron project could be the first step in re-inventing the image of SS. Another hypothesis proposed by some is that allegedly massive corruption proved the major element in prompting the rethinking of the cancellation decision.

40 After delaying for some time, Vinay Natu succumbed to the pressures from the state-level BJP leadership to cross over. He had, by then, become a key symbol and representative of the local struggle, and hence a prize 'convert' from the perspective of the new government. Had he continued with his anti-project stand, it would have been a great embarrassment for the new state government and a threat to the credibility of the deal it had renegotiated.

41 This is very rare in the closely knit organisations like RSS wherein the *swayamsevak* is supposed to hold the

organisation above everything else.

42 Bal Thakre, the SS Chief, commented on the continued resistance by the local people: 'They (local people) are opposing the project just for the sake of opposition. They want to involve politics in this issue. We do not want to politicise the issue. We want (the) Enron (project). We have signatures of 100,000 people from Konkan supporting Enron' [Loksatta (Marathi), November 2, 1995].

Gopinath Munde, the Deputy Chief Minister, commented: 'It is true that people from the three villages have opposed the renegotiations. But once the Cabinet makes its decision about reviving the project, then we are thinking to have a meeting with the villagers. This is not appropriate time to talk with them especially not before the expert committee submits the details of the renegotiated deal' (this author's emphasis) [Samana (Marathi), November 12, 1995].

43 One important development is that the state branch of a federation of trade unions - Conference of Indian Trade Unions (CITU) - and some radical activists were successful in compelling the High Court to take cognizance of the issue. During court proceedings of the suit filed by them in April 1996, new incriminating evidence was presented. While the High Court is not expected to act decisively, presentation of a strong case in the High Court will open up the possibility of intervention by the Supreme Court at a later stage.

On the political front the situation has recently worsened. After the Parliamentary elections in 1996, finally, a coalition of small left and left-center parties have formed a national government whose state branches in Maharashtra have been opposing the Enron project. However, the BJP-SS led GOM has successfully secured necessary clearances for the Enron project from the new central government. GOM and Enron have announced that construction work on the project will begin at the end of August 1996. At the local level, the threatened communities have still not accepted that the issue has been finally settled. The nine villages affected by the two projects - Enron and HOPCL - are gradually reorganising their initiative. The local communities and their leaders, with help from NAPM and other supporters, have begun registering their protest through activities like rallies and protest marches. But they are yet to make an effective show of strength.

#### GLOSSARY

BEAG	Bombay Environmental Action Group
BHEL	Bharat Heavy Electrical Limited
BJP	Bharatiya Janata Party
BMS	Bhartiya Mazdoor Sangh
CCGT	Combined Cycle Gas Turbine
CEA	Central Electricity Authority
CEO	Chief Executive Officer
CITU	Centre for Indian Trade Unions
DOE	Department of Energy
DPC	Dabhol Power Company
EHKS	Enron Hatav Kriti Samiti
EIA	Environmental Impact Assessment
EVSS	Enron Virodhi Sangharsh Samiti
GE	General Electric (Company)
GOI	Government of India
GOM	Government of Maharashtra
GROSSCON	Growth Oriented, Supply-Sided, Consumption-directed

HOPCL	Hindustan Oman Petrochemical Ltd.
IDBI	Industrial Development Bank of India
IRR	Internal Rate of Return
JD	Janata Dal
LPG	Liberalisation, Privatisation, Globalisation
LVS	Lok Vidnyan Sanghatana
MIDC	Maharashtra Industries Development Corporation
MNC	Multinational Corporation
MOEF	Ministry of Environment and Forests
MOU	Memorandum of Understanding
MSEB	Maharashtra State Electricity Board
MW	Mega Watt
NAPM	National Alliance of People's Movement
NBA	Narmada Bachao Andolan
NEP	New Economic Policy
NHPC	National Hydro Power Corporation
NTPC	National Thermal Power Corporation
NWGPS	National Working Group on Power Sector
PPA	Power Purchase Agreement
PTI	Press Trust of India
RSS	Rashtriya Swayamsevak Sangh
SEB	State Electricity Board
SJM	Swadeshi Jagaran Manch
SOCLEEN	Society for Clean Environment
SRP	State Reserve Police
SS	Shiv Sena
TAPS	Tarapur Atomic Power Station
UK	United Kingdom
WCED	World Commission on Environment and Development

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# REFORMING INDIAN LABOUR MARKET: AN EXPOSITION OF SOME ISSUES

Raghunath Pradhan

*This paper offers an exposition of the institutional and other issues of the labour market in India. It notes that the Indian worker is perhaps the least productive in the world. The paper presents some hypothetical reasonings to explain such low productivity. Taking clue from Solow's analysis which views labour market as a social institution, it tries to locate the reason in legal provisions, political patronage, etc., which exert hardly any compulsion on the part of the worker to be geared to work and be productive. A brief comparison of the Indian and the Japanese industrial relations reveals that the latter have a pro-production bias while the former anti-enterprise bias. The paper concludes drawing inferences relating to legislating an exit policy, to revoking complete job security provisions, and to establishing linkage of wages to productivity and bonus in order to encourage team spirit and profitability of an enterprise.*

## INTRODUCTION

Labour in conjunction with other factors of production produces national income. It is responsible for our living and material prosperity. Productivity of labour, therefore, must receive utmost attention of the policy makers. All efforts are needed to be made to motivate workers to work harder and attain greater productivity. Accordingly, incentive structure must be built to reward labour for its work and dedication; otherwise, a nation can never aspire to be prosperous.

Labour is obviously one of the most important factors of production. Although India has initiated structural reforms to ensure efficient allocation of resources and speedier growth, the labour market has remained untouched so far. Our attempts have centred rather on deregulating product and capital markets. One of the characteristics of our economy is that though there is an excess supply of labour, there is inadequate supply of work effort. A careful observer can notice and derive appropriate inferences for himself as regards the intensity and sincerity with which the Indian labour puts his efforts. Moreover, the productivity of the country's work force falls short of the level attained internationally as it prefers cushy jobs, lacks zeal and enthusiasm in its work, has high preference for leisure over work [Datta-Chaudhuri, 1995, p. 2; see also Table 1]. As a result of a biased incentive structure, the labour

is not motivated to supply optimal amount of work input. In other words, the labour market does not perform well. Unless we initiate reforms of this market and carry it to its logical conclusion, the country cannot be prosperous.

The purpose of this paper is to endeavour an exposition of some issues pertaining to the Indian labour market. The paper is concerned with organised labour<sup>1</sup> market where labour is employed in medium and large-sized manufacturing industries, both private and public. Although the organised labour constitutes about 8 per cent of labour force it contributes about one-third of the country's NDP [Aggarwal, 1997, p. 157]. The paper essentially deals with some, though not all, institutional aspects of labour in India. The latter stand for hiring and firing, minimum wages laws, unemployment benefits, wage indexation provisions and bargaining, and regulations relating to job security and non-wage labour cost, etc. [For definitions see Agénor, 1996, p. 262].

Section I briefly goes into importance of labour productivity. In Section II, we analyse the need for reforming the labour market. Section III provides some 'Social Capability' explanations of low productivity of labour in India. Section IV focuses on the rigidities in the Indian Labour Market. Moreover, we have made an attempt in comparing industrial relations and bargaining

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structure of India with those of Japan. Section V briefly looks at the efficiency of public sector labour from the information theoretic angle. Section VI summaries and concludes.

#### I. IMPORTANCE OF LABOUR PRODUCTIVITY

The criticality of labour productivity arises from its appearance<sup>2</sup> in the growth parameter, i.e.,  $K/O$  ratio. Since  $K/O \equiv \frac{K}{L} \cdot \frac{L}{O}$  and  $\frac{L}{O}$  is nothing but inverse of labour productivity, the lower is  $\frac{L}{O}$  the lower will be  $\frac{K}{O}$ , and this suggests greater efficiency in the use of investible resources. Given the saving ratio  $S/Y$  (where  $S$  is savings and,  $Y$ , income) in the economy, and the Indian  $S/Y$  stagnating at round 22 per cent, any fall in  $K/O$ , because of rise in  $O/L$  ratio, would imply higher GDP growth rate. Thus with the same saving and investment rates, the economy can attain higher output growth and greater mileage when productivity of labour rises. This is important in the Indian context as the saving rate in India is stagnating at around 22 per cent [Government of India (GOI), 1996-97, Table 1-3, p. 3].

Unit labour cost (or inverse of labour productivity) is a determinant of comparative advantage of a nation. This is particularly true of labour-intensive products in which a less developed country (LDC) like India enjoys comparative advantage in production and exports. Such unit costs are governed by various components of labour contract, viz., (i) compensation, (ii) termination and job security provisions, (iii) working conditions, and (iv) others.<sup>3</sup>

All this means that, the long term standard of living of a nation is determined by productivity of labour.

It is to be remembered that labour is a factor of production, and the wage bill may account for a large part of the cost of production. Since the residual after allowing for the wage bill accrues

to the entrepreneur, a person who makes all the production decisions, sufficient incentive must be available to him in the form of profits to encourage him to play his entrepreneurial role. Consequently, there is need for linking productivity with wages and profitability.

#### II. WHY REFORM LABOUR MARKET?

Governments in LDCs have decisive influence in the formation of wages in the organised sector. In India, because of the Pay Commissions [ILO-SAAT, 1996, p. 446], Wage Boards and other agencies involved in the wage revision and because of the indexation and payment rules, wages become exogenous by nature. There is hardly any free collective bargaining. Thus there is need for institutional innovation to allow labour market to function smoothly. It is to be borne in mind that such institutions raise the benefits and reduce the costs of transactions in the market.

Because of political patronage enjoyed by the Trade Unions (TUs), labour relations have been a political issue. TUs have endeavoured to derive larger gains, without linking their efforts or productivity to wages but by behaving more as 'political pressure groups than by promoting mutual interaction and understanding' [Datta-Chaudhuri, 1995, p. 7].

**Table 1. Labour-Productivity: A Cross Country Scenario**  
(GDP per Hour Worked (at 1990 \$), 1950, 1973, 1992)

Country (1)	1950 (2)	1973 (3)	1992 (4)
DCs			
Japan	2.03	11.15	20.02
Portugal	2.58	9.86	14.06
Spain	2.60	10.86	20.22
LDCs			
India	0.60	0.94	1.58
Brazil	2.41	5.62	6.66
Mexico	3.09	7.63	8.40
China	0.82	1.31	2.79
Indonesia	1.02	1.86	3.35
Pakistan	0.79	1.48	2.57
South Korea	1.28	3.22	8.48
Taiwan	1.17	4.13	11.06
Thailand	0.74	1.68	4.34

Notes: DCs: Developed Countries; LDCs: Less Developed Countries.

Source: Maddison, Angus, 1995; *Monitoring the World Economy 1920-1992* Organisation for Economic Cooperation and Development (OECD), Paris. (Table J-5, p. 249).

### *Relative Labour-Productivity*

Data on labour-productivity presented in Table 1 depicts the productivity of the Indian labour, both in absolute terms and in relative sense. From Angus Maddison's table, we have chosen a sample of countries for comparison. Thus, among the developed countries we include Japan where unprecedented prosperity occurred in a relatively short period of time and two European countries, Spain and Portugal, which grew rapidly to an enviable industrial status. From the developing world, we have taken a representative sample.

Productivity of labour in India was the lowest in the developing world with \$ 0.60 GDP per hour in 1950, which works out to about 30 per cent of that of the Japanese labour and 25 per cent of that of the Portuguese and Spanish labour during the same year. By 1973, India managed to move forward to around \$ 1.00 per hour which is much less than that recorded by Japan - that is \$ 11.15 - and South Korea's \$ 3.22, Taiwan's \$ 4.13 and even Pakistan's, which is \$ 1.48. During that year, Portugal and Spain recorded productivity increase to about \$ 10.00 and \$ 11.00 per hour, respectively. During 1992, the latest year for which such cross-section data are available, India's labour productivity, which went up to \$ 1.58 per hour is still one of the lowest in the world.

We feel that the institutional set up of the Indian labour market is such that despite decades of development planning, no impressive stride could be made on the productivity front. If the productivity growth had not been dismal, the labour market outcome would have been quite different.

### III. WHY LOW PRODUCTIVITY? SOME HYPOTHETICAL REASONINGS

To explain low productivity of labour, we try to advance here some 'social capability' explanations,<sup>4</sup> though on a hypothetical plane.

#### *(a) Sociological Roots*

A.L. Basham [Basham, 1967, p. 3] refers to 'fatalism' factor prevalent in the Indian society. Since rural India's fate is tied with the vagaries of Rain (God), the very survival of the rural folk depends on its regularity and adequacy. People

remain reconciled to their 'fate', even if alternative opportunities including migration are open. This explains part of our rural productivity and poverty.

It is a common observation that people in many parts of India are lethargic and unenterprising. Instead of devoting themselves to hard work to overcome poverty and to move up gradually along the ladder of prosperity, they seem to suffer from what J.V. Naralikar calls a 'Perpetual Holiday Mood Syndrome'. Nor is there any social stigma attached to inaction and slothfulness, particularly in rural India. Incidentally, it is the latter which constitutes the hinterland of industrial labour. Thus sociological factor like 'fatalism' may well lie behind low productivity of labour.

#### *(b) Economic Roots*

In India, there has been excess growth of value added originating from the tertiary sector [Bhattacharya and Mitra, 1990; p. 2446]. In fact, the fall in the share of agriculture sector in the national income is due to rise in the relative share of the tertiary sector. The latter has turned out to be a major sector in the Indian economy even before the country could be highly industrialised, a perverse phenomenon indeed!

'Community, Social and Personal Services' constitute a sizeable segment of the tertiary sector where productivity is known to be low. To a keen observer, it is clear that wages in this sector are biased in favour of generalists and relatively against the professionals with expertise. Think of the recent Pay Commission Report of the Government of India. The incentive bias manifested in this Report may be explained as follows. Firstly, in India there is a linkage between the public sector and the private sector wages (see below). Secondly, invariably it is the case that in all LDCs including India, government happens to be a very large employer in the economy and, therefore, it has almost pervasive influence on the rest of the economy. The incentive biases existing in the government sector would have a spill-over

effect on the rest of the economy. Such a scenario may well be the factor pulling down the overall productivity of workers in India.

In the modern world, knowledge is an essential input in the manufacturing process. But literacy rate in India which is merely 52.2 per cent only in 1991 is low and remains one of the lowest in the world. And this cannot be conducive to rapid overall development of the economy [GOI, 1996-97, Table 10.2, p. 184].

#### (c) Nature of Decision Making

It is a general observation that decision making in the public administration in India is, for example, hierarchical or vertical. The files move from 'bottom' to the 'top' through the several layers. It thus becomes sequential in character. In the process, many good projects may fall through. In the absence of a close, regular and continuous interaction, the decision-making is tardy and dilatory and, therefore, inefficient and adds to the cost. At the factory level, there are several layers of decision making with little direct interaction between shop floor workers and managers.

A 'parallel' process of decision-making involves simultaneous steps to arrive at a decision. It reduces the time cost of arriving at a decision. It is, therefore, more efficient.

Absence of a competitive environment also accounts for low productivity of labour. Our faulty industrial policies that split the plants into uneconomic sizes and locations [Pradhan, 1996b, p. 64], import-substitution strategy under a high tariff, and other protective measures prevented emergence of a competitive industrial structure in the country. In fact, after the reforms began in India, and the domestic market became gradually competitive, the productivity of workers in Tata Steel for example, has shot up by about 30 per cent [Das, 1996, p. 12].

#### (d) Team Spirit

Modern manufacturing process requires a good team spirit. Japan has such a successful record on

this count. It has encouraged team spirit through profit sharing bonus payment, through common dress and facilities (e.g., canteen, toilets, etc.) at the factory level [see also, Pradhan, 1994c, p. 6]. Though India has a system of bonus payment it has, by and large, not been able to encourage 'team spirit' and has not adopted Japanese method of common facilities. It could indirectly be encouraged by the nation through more and serious and rigorous efforts by promoting competitive games and sports.

#### (e) Ratio of Public Sector to Private Sector Employment

The ratio referred to in Table 2 is certainly a determinant of worker's productivity in India. Although structural reforms were initiated in 1990-91, the ratio of public sector employment to private sector remains high and has virtually exhibited no downward movement (Table 2).

Because of political patronage, absence of work ethics, excessive job security, hierarchical decision-making, non-professional management and soft-budget constraint, the public sector does not perform efficiently in India. Consequently, dominance of this sector in employment market does not augur well for productivity of labour.

Table 2. Employment of Labour in Public and Private Sectors in India

(Lakh)			
Year	Public Sector	Private Sector	Ratio of (2) to (3)
(1)	(2)	(3)	(4)
1981	154.84	73.95	2.09
1982	NA	NA	NA
1983	164.55	75.52	2.18
1984	168.69	73.46	2.30
1985	172.70	73.09	2.36
1986	176.83	73.74	2.40
1987	180.24	73.64	2.45
1988	183.20	74.53	2.47
1989	184.44	74.53	2.47
1990	187.62	75.82	2.47
1991	190.58	76.77	2.48
1992	192.10	78.46	2.45
1993	193.26	78.51	2.47
1994	194.45	79.30	2.45
1995	194.66	80.59	2.42

GOI, *Economic Survey*, Various Issues.

*(f) Insider-Outsider Issues*

It is a paradox that with large scale unemployment, open and disguised, the position of 'insider' workers is very powerful in India. This prevents the incumbent workers being motivated to greater efforts and higher productivity. Moreover, they can manage to get an unfair share of the 'rent'. There are several reasons for this:

(i) *Judicial* - The judicial process in India has been favouring incumbent workers. The judgements pronounced by the judiciary have been more concerned with the interests of the job of the workers rather than with viability and sustainability of the enterprise [Datta-Chaudhuri, 1995, p. 10].

(ii) *Historical* - To Robert Solow, history matters. And it is not costless to reverse the history [Solow, 1990, p. 74]. The history of the TU movement in this country brings out that it became part of the national movement [Datta-Chaudhuri, 1995, Pp. 6-7] with some of the important trade union leaders having assumed the latter's headship. With competitive politics and breaking-up of the political parties along the ideological lines, the TU movement, in its formative stage, got fragmented along the political lines and became wings of political parties. Consequently, multiple unionism has thrived in India. Political patronage encouraged inter-union rivalry and militancy amongst the labour. Such overprotective attitude of the unions and political leaders have prevented the emergence of a healthy, productive and competitive work culture, so essential to an emerging industrial economy.

In contrast, in many East Asian countries<sup>5</sup> (viz., Taiwan, Malaysia, and Indonesia), no association with political parties is even allowed for the trade union movement. In high technology electronics sector in Malaysia, union activities are prohibited to encourage high productivity growth.

A truly competitive system which allows entry must allow for exit as well. The economic system can decay without labour exiting. The industrial

structure will be afflicted with plethora of sick inefficient units. Thus, the units which prove unviable must be allowed to die quietly.

## IV RIGIDITIES IN THE INDIAN LABOUR MARKET

*A. General*

The labour market in India does not function efficiently and smoothly. There are many rigidities and these stem from the following: (a) The Prevalent Wage System, (b) Job Security System, and (c) Existence of Labour Redundancy [Ghose, 1996, p. 570].

The Indian wage system, appears to have imposed many elements of fixed cost on a firm. Firstly, there is an automatic system of annual increments in wage [Ghose, 1996, p. 571]. Secondly, bonus is statutorily granted, at minimum rate of 8.33 per cent, by the Payment of Bonus Act 1965. Since this needs to be paid, irrespective of the performance of an enterprise, it turns out to impart some degree of exogeneity to the payments system. For efficiency, wages must be contingent on output which is a measurable value and bonus must be linked to productivity.

In the Indian wage system, there is no in-built mechanism for rise in labour productivity and profitability to be taken into consideration in the revision of wages. Enterprises have to conform to exogenously given wages.

**Table 3. Rates of Return on Capital Employed in Public Sector in India**

Year (1)	Percentage to Capital Employed	
	Gross Profits (2)	Net Profits/Losses (3)
1981-82	7.99	-1.11
1982-83	13.06	2.31
1983-84	12.72	2.50
1986-87	12.58	3.42
1988-89	12.68	4.43
1990-91	10.88	2.23
1992-93	11.42	2.43

Note: Net profit is defined to be Gross Profit less (Interest + Tax Provisions). See 'Statement on Comparative Profit of Industrial Enterprises', S-13 in *Public Enterprises Survey 1994-95*, Vol. I, Ministry of Industry, Government of India, New Delhi.

Source: Raghavan, 1994, Table 3.4, p. 40.

Public enterprises in India have been operating inefficiently and often at very low rate of (net) return (Table 3). But wages in the public enterprises, which dominate the capital and labour markets, exert significant influence on wages obtaining in the private sector.

Job security in the organised sector is governed by the Industrial Dispute Act of 1947 and Industrial Employment Act of 1946 (with subsequent amendments). These impart extremely high degree of rigidity to the functioning of the Indian labour market. For any retrenchment of labour for establishments employing 100 or more labourers, prior permission of the appropriate authorities is required, which is rarely given. Thus political expediency has taken precedence over the profitability and sustainability of the enterprise. As an outcome, the 'insiders' have become more powerful than 'outsiders' in the job market in India. Also the Trade Unions in the public sector are strong. And their principal concern has been job security although they do fight for higher wages and bonus payments [Datta-Chaudhuri, 1995, p. 9; Ahluwalia, 1991, p. 84].

We have provided job security to workers in the post-Independence India as the country thought that the labour was highly exploited under the colonial (British) rule. Moreover, job security is currently being viewed as income security. The latter is considered to be essential as the country is unable to build a social security system of its own at its current stage of development. This has encouraged a sense of complacency amongst the workers. What the country could have tried to provide is employment security through job creation and provision for social security, and not income security.

There is a considerable degree of redundancy in the organised labour market of India [Ghose, 1996, Pp. 543-44]. This redundancy is caused by: (a) sickness afflicting the industrial sector, (b) policy of propping up sick units to protect existing jobs, and (c) employment generation considered a duty of the welfare state and viewed as a poverty alleviation measure. This created overmaning of the public sector as well as the private sector. Therefore, any adjustment and structural reforms (viz, privatisation of the public sector) and

reduction of aggregate demand (as a stabilisation measure) that add to this redundancy accentuate the problem of unemployment and exaggerate the social costs. The impact of all these have had adverse effect on labour, and on employment in the economy. Even the non-casual labour has been sloppy since it faces no dismissal and/or threat to its job. As a result, the cost of hiring labour was pushed well above its wage or opportunity cost.

Data compiled by some scholars reveals negative growth of employment at the rate of 0.7 per cent per annum in the manufacturing sector of India as a whole during the 1980s [Ahluwalia, 1991, p. 79; see also Table 4 in this paper]. Since consumer nondurables account for 47 per cent of the total employment in the manufacturing sector [Ahluwalia, 1991, p. 82], the negative growth of employment in this sector at the rate of 3 per cent per annum during the same period underlies the stagnation of employment in the manufacturing sector as a whole. Such a scenario may have been caused by rise in the capital-intensity in this sector which in turn could have been caused by rigid labour laws in India. Further, since the country has chosen to provide income security through employment security route, this itself might have encouraged the choice of high capital intensive method of production in our manufacturing sector [ILO-SAAT, 1996, p. 447].

The over all  $\frac{K}{L}$  ratio in the manufacturing sector in India rose from 3.3 in periods II and III to as high as 8.4 in period IV, i.e., in the 1980s (Table 5). Moreover, as far as the consumer nondurables sector is concerned, the  $\frac{K}{L}$  ratio which was 7.4 in period I, 1.9 in period II, and 1.5 in period III, rose to a very high figure of 10.5 in period IV, i.e., the 1980s.

Of course, part of the decline in employment registered in the Indian manufacturing sector is believed to have been caused by stringent labour laws. Since there are barriers to exit and shedding of (excess) labour is virtually impossible, employers found increasing use of casual labour a better alternative to placing them on regular rolls. Further, there might have been spill-over of

production into unorganised sector of the economy as well [Ahluwalia, 1991, Pp. 84-85]. Nonetheless, our analysis above suggests that the rigidities prevailing in the labour market of India have discouraged overall growth of employment in the organised sector.

**Table 4. Growth Rates of Employment in Indian Manufacturing Industries**  
(per cent per annum)

Sector (1)	Period		
	I (2)	II/III (3)	IV (4)
Manufacturing	4.0	3.2/3.5	-0.7
Intermediate Goods	6.2	2.8/2.9	0.8
Consumer Nondurables	0.7	3.9/4.4	-3.0
Consumer Durables	3.3	5.2/4.7	2.4
Capital Goods	8.8	2.0/2.2	1.6

Notes: I = 1959-60 to 1965-66

II = 1966-67 to 1975-76

III = 1965-66 to 1979-80

IV = 1980-81 to 1985-86

Source: Ahluwalia, 1991, Table 3.1, p. 74.

**Table 5. Trends in Capital Intensity in Indian Manufacturing Industries**

Sector (1)	Period		
	I (2)	II/III (3)	IV (4)
Manufacturing	9.0	3.3/3.3	8.4
Intermediate Goods	9.9	4.0/4.4	6.8
Consumer Non-durables	7.4	1.9/1.5	10.5
Consumer Durables	5.2	5.7/5.2	8.4
Capital Goods	7.5	4.5/5.3	5.7

Note: The periods are identically the same as those in Table 4.

Source: Ahluwalia, 1991, Table 3.3, p. 76.

## B. Unionism

*a) Bargaining Structure:* An India-Japan Comparison: The Japanese economy has experienced economic miracles. Its institutional set-up of the labour market must have significantly contributed to this result. It may therefore, be worthwhile to attempt to make a comparison between the two countries: India and Japan. The Japanese system is one of enterprise unionism [Sachibanaki and Tomchiko, 1996, Pp. 474-76] wherein unions are organised at the firm or plant level. There is no segregation, occupation-wise or status-wise. Free collective bargaining relating to wages and other

working conditions takes place between employees and employers within each firm where firm-specific information is openly available. And such information can be shared by all which, in fact, goes on to build mutual trust and credibility at the firm level.

The adversarial attitude of workers towards management is detrimental which could reduce a firm's competitiveness in an industry. The enterprise-level unions are of the decentralised type wherein conflicts are very easily resolved, even avoided. Here decisions are arrived at very inexpensively. Further, given such an organisational basis in Japan, pressure on wages happens to be the least [Agénor, 1996, p. 35]. Moreover, solutions relating to wages are more likely to reflect economic performance of the firms and thus are more of an endogenous nature than of those imposed from outside.

In India, the organisational bases<sup>6</sup> of unions depict a mixed picture. In Railways, and in the department of Posts and Telegraph, unions are organised at the industry level; in other cases unions encompass only a factory, a firm or enterprise [see Ramaswamy and Ramaswamy, 1981, p. 103]. Moreover, wages in the public sector, which influence private sector wages, are determined centrally rather than in a decentralised fashion. In this connection, it may be worthwhile to note the following observation. 'Typically, in the public sector, wages, salary, bonus payments and the conditions of work are not determined at the enterprise level. These are determined centrally, keeping in view the parity amongst government employees in different sectors. In such cases the enterprises even do not hire their employees... Even if bargaining takes place, limits are set by Bureau of Public Enterprises to ensure parity in wage levels across industry and enterprises' [Datta-Chaudhuri, 1995, p. 11].

In Japan, labour is known to be co-operative. Such co-operative attitude of the Japanese labour may be attributable to the steady growth of prosperity due to rapid growth of the Japanese



economy. And the Japanese labour benefitted immensely in the process. An average worker also knows quite well that his fate is tied to the fate of the company and he rises and falls with the enterprise he works in. Further, unemployment has never been a serious problem there. Moreover, about 25 per cent of annual wage bill is bonus payment which makes wage costs more flexible. Of course, there are Labour Standards Inspection Officers to implement the Labour Standards law and to protect workers from unfair conduct of the employers [Sasajima, 1993, p. 165].

Besides, the Japanese being highly patriotic, there may be some other critical reasons, for the Japanese industrial scenario having been so peaceful. Of course, it is not true that the Japanese economy has not been torn by industrial strifes. In fact, it has witnessed severe and violent conflicts between the management and labour unions in the immediate post-World War II period. It has been observed that the Japanese employers being confronted with difficult economic situations, have not hesitated to take recourse to collective dismissal of workers [Sasajima, 1973, p. 176]. Keeping in mind all these, both the employers and the employees in Japan began to evince interest in encouraging some sort of stability of employment. Further, the employers consider it prudent to appear 'fair and just' to their workers. All these led to the emergence of long-term employment practice (LTEP) in Japan. It means that in the event of shifts in technology of production and change of preference for a firm's product, the Japanese firms do not intend to sack their workers. Although it is not spelt out in labour contracts they enter into, the LTEP exists as a tacit agreement between the two parties. It needs to be noted that LTEP applies to full time regular workers only. It has been practised mainly by major companies and the public sector in Japan, though to a relatively less degree, LTEP has also been practised as a philosophy by smaller firms [Sasajima, 1993, p. 175 and p. 177]. Ensuring the workability

of the philosophy of LTEP may underlie the compulsions of the Japanese firms to choose and decide to become conglomerates.

The above in Robert Solow's language, strengthens the position of the 'insiders'. But a country which hardly has any unemployment problem, powerful insiders pose no problem. In other words, there are no outsiders to worry about. Interestingly, the Japanese 'insiders' identify themselves with the interests of the enterprises they work in.

*b) Industrial Relations:* In India, labour has proved itself to be quite militant. Data tabulated in Table 6 is revealing. A significant percentage of industrial disputes in India particularly in the 1980s arose on account of violence and indiscipline.<sup>7</sup> The reasons are to be sought in the institutional and other factors.

The laws guarantee job security to workers, particularly in the public sector in India [Aggarwal, 1997, p. 161; O'Connor, 1996, p. 12]. Retrenchment of workers is almost impossible. Moreover, political interventions in the labour disputes is very common. It is to be remembered that political leaders are very much involved in the country's trade unions in India. But it must be borne in mind that the primary interest of political leaders is political; the economic interest of workers and/or of the enterprise is of secondary importance to them. The political leaders sow disunity and discord. Moreover, in India, state intervention takes place at the very outset of the industrial dispute, whereas elsewhere it is a measure of last resort [Ramaswamy and Ramaswamy, 1981, p. 119]. Furthermore, in the case of conflict, labour in India prefers the matter to be referred for adjudication rather than resolved through mutual reconciliation. And this may have been due to the fact that arbitration has always been in favour of workers [Datta-Chaudhuri, 1995, p. 10].

Table 6. Disputes Classified by Causes (India)

(Per cent to Total)						
Year	Wages	Bonus	Personnel & Retrenchment	Leave & Hours of Work	Indiscipline & Violence	Others
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1973	34.1	10.3	24.3	1.5	5.7	24.1
1974	36.1	6.2	26.5	1.6	6.2	23.4
1975	32.0	8.0	29.8	2.3	8.9	19.0
1976	23.4	13.8	29.9	2.9	9.9	20.1
1977	31.2	15.2	23.0	2.2	8.8	19.6
1978	28.7	9.9	24.2	2.0	10.7	24.5
1979	31.9	8.8	21.7	2.4	9.1	26.1
1980	28.4	7.3	24.3	2.2	8.9	28.9
1981	28.1	8.0	21.2	1.7	9.4	31.6
1982	29.9	5.6	21.3	1.4	11.8	29.4
1983	28.7	6.2	22.1	1.9	13.8	27.3
1984	27.9	4.4	18.2	2.1	14.5	32.9
1985	22.5	7.3	23.1	1.8	16.1	29.2
1986	25.7	9.7	23.3	1.3	15.1	24.9
1987	27.6	7.7	17.1	1.2	14.0	32.4
1988	27.8	6.9	17.0	1.6	15.8	30.9
1989	24.6	6.3	19.7	1.2	15.9	32.3
1990	24.9	4.1	16.4	1.3	16.1	37.2
1991	24.6	4.0	17.4	1.0	18.9	0.6
1992	23.0	1.2	23.6	14.2	9.0	2.6
1993	26.8	2.4	15.7	2.3	25.1	2.2

Note: Percentages are based only on the number of disputes for which causes were known so that the rows sometimes do not add up to total of 100.

Source: Confederation of Indian Industry, *Hand Book of Statistics*, Various Issues.

Table 6 also reveals that a significant percentage of disputes is personnel- and retrenchment-related. In fact, labour scholars argue that bulk of the cases of work stoppages are related to job security.<sup>8</sup> On the contrary, the system failed to provide protection to those who needed it the most [ILO-SAAT, 1996, p. 446].

Table 7 makes very interesting reading. Though fluctuating, the total number of workers involved and the number of man-days lost have been enormously large. These involved huge national losses in terms of wages and output. Though the recent years have witnessed declining trend, the same cannot be said about the entire period.

We have noted that the Japanese labour is very co-operative. The data cited in Table 8 suggests that total number of disputes, the total number of workers involved therein and the total number of man-days lost have been significantly less than those in India. This must be viewed against the background that in 1970 India's value added in manufacturing was 10 per cent of that in Japan; in 1992, this dropped to mere 4 per cent only. A poor country like ours must make an all-out effort

to mobilise its labour force for expanding its national output, instead it has indulged seriously in work stoppages!

Table 9 is an analytical table prepared on the basis of Tables 7 and 8. We have computed MDLD number of (man-days lost per dispute) and WID number of (workers involved per dispute).

Chart I reveals that WID for India is rather steady. But the MDLD is showing some degree of fluctuation. Between 1974 and 1977, there was a steady decline in the MDLD, but this parameter sharply rose thereafter. It reached its peak in 1982, with occasional reversals of the trend. This suggests that MDLD has risen, thereby seriously jeopardising the production process in India. This also goes on to corroborate the fact that labour is quite militant.

Chart II reveals the following. Both the curves MDLD and WID of Japan are showing steady declining trend during the sample period. The rising trend is only noticeable for a small part of the curve from 1973, (the energy-crisis year), to 1975.

Chart 1

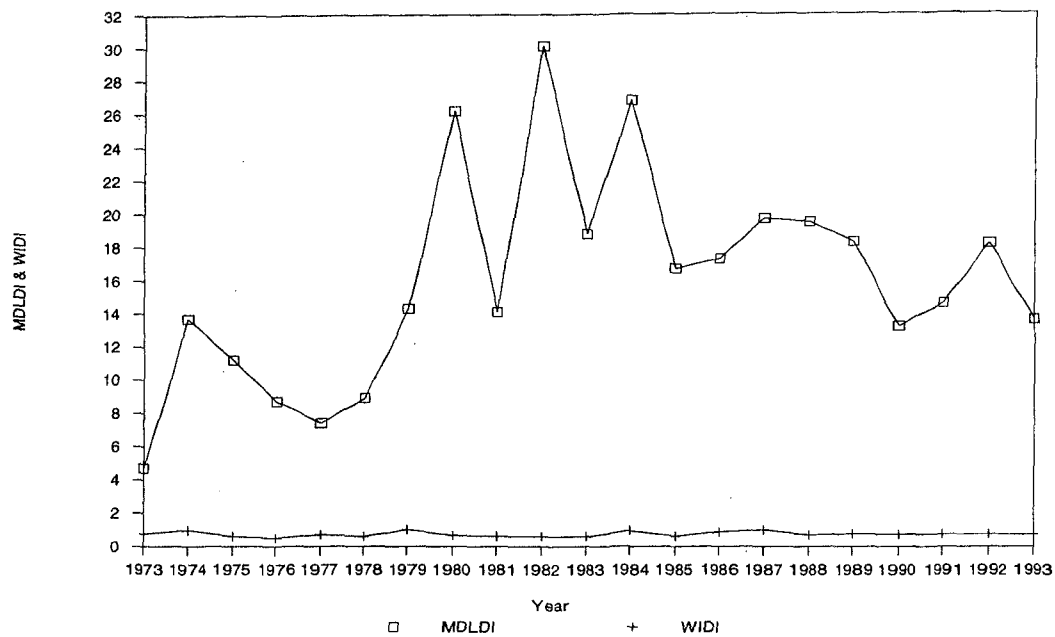


Chart 2

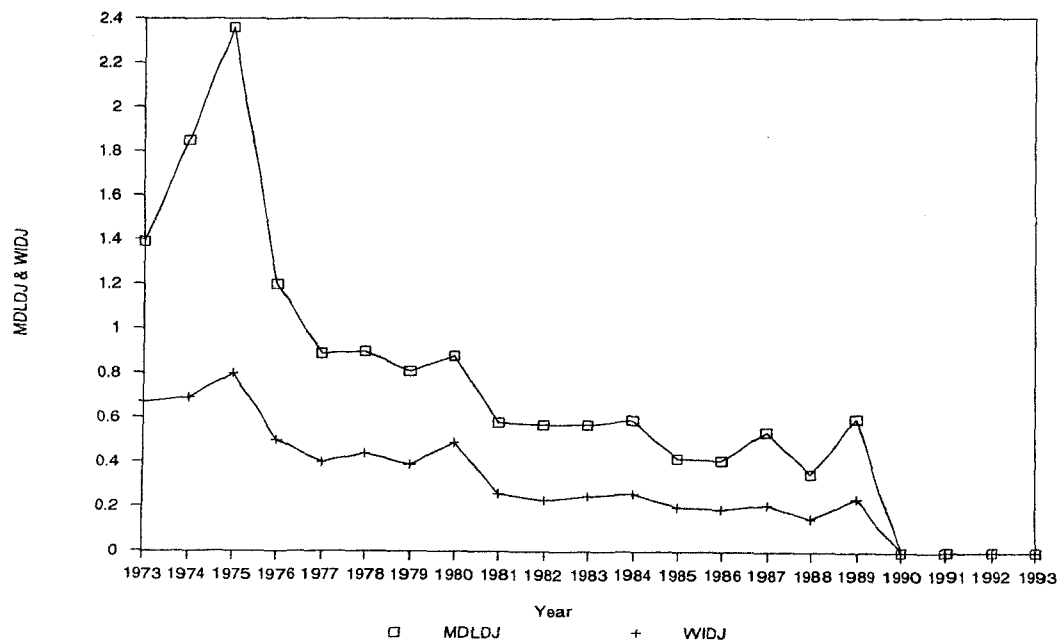


Chart 3

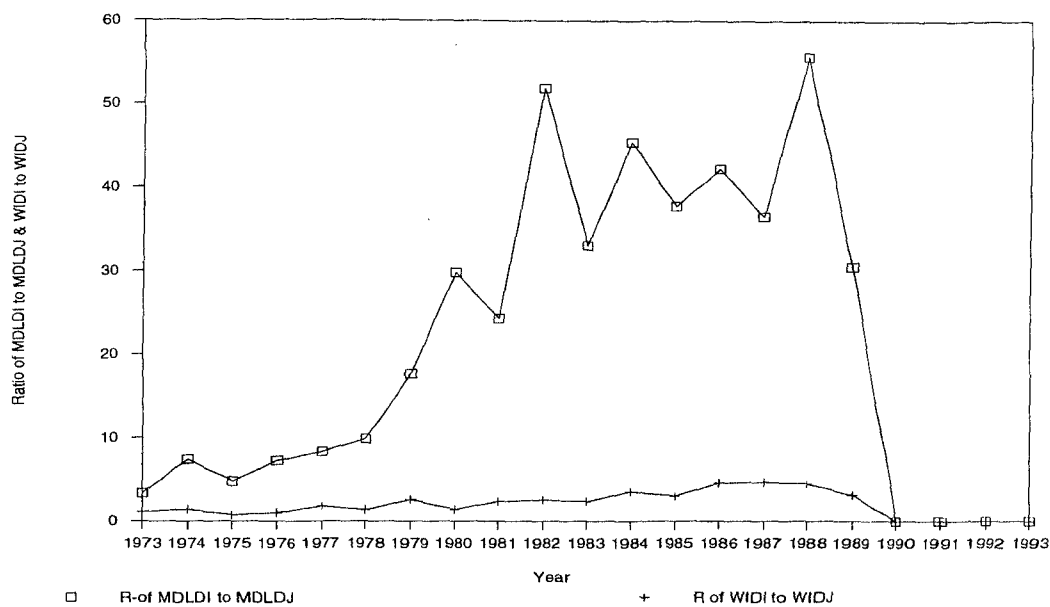


Table 7. Time Lost in Manufacturing Industries of India Because of Work Stoppages

Year	No. of Disputes	No. of Workers Involved (000)	Man-days Lost (000)	Manufacturing Value Added (a) India (b) Japan (a) & (b) Amounts in US \$ (million), (c) Ratio of (a) to (b) in Percentages	
(1)	(2)	(3)	(4)	(5)	
1973	3,370	2,545	16,152		
1974	2,938	2,855	40,262		
1975	1,943	1,143	21,901	(a) 7,928.0 (India)	1970
1976	1,459	737	12,746	(b) 73,342.0 (Japan)	
1977	2,230	1,575	16,415	(c) 10.0	
1978	3,187	1,916	28,340		
1979	3,048	2,873	43,854		
1980	2,856	1,900	74,925		
1981	2,589	1,588	36,584		
1982	2,483	1,469	74,615		
1983	2,488	1,460	46,858		
1984	2,094	1,949	56,025		
1985	1,755	1,079	29,239		
1986	1,892	1,645	32,748	(a) 41,558.0 (India)	1992
1987	1,799	1,770	35,358	(b) 1023,048.0 (Japan)	
1988	1,745	1,191	33,947	(c) 4.0	
1989	1,786	1,364	32,663		
1990	1,825	1,308	24,086		
1991	1,810	1,342	26,428		
1992	1,714	1,252	31,259		
1993	792	551	10,779		

Sources: (i) For Cols (2), (3) and (4), Confederation of Indian Industry, *Hand Book of Statistics*, Various Issues.  
(ii) For Col. (5) World Bank, *World Development Report*, 1995.

Table 8. Labour Disputes in Japan: Strikes for More than Half a Day/Lock Outs

Year (1)	Disputes (2)	Workers Involved (000) (3)	Work Days Lost (000) (4)
1973	3,326	2,235	4,609
1974	5,211	3,621	9,663
1975	3,391	2,732	8,016
1976	2,720	1,356	3,254
1977	1,712	692	1,518
1978	1,517	660	1,358
1979	1,153	450	930
1980	1,133	563	1,001
1981	950	247	554
1982	944	216	538
1983	893	224	507
1984	596	155	354
1985	627	123	264
1986	620	118	253
1987	474	101	256
1988	798	75	174
1989	362	86	220
1990-1993	NA	NA	NA

Note: The Japanese data, to our mind, appear to relate to workdays and not 'working' days lost, since the latter conveys no meaning in the literature of labour economics. The source of the data cites them as 'working' days which is presented here in Col. (4).

Source: Hartog, J and J. Theeuwes (Eds), 1993, *Labour Market Contracts and Institutions: A Cross National Comparison*, North-Holland, Amsterdam, p. 166.

Table 9. Man-days Lost and Number of Workers Involved per Dispute: Indian Vs Japan

(Percentage)

Year (1)	India		Japan		Ratio of MDLD(I) to MDLD(J) (6)	Ratio of WID(I) to WID(J) (7)
	MDLD(I) (000) (2)	WID(I) (000) (3)	MDLD(J) (000) (4)	WID(J) (000) (5)		
1973	4.7	0.76	1.39	0.67	3.38	1.10
1974	13.7	0.97	1.85	0.69	7.41	1.41
1975	11.2	0.59	2.36	0.80	4.75	0.74
1976	8.7	0.50	1.20	0.50	7.25	1.00
1977	7.4	0.71	0.89	0.40	8.31	1.80
1978	8.9	0.60	0.90	0.44	9.89	1.36
1979	14.3	1.01	0.81	0.39	17.65	2.59
1980	26.2	0.67	0.88	0.49	29.8	1.37
1981	14.1	0.61	0.58	0.26	24.3	2.35
1982	30.1	0.59	0.57	0.23	51.90	2.57
1983	18.8	0.59	0.57	0.25	33.00	2.36
1984	26.8	0.93	0.59	0.26	45.40	3.58
1985	16.7	0.61	0.42	0.20	37.76	3.05
1986	17.3	0.87	0.41	0.19	42.20	4.58
1987	19.7	0.98	0.54	0.21	36.50	4.7
1988	19.5	0.68	0.35	0.15	55.70	4.53
1989	18.3	0.76	0.60	0.24	30.5	3.17
1990	13.2	0.72	NA	NA	NA	NA
1991	14.6	0.74	NA	NA	NA	NA
1992	18.2	0.73	NA	NA	NA	NA
1993	13.6	0.70	NA	NA	NA	NA

Notes: MDLD = Man-Days Lost per Dispute, WID = Workers Involved per Dispute, I = India, J = Japan.

Decline in the MDLD and WID reveals relative quietness in the Japanese industrial scene. This also suggests that the Japanese labour is quite co-operative and not antagonistic.

Similarly, if we plot the ratios of India (MDLD) to MDLD of Japan (Chart III), it shows a steady and a sharp rising trend. On the other hand, the ratios of WID exhibit an extremely mildly rising trend.

Let us take 1982, 1984, 1986 and 1988 figures as illustration. The ratio of India's WID in 1982 to that of Japan is 2.57, but the ratio of the two MDLDs is 51.9. For 1984, these ratios are 3.58 and 45.4 and 1986, 4.58 and 42.2, respectively. For 1988, these ratios are 4.53 and 55.7, respectively. These figures suggest that Indian workers have much greater propensity to indulge in work stoppages than their Japanese counterparts.

Thus, the labour relation scenario of India appears very unfavourable compared to Japan.

#### V. WORKER'S EFFICIENCY IN PUBLIC SECTOR AN INFORMATION THEORETIC APPROACH

Public sector in India accounts for the bulk of manufacturing industries [Datta-Chaudhuri, 1995, p. 1; Aggarwal, 1997, p. 161]. It also contributes a substantial fraction of (infrastructural) inputs, e.g., transportation, communication and power. Furthermore, as pointed out earlier, the ratio of public sector employment to that of private sector is high and is about 2.5 (Table 2).

The efficiency with which a labourer supplies his work effort and its impact on the firm's output may be analysed by using the economic theory of information [Nicholson, 1992, Ch. 10; Kreps, 1992, Ch. 16]. In the operation of industrial enterprises in the Public Sector in India (also elsewhere), we observe the occurrence of a particular phenomenon known as moral hazard (MH). It may be explained as follows: whenever the level of expected payments that one actor is to receive from another depends in part on actions by the recipient that are difficult to monitor, the MH problem may arise. Thus, it is behavioural response by an economic agent to a set of incentives offered by another economic agent in

a particular market transaction. In plain English, MH stands for a breach of trust; a deviation from an acceptable social norm. It may be noted that it occurs when an economic agent takes an opportunity to renege on agreements already entered into by the two concerned parties to a transaction. At the cost of repetition, let us note that this lack of incentive on the part of an economic agent to take care, so that he does not renege on agreement, is MH. And this follows from the fact that one side of the market is unable to observe the action of the other side, following the imperfections in the market for information (viz, asymmetry, incompleteness, etc.). Hence, it may be called the 'hidden action problem'. This phenomenon of MH arises in the context of the Indian Public Sector Enterprises (PSEs) at three levels. Firstly, it arises in the Principal-Agent management relationship, where the State (i.e., the public) is the Principal and the elected political leaders are the Agent. This relationship works out badly in India because the public who elect their political leaders have, because of their functional illiteracy and insufficient awareness, etc, no *de facto* ability or power at their command to correct the non-performing leaders.

Secondly, the political leaders themselves may be viewed as Principal and the managers of the PSEs as the Agent. These political leaders fail to intermediate with the management with the required degree of efficiency.

The political leaders as the agents of the State are empowered with making decisions for the State only and not for themselves. The goals of the State are also not clear to the Agents. Nor are they worried by the goals set for the PSEs. Whatever may be the objective function of the political leaders, it is not the profitability of PSEs they wish to maximise by extracting maximum efforts from the management and that too over a longer horizon. This is because our political leaders themselves are often inefficient, lacking in familiarity, let alone expertise, to oversee the proper functioning of the numerous complex industrial enterprises, so assiduously built over the decades to usher the country into industrial prosperity. The leaders, unless re-elected, have a

short span of public life, and suffer from a 'myopic vision'. There is no transparency in the system and the leaders themselves display no concern for accountability. They try to use PSEs as 'vote catchers' rather than 'profit generators'. The managers in the private sector, on the other hand, are very much accountable to the entrepreneur on the one hand and to the shareholders on the other. The top management in this sector is subject to 'hiring and firing' rules which induce them to give their best to run the enterprises with the highest degree of expertise and efficiency at their command.

The Indian public is the actual owner who has no direct stake in the PSEs and are quite apathetic as far as their operations are concerned. And moreover, the public is not an individual owning the enterprise.

Thirdly, MH also arises in the context of management-worker relationship. Here the former assumes the role of the Principal and the latter the Agent. The quality of work effort by the employees of the PSEs is either difficult or costly to be monitored. Consequently, employees may have incentive to shirk the work. Often hard work is not to the Agent's taste, nor is it the case that risk-less wage induces optimal effort by the Agent. So he prefers not to work hard. Of course, such shirking may not result in wage reductions in India since employees earn fixed wages and, in view of our stringent labour laws which prevent retrenchment of workers, no risk is associated with retainment of their jobs. All these go on to prevent maximisation of incentives on the part of the workers to offer optimal amount of work input and prove themselves to be highly productive. Thus, the phenomenon of MH causes distortions in the allocation of resources like labour in a manner that the goal of the economy to attain Pareto optimality is not realised.

A second information theoretic phenomenon, that of 'Adverse Selection' (AS) occurs in the recruitment and retainment of industrial labour for the PSEs. It occurs whenever the highly productive and efficient workers are excluded because of asymmetry of information as well as

high cost of acquiring information about the labour market. Here asymmetry of information means that a potential worker has full information about himself but the recruiting public sector agency possesses much less of it. In other words, employers are unable to observe the 'type or the quality of labour they wish to recruit. It is a 'hidden information problem' that the employer faces. On the top of this, political factors do vitiate almost the entire recruitment spectrum in India. Consequently, on an average, less efficient workers may get into the jobs whereas the highly efficient ones may face the high probability of being crowded out.

The PSEs, as they operate in India (as elsewhere), appear to lack optimal information on the characteristics of jobs and workers. The workers may not fully understand the requirements of a job before they are actually employed. Firms also may not be fully knowledgeable as regards the qualities and productivities of workers they intend to hire. This may be true of private sector as well, but in the case of the latter, there is an entrepreneur who bears risk and uncertainties with an objective to earn profits. Since he is the residual claimant to the output of his enterprise, to be well-off, his objective is that he gets the workers to produce the optimal amount of work. The private sector takes the help of the entrepreneurs specialising in production of information, viz., 'Head Hunters', etc. Their recruitment made through such agencies help the private sector in minimising the AS problem. Often the selection of workers in the private sector is from the pool of employed workers' children who have been under close watch of the potential employer for long and, therefore, selection becomes non-anonymous and efficient. Consequently, the problems associated with the imperfections in the market for information on the labour market is, to a large extent, overcome.

Let us think for a moment the prevailing system of reward in the Indian PSEs. Take the case of a worker, the information relating to his efficiency is revealed after he is on the pay rolls of the public sector. Suppose a recruited worker is found to be quite efficient. In our country, there is no way of

rewarding such a talent in the public sector in contradiction to the private sector where efficiency rarely goes unrewarded.

As a consequence of the above, the incentive structure instituted, if at all, in the public sector in India to induce harder work and diligence is biased against Paretian efficiency. The output thereby turns out to be socially in-optimal. But, if the worker in the public sector is provided with wages contingent upon the level of output he contributes, which is an observable variable, and is made to bear some risk, the output may be socially efficient. When made to face risk, employees would have incentive to take 'care' and work hard. In this connection, it is worthwhile to note that recently the Japanese companies are introducing a performance-based component in the basic pay structure they offer [Sasajima, 1993, p. 183].

The most successful public sectors in the world have relied on identification and reward method to overcome the agency problem we noted above [World Bank, 1995, Box 14.1]. In India we have employed authority method to our detriment; a reward and punishment method of incentives need to be tried out in the new environment to ensure better functioning of our labour market.

#### VI. SUMMARY AND CONCLUDING OBSERVATIONS

Labour productivity determines competitiveness, rate of growth and long term standard of living of an economy. Wages, an outcome of the functioning of the labour market, affect 'quality and intensity of work and hence the productivity of labour'. Consequently, the reform of the labour market is key to long-term prosperity of the country.

Unless various rigidities (e.g., prevalent wage system, legal system guaranteeing job security, labour redundancy) are tackled through reform, allocation of labour in the Indian economy cannot be efficient.

We noted that Japan has been able to promote very peaceful and minimal strife-torn industrial relations. Labour has proved to be cooperative. Since a single enterprise constitutes the basis of organisation of the unions, it has helped Japan to develop healthy industrial relations with tolerable wage pressure. In contrast, the organisation bases of the union in India are of a mixed type. Patronised by political parties, the Indian, labour is quite militant. The industrial relations have been strife-torn, marred by violence and indiscipline with its serious implication for loss of man-days, wages and national output.

We have to evolve a system in order to completely stop involvement of political parties in trade union activities. We also need to curb the power of unions to resort to strike, revoke job security and to introduce secret ballot through which only with the consent of about two-thirds of union members, strikes can be resorted to. We need to introduce the Japanese type of enterprise-level unionism promoting labour market policy for development of a healthy labour relationship with all its associated externalities for a rapid industrial growth.

India needs to change its laws to make collective bargaining free and wages endogenous.<sup>9</sup> The country needs to introduce an exit policy or its equivalent (like LTEP in Japan). Measures are needed to be initiated to strengthen the voice of the unemployed (outsiders) in labour which will restrain the exogenous rise in wages. Wages are needed to be tied to group effort to encourage team spirit, and bonus tied to performance of an enterprise, in order to give boost to its productivity and competitiveness. The country needs to evolve a suitable reward and punishment structure, radically restructure its public sector enterprises, and remove serious imperfections relating to information afflicting its labour market.

#### NOTES

1. Economists typically distinguish among three types of labour markets in Less Developed Countries (LDCs). These are (a) Rural, (b) Informal Urban, and (c) Formal Urban. (c), which is termed as organised labour in our paper, is the focus of our attention. [See, Agénor and Montiel, 1996, p. 56].



2. K = Capital; L = Labour; O = Output.

3. The other components of labour contract are working time, training/promotions [Flanagan, Hartog and Theeuwes, 1996, p. 443].

4. Out of two kinds of causes to explain productivity difference, proximate and ultimate, the latter refers to 'social capability' explanations. The former refers to explanations involving 'quantity' and 'quality' of the factor inputs.

Social capability is a broad concept referring to the cultural and personal attributes, also infrastructure which includes rules and regulations concerning product in labour and land markets [see Wagner and Van Ark, 1996, p. 20]. Since the focus of the paper is essentially on the institutional aspect, such hypothesis added here to explain productivity does go well with the theme of the paper. It does not try to present explanations borrowed from neoclassical analysis.

5. cf. Aggarwal, 1997, p. 155; Agénor, 1996, p. 284. Even in Singapore, employers and workers have been negotiating without government intervention (since 1980s). In Taiwan and Korea, unions have limited power in bargaining over wages, [Agénor, 1996, Pp. 284, 316].

6. The three dominant organisational bases for the formation of unions are crafts, enterprise or firm, and industry [Flanagan, Hartog and Theeuwes 1996, p. 425].

7. These may be a consequence rather than the cause of disputes. However, our interpretation is that the attitude of labour in India is often one of indiscipline and violence.

8. See Datta-Chaudhuri, M., 1995. Between 1951 and 1975, the percentage of disputes arising out of non-economic causes varied from 49 to 63.8 per cent. Disputes arising from dismissals, retrenchments or disciplinary actions against individual workers are classified as disputes due to non-economic causes. 'Workers and their Unions of course fight for higher wages and bonus Payments, but they fight bitterly for job security' [p. 9].

9. According to the trade union law in Japan, a strike cannot be resorted to without a majority decision based on the direct and secret ballot. Often unions do not strike work without the consent of two-thirds of their members. Lock-outs are not prescribed in the law at all [Sasajima, 1993, p. 165].

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## PRE-INDEPENDENCE LABOUR LEGISLATION IN INDIA

Suneeti Rao

*It is argued that protective labour legislation is one of the factors responsible for India's slow economic growth and, hence, need to be amended. This paper tries to trace the roots of Indian labour laws. It documents the various laws and rules made to regulate the behaviour of labour at the work-place since the days of Kautilya to the dawn of Independence. It is perceived that even the highly pro-management labour laws implemented most rigorously failed to bring economic prosperity to the common people. Hence, the question arises: whose interests would be protected by modifying the existing labour legislation.*

*The paper is divided first chronologically into three broad parts: legislation during the ancient, medieval, and colonial periods. Part III is further divided into occupation-wise sections, such as laws for agricultural, plantation, mine and industrial labour. The aspects of labour legislation dealt with include (i) terms and conditions of employment other than monetary, like hours of work, safety conditions, facilities and amenities at place of work, continuity of employment (job-security), health-care and training for workers, holidays and leave, etc.; and (ii) labour relations, including trade unions, collective bargaining, strikes and settlement of disputes in the absence of regular special labour or industrial courts, as at present. Wages, salaries and other monetary payments are not covered since most of them are regulated by law only after Independence, except the Payment of Wages Act, 1936 which is reviewed here in brief. Also rules for male and female workers and special laws for perennially exploited labour, like slaves, bonded labour, contract labour and child labour, are dealt with.*

Labour denotes exertion of time and effort. Labour can be classified as entrepreneurial/managerial labour and labour under instruction of an entrepreneurial/managerial agency. The former refers to the chores of an employer who directs and controls the labour of the latter, i.e., labourers. Labour legislation obviously aims at governing the relations between labourers and employers and defining both the parties' rights and duties pertaining to employment, so that peace and order are maintained at the work-place. In addition to the economic mandate of demand and supply of labour as a factor of production, labour laws and judicial decisions interpreting those laws affect the bargaining between the labourer and the employer. Capital shies away and entrepreneurial initiative is stifled with excessive legislation of industrial and labour relations, while inadequate regulation leads to exploitation of the weaker of the two bargaining parties, usually labour. Moreover, in India social conditions, particularly the ubiquitous caste system, aids such exploitation. For instance, the frequent mass murders of agricultural labourers, predominantly Dalits, in Bihar by the landlords' private armies reflect not just a class-war (refusal to pay minimum wages

as per law) but also a caste-war between Dalits and non-Dalits. Maybe, things will change for the better now that unjust labour practices may attract the social clause, under the World Trade Organisation (WTO) norms.<sup>1</sup>

Every law is enacted to serve a specific purpose. In free, civilised society, it is founded on certain principles. In such a country, labour legislation is generally based on the following four general principles: (i) national economy, i.e., the welfare and well-being of the industrial population must not be at the cost of general economic welfare of the country, but should aim at advancing it; (ii) social justice, i.e., workers' right to lead a dignified life as a human being; (iii) social equality, i.e., equitable distribution between workers and management of benefits including profits accruing from industry of profits and benefits accruing from industry; and (iv) international uniformity, i.e., the moral obligation to conform with the International Labour Organisation (ILO) Conventions [Giri, 1959]. Minimally, labour legislation of any country should be consistent with the ILO's core labour standards. As per the consensus reached by a working party in the ILO

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in 1994-96, core labour standards are those essential principles of human rights at work, upon which labour standards develop, as economies grow. They are freedom of association, right to collective bargaining, prohibition of forced labour, non-discrimination in employment, and prevention of exploitation of child labour. At least, such core standards for labour should be implemented universally and also in all industries, sectors, or countries, irrespective of the stage of development. In India, however, during the early colonial period various labour laws were enacted to suit the imperial interests. Later, when the Government of India Act, 1935 introduced provincial autonomy, labour matters (disputes) and labour welfare were included in the Concurrent Legislative List, except regulation of labour in mines and oilfields, which were in the Federal Legislative List. And in the post-Independence period, almost the same apportionment continues in the Constitution: 'Trade unions; industrial and labour disputes' (Entry 22), 'Social security and social welfare' (Entry 23) and 'Welfare of labour including conditions of work, provident fund, employers' liability, workmen's compensation, invalidity and old age pensions and maternity benefits' (Entry 24) in the Concurrent List and 'Regulation of labour and safety in mines and oilfields' (Entry 55) in the Union List.

It is pointed out that there are excessive disparities between the protective and welfare provisions of the labour legislation for the organised labour and those for the unorganised. The former constituting about 20 per cent are supposed to live in a citadel and safeguard their interests to such an extent that they prevent entry for the remaining unprotected 80 per cent outside. The unorganised sector is exploited, whereas more and more organised industrial and commercial units in the private sector and even government-aided and other institutions farm out to tiny and small sector industrial (SSI) units certain components, processing, sometimes maintenance, and even a part of their routine work, or they employ casual labour or replace labour with machines. They try to take advantage of low wages and inferior conditions of work in the less organised sector.

Also, the labour laws prevent them from expanding and reducing their workforce in response to fluctuations in demand. In effect, out-sourcing of a sizable proportion of work along with introduction of new technology curtails the employment in the organised sector further<sup>2</sup>: from 10.3 per cent (2.29 crore out of 22.25 crore workforce) in the organised sector in 1981 to 8.5 per cent (2.68 crore out of 31.7 crore) in 1991 [Venkata Ratnam, 1996]. It is reflected in the fact that, in spite of labour being plentiful, employment intensity in manufacturing and even in services is declining and capital intensity, though capital is scarce, is on the rise, resulting in cost escalation. The Summary Results for Factory Sector of the *Annual Survey of Industries* indicate that the net value added per factory by medium-sized and large industries (employing 50 or more workers with power and 100 or more workers without power) grew from Rs 33.28 lakh to Rs 72.73 lakh between 1988-89 and 1993-94 whereas employment declined from 58 to 54 workers per factory [CSO, Various Years]. Thus, investments and output are growing while employment is either stagnant or declining. Apart from technological change, rigid labour laws are blamed for this. In addition, the economic reforms are expected to enhance the flow of workforce from formal to informal sector in the short run. On account of the increasing competitiveness in the world economy, when even the developed countries of the European Community seriously contemplate curtailing the lifelong social security provided to their employees in the form of stable employment or allowances and other social benefits during unemployment or after retrenchment/retirement, it would be advisable for India to review and reform its labour legislation. But, in what direction?

Managements demand 'level playing fields' with, among other things, labour market flexibility and the freedom to hire and fire. If such freedom is accorded to them, they promise to give to their labourers more than what the ILO standards prescribe because, they believe, that it would give them the competitive edge to fare better in the world economy. Also, industrial

adjudication is presently more inclined to question the legitimacy of the right to strike work or to give a call for *bandh*, for whatever reasons. Maybe, it is assumed that a strike amounts to holding everyone at ransom, although the principles of adjusting the conflicting claims of the employer and employees - principles of equity, justice and fair play - have *not* undergone any change. Hence, a Commission on Labour Standards was set up under the chairmanship of Subramaniam Swamy by the Government of India in July 1994, to recommend necessary reforms in the existing labour laws in the present context (structural reforms, liberalisation of international trade under World Trade Organisation (WTO), adaptation to rapid technological as well as technical changes in the industrial world, decline in traditional family and community structures, etc.). Proposals are mooted for National Labour Rights Commission and United Nations Labour Rights Commission to monitor and enforce labour standards. A bill was introduced in Parliament to enact a special central statute for agricultural labourers, to bring uniformity of farm wages in different states. However, it lapsed as the Parliament was dissolved in December 1997.

Before dismantling or embarking on any protective measures for labour, there are certain details that need to be focussed:

First, the National Renewal Fund was created as a social safety net on February 3, 1992 with contributions from government, financial institutions including the World Bank and insurance companies, and industrial undertakings for three purposes: (i) financing counselling, re-training and re-deployment of employees necessitated due to technology upgradation and restructuring, (ii) paying the legitimate dues of retrenched workers in terminally sick units or units affected by restructuring in both public and private sectors, and (iii) providing funds for employment generation programmes. In the first year, the amounts have been used almost entirely for the second purpose, that is, paying employees in the central public sector undertakings (PSUs) who opted for

the voluntary retirement scheme (VRS). 86,804 employees availed of the VRS and Rs 1,429.76 crore were released for payment up to February 29, 1996. For the first purpose, funds were allocated only marginally for setting up Employee Resource Centres or Employee Assistance Centres, the former at plant level in 43 PSUs and the latter at 49 locations of major workers' outflow. Although 31,154 workers were surveyed, only 932 were redeployed as on February 29, 1996. There is no mention of the third objective so far [Ministry of Industry, 1996, p. 136]. As regards the private sector, it 'is pushing the responsibility on the government' [Chalam, 1996, p. 3,166].

Second, although industrial sickness is on the rise due to several factors, the finger is primarily pointed at the protective labour laws. In this regard, it would be pertinent to consider the apt observation of the Committee on Industrial Sickness and Corporate Restructuring that '(t)here are sick companies, sick banks, ailing financial institutions, and *unpaid workers*. But there are hardly any sick promoters. There lies the heart of the matter' (emphasis added) [Government of India, 1993]. Yet, neither companies nor workers are compelled to pay monthly premia towards such unemployment insurance, when the enterprises are healthy.

And finally, political parties of all hues, with their known disposition towards election-friendly measures, have regularly opted for easy solutions: pass a liberal labour law modelled mostly on standards abroad, without adequate data on Indian conditions; then for its implementation, if possible, create some haphazard mechanism with a number of loopholes for corruption, such as factory inspectors for SSI units. Such measures not only fail to bring about the desired results but create additional confusion.

In the light of such background, it would be timely to recapitulate in brief the origin and development of labour legislation in India until 1947, how such protection was won after a long wait and, in certain cases, after a hard struggle.

## THE EARLIEST LABOUR LEGISLATION

As mentioned earlier, labourers work for and under employers; hence, the extent of control the latter can exercise on the former, and the extent of freedom the former would enjoy in relation to their employment, create different categories of labourers. Accordingly, from about 6th century B.C. to about 750 A.D., the total labour force in India could be classified into seven groups, according to their degree of freedom in the increasing order, as follows: slaves, bonded labour, unpaid labour, casual labour working for wages, regular wage workers, piece-rate workers and the self-employed.

*Slavery*

'The concept of labour as a salable commodity, apart from the person of the seller, is relatively recent in the history of civilisation' [Lasker, 1950, p. 114]. India was no exception. Slavery or *Dasabhava* was a recognised institution of Indian society from the oldest Vedic times. It was never opposed on any moral grounds. Still, it might not have played a significant role in the economy as a major labour force that added to profits, until the advent of Islam. It was the most unfree form of labour. 'All forms of labour on behalf of another, whether 'free' or 'unfree' place the man who labours in the power of another; what separates the slave from the rest, including the serf or peon, is the totality of his powerlessness in principle, and for that the idea of property is justicially the key' [Finley, 1968, Vol. 14, p. 307]. Legally, slaves were not persons but property to be owned. Persons were made slaves through various processes, including the judicial procedure, as slavery was one of the punishments for crime. Yet, changing by force the free or unfree status of a person was a serious offence punishable with a formidable fine. Also liberal rules were laid down for the emancipation of slaves, e.g., they were able to earn their freedom by paying redemption money or by saving their masters when in peril. Anyone who failed to set free a slave after receiving redemption money, was not only fined but also kept in detention until the slave was freed. Property belonging to slaves was inherited by their kinsmen and, only if there

was none, it passed on to the master. Most of the historians agree that slaves in India in the early days were mostly domestic servants or personal attendants, not badly treated, and that their number was insignificant. Narada enumerates fifteen types of slaves and the kinds of impure work reserved for slaves, as against the pure work for hired labourers [Majumdar, 1970, Vol. III, p. 601]. There existed in India a politico-social hierarchy- the caste system- for organising the relations of power in the society. Hence, the basic division of labour in the sphere of production was threefold- landowners, who usually belonged to the dominant, ruling castes and earned their living by managing their landed properties; specialists who provided various services to gain their living; and dependants who were often the Dalits, labouring as slaves and bonded labourers. Slavery was forbidden in the *pratiloma* order, that is, none was allowed to be a slave of another person belonging to a so-called lower caste in the hierarchy of castes. Slavery is rightly perceived as implicit in the caste system.

*Bonded and Unpaid Labour*

Bonded labour consisted of those who mortgaged themselves or were mortgaged by someone else and worked in lieu of fine, or those who were captured in war. Default in repayment of a loan turned the borrower into a bonded labourer. Bonded labourers had certain rights, such as their children were not considered bonded, they could inherit their ancestral property, keep their earnings acquired on their own without prejudice to their masters' work, they were not to be compelled to carry dung, urine, used food plates or corpses. Also there were special rules for the protection of the female bonded labourers from maltreatment. There were rules made for setting the bonded labourer free, e.g., by paying the amount owed or by paying ransom in the case of war-prisoners. But if any bonded labourer attempted to run away, his/her right to redemption was to be forfeited [Rangarajan, 1987, Pp. 448-55]. Unfortunately, most of these stipulations were applicable to *Arya* bonded labourers,

i.e., those belonging to Brahmins, Kshatriya, Vaishya and Shudra castes and not to non-Aryans or *Ati-Shudras* (Dalits).

'The *Smriti-chandrika* (by Devannabhatta) deals with the relation between capital and labour most systematically and thoroughly, and lays down in great detail rules about wages, compensation and liabilities - 'the labour laws, as they may be called - which are marked by equity and justice' [Majumdar, 1979, Vol. V, p. 527]. For instance, a hireling was not liable to pay for loss or damage through theft, fire, flood, etc., to his master's property in his possession, whereas a master was liable to a fine for abandoning his servant on the road. However, there is no record available how all these formal legal provisions pertaining to slaves and labourers were enforced in practice. Moreover, customary laws of different regions govern practices to a much larger degree than the formal legal texts, even today. Hence, it is difficult to know what the actual conditions of work and living were for the labourers. Besides, since the state itself ran a diversified economy, it was one of the main employers. It also used almost exclusively bonded or forced labour. Further, temples and Buddhist monasteries played a big role in the public economy in the capacity of employers and landlords, and also as banks advancing loans to the needy. Thus, the power of the employer was further reinforced by either political power or religious power of the respective authorities. It must have affected the employee's bargaining position very severely.

Among workers, women and children employees were treated separately. In fact, in the share of employment provided by the state, a sector - spinning - was reserved for women, in addition to other obvious categories of female monopolies, such as prostitution or entrapping enemies and spying [Rangarajan, 1987, Pp. 448-55]. One of the reasons for the present vehement opposition to reservation of seats for women in legislative bodies is the fear that they would next demand reservation in jobs. Such opponents, particularly those who sing accolades of our ancient civilisation, should take a lesson

from that period, when work was reserved for women. Of course, reserving spinning work for women is also a kind of discrimination, for, of the two chores - weaving and spinning - weaving is always better remunerated! Decentralised work which women did at home without supervision was controlled through stringent provisions for lapses in quality or for delay in completion.

### *Contractual Labour*

The rules regarding contractual labour comprised rates of wages and terms of employment. They were grouped under 'three titles of law in which the question of hiring enters', namely, (i) non-payment of wages, (ii) non-remission of service, and (iii) disputes between the employer and the employee [Kane, 1946, Vol. III, p. 476]. Contractual labour was employed by the day, fortnight, three months, six months and one year. There were three grades of workers: soldiers, farm workers, and bearers of load and domestic servants. If no wages were settled beforehand, customarily, one-tenth share of the produce was to be paid as wages. One rule, however, fixed as wages one-fifth with food and clothing, or one-third without food and clothing. Occasionally, wages were paid in cash. Thus, wages were related to productivity. Both, non-payment of wages and non-remission of service were liable for fine to be paid to the king, in addition to performance of contract, which was enforced by the king. Disputes were to be settled on the basis of the evidence of witnesses and, in their absence, an on-the-spot inquiry was to be held [Rangarajan, 1987, Pp. 450-51].

In addition, contracts for work were made by workers' collectives, such as *sreni* (a guild of artisans and craftsmen), *puga* or *samuha* (a group or corporation of riders, merchants) and *naigama* (an assemblage of various inhabitants of the same town). There is some difference of opinion about these terms and their specific meanings, but one fact is clear that each organisation contracted with the employer collectively to do a specific job, was jointly accountable for the completion and quality of the work, and divided its earnings among its members either equally or according to shares

members either equally or according to shares agreed upon earlier. There were separate rules laid down for these bodies. They were compiled under the heading *Samvid-vyatikarma* or *samayasya-napakrama*, i.e., Violation of compacts or conventions. These rules pertained to constitution of guilds, operation of their compacts or conventions, performance of agreements, and rights and duties of individual members. These collective organisations controlled the economic relations of the industry, by setting up limitations on the amount of capital to be invested, mobility of labour and choice of technique of operations and, also, by controlling the buying of raw materials and selling of products. Externally, their policy was monopolistic. They took care of any compulsory contributions to the king. Internally, they maintained discipline among members to preserve the quality and quantity of their produce or services. Again, though not all castes were guilds, every type of labour service was assigned to a particular caste, so that membership was not only compulsory but hereditarily imposed on an individual by birth. Finally, there were joint undertakings or partnerships of capitalists and labourers for such activities as trade, agriculture, crafts, sacrifices, singing and thefts at the king's instigation in the enemy's country. Rights and duties of the partners *inter se* were laid down. All these guild-like collectives appeared from the sixth to fourth century B.C. and began their impact felt from the third century on. But they were generally confined to urban areas.

The demiurgic mode of employment prevailed for rural workers, i.e., all artisans and craftsmen, like potters, smiths, tailors, carpenters, barbers, cobblers, etc., including Hindu shrine-keepers or priests who performed the life-cycle ceremonies and rites among the Hindus, belonged to a specific village community and stood at the service of the community in return for their maintenance. These village servants were not paid for their work in detail, but there were other kinds of remuneration guaranteed to them, a customarily fixed share in the village produce either in kind or cash, and occasionally a small plot of revenue-free land. Each cultivator from the village had to give a certain grain-share to them, whether he used their

services or not, since their presence was necessary in the village to make it self-sufficient. In the western part of the country, this system was known as *Bara Balutedar* system. Another variety of this kind of labour was the *jajmani* system, where artisans rendered services and products to certain specific dominant families or castes in return for their maintenance. '(T)he rights involved in the employer-employee relationship are popularly called *Jajmani haqq*. Just how general this *jajmani relationship* is in villages of India we are not prepared to state' [Fukazawa, 1991, p. 205].

#### MEDIEVAL LABOUR LEGISLATION

With the Muslim conquests, people's life was slowly disrupted in most of the villages which formed the backbone of the economy. The ancient, self-governing village panchayats decayed and perished under the influence of aristocratic landlords and the centralised state administration. Also, the total workforce in the country came to be divided in approximately three classes:

(i) The rich upper class, consisting of nobility of various grades who were in the employment of the state. They played the role of the modern civil servants-cum-army commanders and were highly paid either in the form of cash salary or the grant of a revenue assignment. By and large, they comprised the 'consuming classes', who did not contribute to the production, but who amassed wealth from all possible sources and enjoyed it to their heart's content, thereby creating a great demand for all luxuries; particularly, 'services in various forms accounted for a very high proportion of total employment in Mughal India' [Raychaudhuri and Habib, 1982, Vol. I, p. 298]. Both, the Delhi Sultans as well as the Mughal emperors, made a claim on their nobles - *mansabdars* - as if they were slaves, who could enjoy their wealth, only as long as they lived. Under the system of escheat, on their death their wealth reverted to the state, whereas the landowners (*rajas* and *zamindars*) held their properties hereditarily for generations.

(ii) The middle class comprised of workers of great skill, trained and qualified in useful arts,



architecture, accounting, revenue matters, medicine, trade and commerce. Most of these were highly specialised occupations, with ancestral monopoly of different castes and communities over them. Urbanisation helped the development of trade and commerce and the simultaneous growth of the middle class.

(iii) The lower class, economically poor and socially degraded, formed the bulk of the population. They comprised all kinds of artisans, skilled and unskilled labourers, domestic servants, peasants and forest-dwellers. They were regulated by customs and traditions as before the advent of Muslims.

#### *Slavery in the Middle Ages*

Islam never condemned slavery. Still, Islam advocated that slaves should be treated well. Slaves, as a rule, being outsiders - racial, religious or national - no born Muslim was allowed to be held as a slave in India. They were captured by Muslims in wars with non-Muslims, infidels. The yardstick of success for every invasion included not only gold and silver but also captives - men, women and children, along with horses, camels, elephants and cattle. Slaves began to be obtained, also as a punitive measure, from villages that presumably did not pay revenue. Even craftsmen and professionals were made slaves. As a result, the incidence of slavery 'seems to have achieved a new scale and acquired much greater economic significance' during the Muhammadan rule over India [Raychaudhuri and Habib, 1982, Vol. I, p. 89]. Regulation IV was issued under the Sultanate of Alauddin Khalij, for securing a cheap rate for the purchase of slaves. When the feudatories paid their annual visit to Sultan Firoz, 'those who brought many slaves (as tribute) received the highest favour, and those who brought few received proportionately little consideration' [Dowson, 1990, Vol. III, p. 196 and Pp. 340-341]. 'From the medieval period slaves formed a familiar feature of every respectable Muslim home' [Majumdar, 1979, Vol. VIII, p. 762]. Since Islamic legal texts, like the Hindu legal texts, permitted trade in slaves, slaves were exported to the Islamic world, where they were in demand. Even children sold into slavery by their parents

during famines were exported. 'But, the export of slaves was forbidden under Firoz Tughluq, possibly because he aimed at collecting a large slave retinue himself' [Raychaudhuri and Habib, 1982, Vol. I, p. 91].

There were two kinds of slaves in India - domestic servants and feudal serfs who were attached to the land and constituted a part and parcel of that landed property, to be transferred along with it. Among the domestic servants and personal attendants, there was great variation in their conditions of work and living. At the apex, there were the master's *bandas* who rose to high ranks, particularly when the master was a sultan, but they were just a few in number, while the *burdas*, the lowliest menials, were in large numbers. In most of the Indian families, both Muslim and Hindu, 'slaves were not ordinarily subject to harsh treatment. ... treated more like adopted children than menials' [Majumdar, 1979, Vol. VIII, p. 763]. They were allowed to marry female slaves and their male offsprings were set free, though not the female ones. Marriage was almost equivalent to emancipation, because after marriage they became an encumbrance to their owners. Granting freedom to a slave who was converted too Islam was a meritorious, commendable act, even when the freed slave was bound to re-convert from Islam.

After the fourteenth century, slavery declined perceptibly because of various elements, such as (i) capturing Hindus as slaves and compelling them to apostatise to Islam no more served the long term political interests of the Muslim rulers. And (ii) economically too, slave labour did not remain a viable alternative. In the early years of conquest, free Hindu labour could not immediately meet the requirements of the ruling Muslim elite. It was, therefore, initially found cheaper to maintain slaves and train them in such tasks as personal attendance to the Muslim nobility, which required familiarity with Persian language and culture, or certain alien crafts like 'bow-carding of cotton, wheel-spinning and paper manufacture, which apparently came with the Muslims to India in the thirteenth century' [Raychaudhuri and Habib, 1982, Vol. I, p. 92]. But in the course of

time, free craftsmen and attendants learned the skills and were preferred to slaves who lacked incentive and had security of subsistence.

Under the Maratha rule, in addition to male slaves (*ghulam*), there was a practice of arresting adulteresses and turning them into slaves (*batik or kulambina*) of rulers and aristocrats, like *Peshwas*, *Sardars*, *Inamdars*, etc., or even sell them to those who wanted them, or give them to officials in lieu of salary or as a reward. The first offenders were leniently treated, in the sense, a fine or a substitute female slave or some sort of physical punishment would absolve them of the crime of adultery, but repetition would be punished by enslavement as a rule.<sup>3</sup> 197 female slaves were engaged in the state courts and departments in Pune in 1763 [Fukazawa, 1991, p. 117]. Absconding slaves were arrested and forced to return to owners and, in case the owners were not ascertained, to work as government slaves. Emancipation from slavery was possible only for the aged or crippled and, usually, after paying emancipation fees or providing substitutes. Female slaves were paid annual wages, in addition to free food, clothes and accommodation. All slaves, male or female, received the same legal protection for their lives as free persons. But no legitimate marriage was permitted in slavery and they received discriminatory treatment, particularly, in work assignment. Similarly, daughters of female slaves were forced into slavery but sons borne from owners were free [Fukazawa, 1991, Pp. 114-30].

Apart from slavery, *corvéé*, that is, forced labour (*Vethbegar*) was prevalent in various parts of medieval India. It was appropriated by political authorities and the privileged classes from inhabitants, chiefly of the villages, along with extortion of revenues, tributes and other miscellaneous dues. It was requisitioned for such work as construction and repair of forts, stables, police-stations, mansions of the elite, roads, dams and canals, and also for cutting fodder, transport and conveyance, etc., but hardly for cultivation, since the feudal system of rent and share-cropping existed. People were pressed into free service generally for a week or two, as necessary and as

far as possible without disturbing their usual occupational schedules. If any inhabitants from a village eluded *Vethbegar*, the whole village was fined and from that amount wage labourers were employed. Craftsmen and Dalits bore the burden of regular annual free forced labour.

#### *Wage Deterioration in Medieval Period*

During the medieval period, wages were determined by the most primitive of all theories of wages: 'people cannot find work at living wages because there are too many of them. ... "(A) reserve army of the unemployed" .. exerted downward pressure on wages leading to the same iron law of subsistence wages' [Lal, 1989, Vol. II, p. 3]. In addition, caste hegemony of the landlords and noblemen enhanced the disadvantageous position of the craftsmen in bargaining and compelled them to live a hand-to-mouth existence. The best way of maintaining a cheap labour pool was through customary caste interdicts which prohibited the so-called low caste craftsmen like *chamars* from holding land. In eastern India, they were abolished by the British in 1812 [Bayly, 1988, Vol. II, 1, p. 146].

Traditionally, the *jajmani* service had been hereditary, thereby guaranteeing certain assured income for the craftsman. However, in the Middle Ages, it was hereditary only to the extent that the ascriptive caste identity determined the type of service a craftsman could render. But there was no longer any simultaneous income security nor stability of service-relationship between the employer and the employee. Unsatisfactory work or behaviour on the part of the latter would result in unilateral termination of service by the former. Such shifting relationship led to much rivalry among members of a particular caste group and led to employees manoeuvring reduction in wages to the bare subsistence level [Fukazawa, 1991, Pp. 199-244]. Some village craftsmen gave 'without reward a portion of their labour for the benefit of the public or the service of their superiors' [Marshall, 1987]. Even where *Balutedari* system was prevalent, only those *Balutedars*, who held village *watan* lands (*Watan-dars*) were assured of some regular income. When they

were concentrated in numbers far beyond any strictly local needs, they had to travel from place to place and work on a temporary basis. Further, due to a chain of four or five rent collectors intervening between the sovereign and the peasantry under the Mughal revenue administration, the cultivator himself was left with 'a meagre reward for the hard work of himself and his family'. Naturally, craftsmen had to render service for a lesser share.

Although adequate and accurate data on wages is not available, 'Kosambi notes that the 60 *panas* per month paid to manual labour (during the period of the Mauryan empire) amounts to 17.5 grams of silver per month, almost exactly what was paid to the lowest Indian labour by the British East India Company in the early 18th century. ... Taking Kosambi's crude estimates for ancient India and British India and Desai's for 1590 and 1960 together, it would appear that the real wage of urban manual labourers remained virtually unchanged over nearly 2,500 years' [Lal, 1989, Vol. II, Pp. 16-22].

#### COLONIAL LABOUR LEGISLATION

The colonial labour legislation in the early years pertained primarily to agricultural and plantation labour while in later years to mines and factories. This sequence reinforces the reports that between the seventeenth and nineteenth centuries Indian manufactures, primarily textiles, suffered a decline and that several indigenous manufacturing processes were unable to survive. It is believed chiefly by the nationalists and Marxists that the colonial rulers, in order to safeguard their mercantile interests, completely annihilated the pre-colonial Indian manufactures which led to the deindustrialisation of India. Occupational data collected by Buchanan-Hamilton during his travels of eastern parts of the country in 1809-13 suggest a fall in industrial employment. The Censuses between 1881 and 1931 support the view, indicating an apparent shift of the working population from industry to cultivation. However, Thorners question the dependability of the Census statistics, also suggest that such a shift might have occurred before 1881 [Thorner, 1962,

Chapter VII]. The endogenous factors responsible for it could have been political instability and famines in the country.

#### *Agricultural Labour*

With the formal British conquest of Bengal in 1757, social relations including those between employer and labour were defined by codified laws. Such codification of the law provided legitimisation of the colonial rule, also the necessary basis for the modernisation of a despotic oriental society. The first such laudable step was taken by the Governor-General, Warren Hastings. Following his direction, the Provincial Council at Patna issued a declaration in 1774, stating that the right of masters over their slaves should not extend beyond a generation [Prakash, 1990, p. 143]. However, soon in the interest of their trade and empire, the British changed their policies and decided to respect the local traditions and, hence, to adhere to the Hindu and Islamic laws on slavery and to intervene only in cases of deviation. Only after about seventy years later, the legislation on slavery - the Indian Slavery Act - was passed on April 7, 1843. The Act prohibited (i) sale of persons or of right to their compulsory labour as slaves, (ii) enforcement of rights arising out of alleged property in persons, and (iii) dispossession of property on the ground of property-owner's slavery. Also, Section 4 of the Act declared that whatever acts constituted penal offences against free men were equally so, if committed against alleged slaves. According to a very rough estimate, the slave population around 1841 was about 1.6 crore in the entire sub-continent, the Bengal Presidency accounting for 0.4 crore and Bombay and Madras Presidencies together for 0.4 crore [Fukazawa, 1991, p. 114].

In spite of the Slavery Act, there were several grades of 'conditional slavery' along with full-fledged slaves in most parts of the country in the late eighteenth and early nineteenth centuries. For, oriental despotism was not replaced by a constitutional representative system, not even with enlightened dictatorial governance based on the then European ideologies of utilitarianism and liberalism, as the British claim, but by despotism

prompted by their imperial and mercantile interests. It was merely laced with the rhetoric of law. For instance, when the question of prohibiting or legalising the existing system of *Vethbegar* or forced labour cropped up, the colonial state was not so concerned with equity and social justice as with necessity and legitimacy. Prohibition would have meant less production, loss of revenue and less purchasing power with the moneyed classes, who extracted forced labour. It would lead to less purchase of British manufactures. On the other hand, legalising forced labour would have been embarrassing. Under such circumstances, the colonial state followed the policy of *laissez faire* and sought sanction for the oppressive practice in ancient traditions. It went on to solicit authorisation which 'the great law of the land, "time-honoured custom", provided for us (the British), and follow in its footsteps as nearly as possible' [Blair, 1874, 1986, p. 42]. Similarly, inelasticity of the state income from land revenue, mounting arrears of land revenue and pressures from *zamindars* persuaded the state to amend the Bengal Land Revenue Permanent Settlement (Decennial Settlement) Regulation of 1793 by giving *zamindars* coercive powers over *ryots* and other tenants which were initially denied. Section 8 of Regulation I of 1793 reserved the power for the state, 'to enact such regulations as it may think necessary for the protection and welfare of the ... *ryots* and other cultivators of the soil'. But, the subsequent legislations made after 1793 up to 1822 served 'to abrogate most of the laws in favour of the *ryot*' and to leave him at the mercy of *zamindars* who were declared sole proprietors of land, *taluqdars* and *jotedars* [Gupta, 1992, p. 80]. These measures encouraged the system of *Vethbegar*. 'Forced labour in agriculture has been interwoven in the complex pattern of land tenure and tenancy systems of India' [Government of India, 1960, Vol. I, Chapter XII, Para 7.7].

In addition to proper farm operations, forced labour was employed for canal-clearing and such other irrigational public works. As the official correspondence during 1856 about the abolition of forced labour (called 'Statute' labour) reveals, landlords who profited from such operations were required to supply labourers for this purpose and

they took recourse to such 'Statute' labour, even when the work was superintended by Government Officers. In some instances, the Statute labourers received food, or some trifling money payment; in others, nothing whatever was paid to them, though they were kept at the work for months together. A Notice was issued by the Commissioner in Sind on April 25, 1856, abolishing Statute or forced labour and providing for dismissal of the government officer who was found guilty of compelling any person to labour, whether upon canals or any other public or private work.

Another origin of forced labour is traced to social customs. In the pre-British period, a sizable number of agricultural labour existed as *attached* domestic servants, serfs or forced labourers recruited from the lowest castes by the privileged castes who considered manual work demeaning. Attached agricultural workers attended to routine farm operations all the year round. They were *attached* or bonded for other reasons also, such as economic necessity of aristocratic landowners (agrestic serfdom) and debt bondage, i.e., loans incurred bound the debtor and, many a time the members of his family, to the money-lender for life or at least for an indefinite period until the loans were repaid. Such loans were in cash or kind or in both and with or without interest advanced by landowners, at times solely for the purpose of retaining them in service for an indefinite period.

#### *Rural Indebtedness: Cause of Bondage*

There were several factors responsible for the persistent indebtedness, which led to proliferation of *attached* and bonded labour in agriculture. In 1765, with the East India Company appointed as the fiscal administrators, the British acquired the *dewany* rights over Bengal, Bihar and Orissa, that is, the charter to collect the land revenue. The tax claims of the British were heavier than those of the Mughal, and the collection too was more rigorous. As early as in 1795, Colebrooke and Lambert commented: 'The annual revenues of Bengal, and its tribute, had continued nearly uniform from the establishment of the empire by Akbar, to its dismemberment in the reign of

Mohammed Shah. But, in less than forty years after this event, we find the revenue nearly doubled' [Bagchi, 1982, 1989, p. 79]. Impoverishment of cultivators due to overtaxation by the East India Company resulted in depressed wages, to levels below subsistence. The Company not only taxed the land heavily but, as a legal monopolist during the period 1757-1813, it also deprived artisans and craftsmen of freedom of choice of product or of employer, wherever it had any direct interest in production. For instance, weavers were compelled to give up silk weaving.

Where the so-called *ryotwari* system prevailed, as in the Bombay Presidency, the colonial state imposed on cultivators exorbitant assessment of land revenue based on an over-estimate of their capabilities and ruthlessly collected it in cash, irrespective of crop-conditions or fluctuating prices. The rigidity of the colonial revenue system compelled cultivators to borrow, in order to save their land from forfeiture and public auction by the state for non-payment of revenue. The Famine Commission of 1901 notes 'that at least one fourth of the cultivators in the Bombay Presidency have lost possession of their lands; that less than a fifth are free from debt; and that the remainder are indebted to a greater or less extent' [Government of India, 1901, para 334].

The system of judicature introduced by the British facilitated the realisation of both - land revenue and debts. But, moneylenders feared that 'if the government proceeded first against the peasant and took away his land for payment of arrears of revenue, they would be unable to recover their debts' [Natarajan, 1979, p. 162]. Naturally, moneylenders demanded mortgage of debtors' own and their descendants' labour for repayment of debts. In Konkan (Maharashtra), in the mid-nineteenth century, an able-bodied labourer was valued at ten rupees per annum in liquidation of a debt. The practice of taking free a day's labour each week, though formally abolished in 1818, was most probably not entirely dead until the end of the nineteenth century. One of the reasons for forced labour was that law (Sections 55-58 of the Civil Procedure Code, 1908 and its earlier variations) provided that a

creditor could imprison a debtor for non-payment of debt, when the debtor had no property to be attached. It enabled creditors to extract slave labour from debtors. 'Contracts, the extravagant one-sidedness of which bespeaks a sense of hopeless weakness on the one side and a spirit of unscrupulous exaction on the other, have been enforced by the Civil Courts with too mechanical an adherence to the letter of the law, and too little regard to the circumstances of the parties and the substantial merits of the case. Native customs which tempered the severity of contracts, such for instance as that which restrained the rate or amount of interest, have been swept away, and a rigid and elaborate legal system has too often proved only an additional instrument of oppression in the hands of the more wealthy or better instructed litigant, and an additional cause of ruin to the impoverished agriculturist' [Government of India, 1880, Part II, Section VIII, Paras 9].

The Dekkhan Agriculturists Relief Act, 1879, known as the Ryots Act came into force for the relief of the Deccan agriculturists. It stipulated: 'Suits of larger value will be tried by additional subordinate judges, who, when the defendant is an agriculturist, will, as a rule, inquire fully into the history of the debt, take a separate account of principal and interest, credit the debtor with any money repaid, disallow all interest which the Court deems unreasonable, follow, in decreeing the amount due, the principle of Hindu law known as *dam duppat*, under which the interest must not exceed the principal, and fix instalments for the payment of the sum decreed. ... No agriculturist can be arrested or imprisoned in execution of a decree' [Government of India, 1880, Part II, Section VIII, Para 14]. However, this legislation governing credit operations in the Deccan prompted moneylenders to convert their debtors' burden of debt into the obligation of rent, because the law neither recognised nor protected tenants, particularly tenants-at-will! It demonstrates how even an altruistic law is unable to protect the interests of the underprivileged.

The Royal (Whitley) Commission on Labour, 1929, while discussing bonded service, observes: 'Laws against usury have been a prominent feature of various religious and national codes, and the leading religions of India affirm the principle underlying them. Unfortunately, as we think, the influence of economic thought in the nineteenth century led to the removal of all legal restrictions on usurious practices in India, and it is only within the last generation that there has been a tendency to re-impose them. This has led to a few legislative experiments but ... the attempts so far made have not been effective' [Government of India, 1931, p. 229]. All the laws against usury in force in the pre-British period were repealed by the Usury Laws Repeal Act, 1855 and the colonial state adopted the *laissez-faire* policy until the Usurious Loans Act, 1918 was passed. It provided for additional powers to the courts in suits for recovery of loans, such as to re-open up to six years the substantially unfair transactions and relieve the debtor of the liability to pay excessive interest or to ask the creditor to repay it to the debtor. The Usurious Loans Act, 1926 raised this period to twelve years. In regard to the implementation of the Act, the Royal Commission observes: 'even a substantial amount of evasion (by fraudulent means) should not deter the legislature from enacting measures which would strengthen ... the forces operating in favour of the freedom of the worker' [Government of India, 1931, p. 230].

The system of *attached* agricultural labour, though declined considerably due to various reasons, still continued during the colonial period, and persisted in some form or another in most of the states even after Independence [Government of India, 1960, Vol. I, Chapter V, Para 8]. Even as late as 1978, a national survey on the incidence of bonded labour reported that 80 per cent of the bonded labourers were engaged in agricultural work alone [Marla, 1981, p. 25]. According to the (*First Agricultural Labour Enquiry, 1950-51*), the percentage of casual and *attached* agricultural labour families was 90.3 and 9.7, respectively [Government of India, 1954]. Only in 1954, India ratified the ILO Convention, adopted in 1930 by the ILO, on forced or compulsory labour.<sup>4</sup>

However, certain provisions in tenancy legislation, which prohibited all impositions upon tenants under any denomination, other than the lawfully leviable rent, had been marginally instrumental in bringing about a decline in *attached* labour, for instance, Section 28 of the Bengal Tenancy Act, 1856, Section 28(b) of the Santhal Pargana Settlement Regulation, 1872, the Khoti Settlement Act, 1880 and Section 14 of the Bombay Tenancy Act, 1939. Other laws contributing to the decline were the Bihar and Orissa *Kamiauti* Agreements Act, 1920, by which the *Kamiauti* bonds were void, where their period exceeded one year or where a *kamiya*'s, i.e., a serf's liability was not extinguished even after the expiry of his bond. Yet, the decline in *attached* labour was brought about more by the growing *kisan* movement of the 1930s [Ranga and Saraswati, 1979], by the rising food prices which prompted landowners to prefer casual labour to *attached* one, and by the rise in tiny, dwarf holdings increasing the supply of casual labour [Chaudhuri, 1982], and not by law alone.

There was much variation and diversity in the conditions of employment of *attached* workers due to regional customs. Contracts of employment, *Naukarnama*, were in certain areas written and, when children were to be employed, fathers signed the contracts on their behalf, in spite of the Children (Pledging of Labour) Act, 1933, prohibiting the making of agreements to pledge the labour of children. Remuneration for *attached* workers was paid wholly or partly in cash or in kind - a certain percentage of produce or a strip of land either rent-free or with nominal rent. Nominal rent was collected presumably to safeguard owner-employer's title rights over that strip. On the contrary, casual agricultural labourers were seasonally employed for farm operations, to cope with the nature's time-schedule and derived most of their income from wages, by hiring out their labour.

The status of casual agricultural labourers was lower than that of tenants and sharecroppers in the eastern India. Unlike the latter, they had no control over the cultivation process. Also, as seen above, their indebtedness and caste hierarchy

restricted their freedom to sell their labour to the best-paying employer. As a result, their wages remained low. However, tenants or sharecroppers and agricultural labourers, chiefly casual, were not exclusive categories and all agricultural labourers were not totally landless. In 1881, a local officer reported about the most densely-populated districts of eastern India, 'if by landless labourer is meant a labourer who actually rented no land at all ... such labourers are most rare' [Chaudhuri, 1982, p. 163]; in 1919, it was reported of the most crowded parts of the central and northern India that 'only 11 per cent of the population were agricultural labourers pure and simple' [Stokes, 1982, p. 63]. There was a large number of casual agricultural labourers who were either occupancy tenants or tenants-at-will having holdings too small to provide subsistence for their families. The number of agricultural labourers was highly underestimated in the early Censuses. More than 45 per cent of the families owned less than subsistence holdings, while about 6 per cent of the total farming population constituted of wealthy, big holders. Regarding them, Buchanan records: 'The "stock" of such farmers, who have in general large capitals, carries on at least one half of the total cultivation of the country' [Chaudhuri, 1982, p. 164].

Grain wages were gradually replaced by cash wages, with the rise in cultivation of commercial crops. Grain wages were often paid not even in thrashed grain, but in sheaves of grain, which they themselves later thrashed. Whenever agricultural prices were rising, employers substituted inferior crops for superior ones for payment of wages. Again, wherever tribal or aboriginal labour replaced local labour, the wage rate was usually reduced by 25 to 50 per cent. Although cash wages increased since the middle of the 1850s, the real wage of agricultural labourers in the eastern region as a whole fell in 1916 by 11 points over that of 1911. 'Till about 1940, it was only in the five-year period between 1921 and 1926 that the real wage appreciably increased, one of the main reasons being the gradual fall in the prices of manufactured goods of common use, such as cloth, kerosene and salt .... The big fall in the real wage in the 1930s was due to the depression ....

(T)he improvement in the real wage since 1936 was ... largely due to new employment opportunities outside the agricultural sector' [Chaudhuri, 1982, p. 173].

As regards the western India, the number of agricultural labourers during 1881 to 1921 was around 22-23 per cent of the male agricultural workforce. It did not grow much. In fact, the number of landless labourers declined, partly because of migration to urban areas. Rural indebtedness (which has, incidentally, continued even after the demise of the colonial rule), demographic pressures on land with the shrinking size of holdings turning them into uneconomic holdings, and the decline of rural handicrafts and artisanal manufactures led to migration, seasonal or long-term, of rural labour from all over India to towns and cities. It is not that migration solved their problems. The plight of the early industrial labour is discussed in a later section.

#### *Plantation Labour*

Plantations represented development of agricultural resources in India in accordance with the methods of Western industrialisation. The plantation economy universally arose, when political conquest coincided with the possibility of intensive cultivation [Weber, 1987]. The plantations in India fell in those days into two well-marked groups: Assam, Darjeeling, the Terai and the Doars in the North, where plantations were limited to a single crop - tea - and the Nilgiris, Malabar, the Annamalais, the Shevaroy and Coorg in the South where they were coffee, rubber and other plantations. The plantations in the South drew their labour force from close-by areas while those in the North had to obtain recruits from long distances.

The plantation owners were invariably Europeans in both the areas and exported larger part of their produce, while the labourers and farmers were obviously Indians. In 1833, slavery on the sugar and other plantations in the West Indies was abolished and the slave-drivers of that region

turned their attention to India and its neighbouring countries to settle as planters. Naturally, the plantation system developed by them was nothing but a thinly veiled slavery and the early legislation for plantation labour was more for the protection of the planter-employer's interest than that of the labourer's. A plantation is rightly defined as 'an establishment with compulsory labour, producing garden products especially for the market' [Weber, 1987, p. 79]. Besides, plantations were exempted from the ordinary labour laws, since the work involved was partly agricultural and partly industrial. In the case of plantation labour recruited from long distances, return was difficult, not an affordable proposition. All these factors resulted in the planter having greater control over his labour force than an ordinary industrialist.

The earliest laws for plantation workers included Bengal Regulation XI of 1806 which legalised forced labour, and Regulation VIII of 1819 which made a breach of contract on the part of any plantation worker a criminal offence, thereby introducing the system of indenture. If he deserted work, he was punishable by imprisonment for wilful neglect as for a misdemeanour. It was applicable to workmen in the interior of the country, also to domestic servants who were all engaged to serve for any fixed term, or to perform any specific service. Scarcity of labour was the outstanding problem of the planter-employers, plantation industry being labour-intensive. Since the 1857 War of Independence, the rising agricultural prices of the time stimulated the cultivation of rice and also cash crops, thus creating an exceptional demand for labour in the agricultural sector. In addition, the local revenue collectors who were keen on increasing agricultural cultivation and, thereby, revenue income sought to prevent the planters' agents from recruiting labour in their localities. Between 1901 and 1931, the percentage of the male workforce in plantations, forestry, fishing, etc., varied between 4.2 and 4.9 [Krishnamurty, 1982, Pp. 536-37]. Additionally, around a million labourers were exported to neighbouring colonial countries,

like Burma, Ceylone, Malaya, etc., to work as indentured plantation labour [Gait, 1913, Vol. 1, Part I, p. 98].

This scarcity of workers could not, unfortunately, place them in a bargaining position *vis-a-vis* the planters, to demand better wages or more humane conditions of work. On the contrary, harsh laws were passed to protect the interests of planters and garden owners. For example, at the instance of the Master Wardens and Members of the Calcutta Trade Association, the Workmen's Breach of Contract Act was passed in 1859 (Act XIII of 1859), in addition to Sections 490 and 492 of the Indian Penal Code (IPC). The Act legalised even verbal contracts and provided for summary punishments for breach of contracts or desertion of service by workmen and servants. On the contrary, no compensatory provisions for protection of labourers while serving were included in this Act. It was made applicable to all labourers and artificers. If they received advances in repayment of which they did not work, the Act compelled them to perform their engagements or they were liable to three months' imprisonment. It was thus for the protection of planters, manufacturers and tradesmen who, however, were dissatisfied with the Act. They wanted powers of private arrest without warrant, and also of enforcing the contract. Imprisonment in jails did not solve their problem of shortage of labour. An amendment of the Act in 1863 (Act III of 1863) restricted the period of contract to five years; it was again amended in 1865 when this period was reduced to three years; a second amendment in 1870 provided for cancellation of contract, if the deserter served a prison term of six months; but it allowed the right of private arrest without warrant, excepting that the employer was obliged to take the arrested deserter to the nearest police station. 'It is ... certain that the right of arrest has been abused, the provisions of that Act requiring production of the arrested absconder at the Police station have not been complied with and the safeguards which the law has provided for the protection of the labourer have remained a dead letter' [Government of Assam, 1906, para 250, cited in Punekar and Varickayil, 1989, Vol I, p. 199]. An amendment in 1873 restricted the



exercise of the right of private arrest without warrant to a distance of ten miles from the magistrate's place.

Recruitment of plantation labour was also a fertile ground for its exploitation. Labour was recruited mainly from the overpopulated United Provinces (Uttar Pradesh), Bihar and Orissa. Initially, uncontrolled and unregulated recruitment led to several abuses, such as misrepresentation about the working and living conditions on plantations, inducing ignorant men and women under pretence and exacting contracts, overcrowding in insanitary transit depots and trains, total lack of basic necessities, sometimes even food, in transit, false promises of repatriation and other frauds. The 1859 Workmen's Breach of Contract Act after its 1863 amendment prohibited recruiting labour, except by licensed agents (garden *Sardars*) and agencies. It also regulated transit arrangements for basic necessities, like water, food and sanitation, for the recruits on the way to labour districts.

The Inland Emigration Act, 1882 was passed which prescribed conditions for a written labour contract to be signed between a labourer and an employer. It also laid down, *inter alia*, duties of the recruiting agencies and provided for supervision of recruiting and migration, that is, departure and travel of any native of India for the purpose of labouring for hire. A labourer was entitled to redeem the unexpired term of his labour contract by paying a sum of money, as prescribed under Section 142 of the Act. However, it provided for execution of labour contract only at the labour districts, where the recruited labourer had little choice to repudiate any contract because he was compelled to refund expenses incurred in conveying and maintaining him and, in default of payment, undergo simple imprisonment. Again, a planter could still under this Act arrest without warrant deserters within five miles of a magistrate's residence, or those who obtained employment elsewhere. Punishment for desertion was imprisonment - up to one month for the first attempt, two months for second conviction and three months for every subsequent desertion. The period of absence and imprisonment would be

added to the labour contract, and the deserter would have to work that extent longer. Only after six months' imprisonment could a labour contract be cancelled. This labour contract was, all the same, less harsh as compared to the ones signed under the earlier Breach of Contract Act, yet the provision of free emigration before first signing a labour contract led to ill-treatment of the ignorant village recruits at the hands of the professional recruiter, called *arkati*.

Besides, the increase in avenues of employment and in wages and general prosperity in the recruiting districts after the arrival of the railways resulted in further shortage of plantation labour. Hence, a few area-wise Acts came into force: the Assam Labour and Emigration Act was passed in 1901 while the Madras Planters Labour Act was passed in 1903.

In 1915, an Act was passed to abolish the system of recruitment through contractors and it was laid down that recruitment could take place only through the agents of the official Labour Boards which were entrusted with the inspection of plantations and enforcement of labour-related regulations. However, the comparative immunity from abuses in recruitment secured by such legislation was obtained at a very high price, for the high cost of recruitment, which then became inevitable, reacted unfavourably on the remuneration of the labour. Further, a cess was levied on emigrants in Assam, to meet the cost of the Protector of Immigrants and his staff [Government of India, 1931, p. 375].

In 1920, a provision making contracts of more than a year's duration illegal was introduced, but it was openly violated in many cases. The Workmen's Breach of Contract Act was finally repealed in 1923, with effect from 1926. Also the Madras Planters Labour Act, 1903 and the Coorg Labour Act, 1926, which had penal provisions for enabling planters to recover their advances to labourers, were repealed in 1929. Sections 490 and 492 of the IPC providing for penal contracts were repealed by the Workmen's Breach of Contract (Repealing) Act, 1925. Since then, the right of private arrest was abolished, no labourer

could be criminally punished for breach of contract, and no penal contract could be executed. But, 'when, in 1926, the vital change was made in the law by which penal contracts became illegal, little was done to acquaint the worker with the change', thus regrets the Royal Commission on Labour, 1929 and advises the government to take active steps to acquaint the workers with their rights under the law [Government of India, 1931, p. 377].

Wages of plantation labour were comparatively low because of the system of family employment. They were worked on a piece-rate basis, with two distinct systems of wage payment: the *hazira* and *ticca* system and the unit system. The *hazira* was a standard daily task taking about half a day with a wage varying between 4 to 6 annas\* for men and 3 to 5 annas for women. There was thus opportunity to work overtime and earn *ticca*, the additional payment of about 4 annas for men and 3 annas for women. Under the unit system, payment was made for each unit of work, e.g., for hoeing and pruning the rate per unit was one anna, while for plucking it was one pice.\*\* In addition, the system of family employment generally prevailing on plantations, fringe benefits or social security measures like free housing, medical facilities, fuel, grazing for cattle, land for cultivation either free or at an uneconomic rent, advances without interest, and supply of rice at concessional rates were provided, a few of them statutorily. Yet, there was great variation in the concessions offered among estates, labour-districts and areas, i.e., the North and the South. '(O)n some gardens the wage had been unchanged for almost a quarter of a century. Even the planters themselves had come to recognise by 1918 that a rise was imperatively necessary and yet it was not granted till after 1920. ... (E)ven where paddy allowances were given, the allowance was usually insufficient and the rice bad. The result of this was a distinct lowering of the already very low standard of living of plantation labour. ... (S)uch was the tea garden wage in 1921-2 that many garden coolies who left the plantations ... were easily absorbed in their home districts on a higher wage'

[Gadgil, 1924, 1971, Pp. 316-317]. In spite of opposition from the planters, the Royal Commission on Labour, 1929 recommended the establishment of statutory wage-fixing machinery with equal representation of workers and employers [Government of India, 1931, Recommendation No. 294(f)(i), p. 522]. Although this was not accepted by the government, the Tea Districts Emigrant Labour Act, based on its other recommendations, was passed in 1932. It was made applicable initially only to Assam.

*Labour in Indigo Plantations:* Indigo Plantations initiated the first British enterprise in India. There were two systems of indigo cultivation: *nijabad* and *ryotti*. Under the system of *nijabad*, cultivation was undertaken on those lands of which the planters and factory owners had acquired the tenant right or the right of actual occupancy and they bore the cost of cultivation by maintaining the establishment, bullocks, ploughs, servants, etc. Whereas under the *ryotti* system of cultivation, the cultivation was carried on by the *ryots* on their own lands, under contract with the planters and factory owners, and with the aid of cash advances made by them. Most factories gave advances to and made agreements with the *ryots* resident on the estates of *zamindars* who preferred the planters to negotiate with the *ryots* directly. This arrangement of acquiring lands for indigo cultivation, known as *pumi* tenure, which was practically an outright purchase, saved the indolent, inexperienced and highly indebted *zamindars* the trouble of *zamindari* management. Simultaneously, the planters being leaseholders felt assured that there would be no interference dictated by the *zamindars'* caprice, and that, in case of any dispute with the *ryots*, the *zamindars* would not support their *ryots*. Thus, gradually the White planters acquired more of the higher proprietary rights in land for terms varying from three to ten years renewable at the said terms, and often so renewed.

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\* 16 annas = 1 Re; \*\* 64 pices = 1 Re.

However, indigo consumed everywhere the best lands and was never a paying crop to the *ryots*. There being no economic inducement, indigo cultivation under either system could only be carried on by oppression and ill usage. Hence, not only were the cultivating farmers or *ryots* meted out inhuman treatment, but also criminal penalties were enacted to enforce contracts for cultivating indigo. There was no such criminal law for enforcing contracts to cultivate for any other crop. The planters engaged bands of armed club-men to coerce the *ryots*, and the authorities ignored their atrocities against the *ryots*.

The Indigo Commission, 1860, appointed to report on the relations between the planter and the *zamindar* on the one hand, and those between the planters and the *ryots* on the other, observes regarding the former relations: '1st. The relations between planters and *zamindars* are, on the whole, not unsatisfactory. 2nd. Those between planter and *ryot* are not satisfactory, and require considerable change. 3rd. The planters, as a body, ... are not acquitted of the practice of kidnapping and illegally confining individuals; and this practice is not palliated by the existing defects of the law or the courts'. With regard to the former, 'the only difficulty experienced by the planter has been that of settling the pecuniary terms' [Seton-Karr, 1861, para 185, para 43]. But with regard to the latter, the Commission concluded: 'there are considerations which are paramount to all mercantile interests, to all political expediency, and to all material advantages, .... These are the simple considerations of justice and truth; of justice to the population whose complaints demand a hearing; and of truth, because we desire that the real facts should be clearly stated and widely known' [Seton-Karr, 1861, para 189]. These facts were: the *ryot* suffered at the hands of the planters such iniquities as unlawful coercion, force and violence; the attitude of the local administration authorities - the police and magistrates - towards acts of violence and plundering was to turn a blind eye; also the *ryot* received very low price (two seers\* of dye from ten bundles of plant would sell for Rs 10, but the *ryot* got only

Rs 2 Annas 8 for ten bundles at the rate of four bundles per rupee), incorrect measurement of the plant, extortions by the *amla*, i.e., the servants of indigo factories, unfair deductions for charges of cutting, weeding, carrying, stamp paper, seed, etc., 'which should all, or nearly all, be borne by the factory', added to the harassment of the *ryot* [Seton-Karr, 1861, Minutes of Dissent by Temple and Fergusson].

Exploitation of Indian indigo farmers, called derisively 'natives', by the white planters and indigo factory owners was enhanced by such unjust laws as Regulation VI of 1823 and Regulation V of 1830. Under the summary and special law of 1823, if a planter suspected anyone of evading the contract he could, in order to enforce specific performance of the contract within a brief time, obtain a decree of the crop in his favour. In some cases, the judge might order the ripe crop to be cut, pending the inquiry. The 1830 Regulation provided for imprisonment of cultivators who failed to fulfil their engagements. This provision was repealed in 1836 but revived in 1860. Finally, the invention of synthetic dye in 1897 dealt a death blow to indigo plantations and the hardships of the cultivator-workers ended.

#### *Manufacturing Labour*

In the mid-eighteenth century, the traditional system of rural artisan manufactures (cottage and small-scale industries, and handicrafts) co-existed with a commercialised sector of artisan industries with localised manufacturing centres, both rural and urban. The family was the unit of work in the latter sector, and women and children helped the men. Unlike under the *jajmani* system, they were not servants of village communities, but were increasingly controlled by bazaar bankers and merchants. It was known as the system of *dadni*, through which merchant capital penetrated into small community production in the form of *dadani* - commercial financing - through advance of cash and, at times, of raw materials. Commercial advances reduced the risks for both - for the merchant by assuring adequate supply of products of a standardised

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\* 1 seer = 907.2 gms.

quality, and for the craftsman by underwriting his working capital. Customary laws regulated the relationship between the two, and as long as the merchants were Indians, the state hardly intervened and the artisans retained some measure of autonomy and control over means of production and product processes. They looked upon the financier-merchants as their creditors having the first charge on their products. Weber would have termed them 'price workers', and not 'wage workers', like the industrial workers in the pre-capitalist Europe [Arasaratnam, 1996, p. 109]. Yet, this system gradually bound artisan manufacturers to a *dadni* merchant, due to their increasing indebtedness ensuing from the rise in the cost of foodgrains.

With the advent of the British, the process of transformation of the Indian economy into a colonial economy protecting their commercial and industrial interests commenced. The East India Company, a legally chartered monopoly, built a system of trade and established hegemony in the commercial and industrial field through market and non-market operations, like emerging as the biggest single buyer, fixing the conditions of exchange, imposing legal or informal restrictions on the freedom of artisan manufacturers, and gradually excluding or subordinating their initial collaborators - Indian trading capital, Indian middlemen and the *dadni* merchants - from spheres of the Company's interests through appointment of its own direct purchase agents (*gumastas*) who received instructions from the Company officials.

First, in order to turn the artisan manufacturers into wage workers who sold only their labour and had no control over purchase of raw materials, tools and process of manufacture, nor over price of products, the Company restricted their access to market and imposed a monopoly over their labour. Second, the Company began paying partly in cash on a regular basis while earlier almost all the transactions were in kind. Price determination by the Company never took into account the rising costs of foodgrains and yarns. Thus, the real income of the craftsmen diminished causing their large scale alienation from manufacturing. In

Bengal, in 1789, the labour cost fell to 17 per cent of the total cost of production from 34 per cent in the previous years while yarn cost went up from 66 to 83 per cent [Chaudhuri, 1996, p. 67]. Third, supervisory control was introduced on the process of production, to maintain standard quality, regularity in supply and, more importantly, to determine prices. A Committee of *Arangs* was set up in 1754, to evolve a supervisory hierarchy. Fourth, new townships were built so that settlement of weavers was accomplished within the Company's jurisdiction. Fifth, an extensive legal framework was evolved to exercise greater control on the weaving organisation, e.g., Resolutions passed in the Council on April 12, 1773, Regulations of Weavers of April 22, 1782, Regulations for the Honourable Company's Weavers passed on July 19, 1786, etc. [Colebrooke, 1807, Vol. III].

As regards the exploitation of weavers and other artisan workforce, a British Commercial Resident at Surat records in 1802: 'Some means has to be devised of breaking the claims these intermediate agents have upon weavers.... Under the unfair manner in which the weaver thus situated now receives payments for his labour, years will not make him liquidate the debt that has accumulated. The *Bania* makes his engagements, receives his advances from the contractor or the Resident - he re-advances the money to the weavers stipulating for a profit of sometimes two annas per piece, sometimes four for himself, and frequently under pretence of its having proved inferior to the muster in the warehouse debits him to account a further sum thus leaving the weaver barely enough to subsist upon...' [Bombay Government, 1802, Pp. 128ff.]. In addition, the *Banias* controlled the retail trade in towns and cities. Initially there was little difference between the *dadni* merchants with their *dalals* and the Company with its intermediaries, who also made advances on production. But, soon the Company attempted to ensure procurement and pass on some of the risk to the *dalals* by such measures as increasing their number, each receiving a very small share, by imposing 12 per cent fine for default on deliveries, and by collecting 2.5 per cent interest on advances. However, these attempts failed and

the Company had to appoint direct purchase agents, the *gumastas*. The success of such procurement institutionalised the Agency system in 1753.

The conferment of *Dewani* rights on the Company in 1765 provided the *gumastas* with enough muscle power to go into the interior, force orders on weavers for supply of cloth at very low prices, arbitrarily fixed by them alone (*gumastas*), prohibit the artisan-weavers from entertaining orders from others, and flog the weavers for disobedience. They arrogated to themselves magisterial powers and functioned as both, the prosecutor as well as the judge, while dealing with the weavers.

Ultimately, the unremunerative prices, also the other measures of oppression drove a large number of weavers out of their profession. 'By about the end of the 1820s, ... most of the indigenous goods manufactured in urban areas were undersold by the English, resulting in the gradual decay of the native manufactures'. According to Buchanan-Hamilton's 1809-13 survey of Patna-Gaya, Bhagalpur, Purnea and Shahabad, the industrial population was, even at a conservative estimate, 18.6 per cent of the total population. It fell to 8.5 per cent in 1901, after adjustments to comparability of the Census data; further, the proportion of population depending on cotton spinning and weaving to total industrial population reduced from 62.3 per cent in 1809-13 to 15.1 per cent in 1901 [Divekar, 1982, Pp. 348-349; Bhattacharya, 1982, Vol. II, p. 290; Kessinger, 1982, p. 244]. India was no longer a leading exporter of manufactures.

The Charter Act of 1813 abolished the Company's monopoly of trade between Europe and India. A small group of European business firms or private agency houses, which later evolved into managing agencies, replaced the Company. With the help of Indian brokers, they controlled practically all the external trade and also much of the wholesale internal trade, particularly in exportable commodities.

Throughout the nineteenth century, the artisan industries in the Indo-Pak subcontinent declined. The Indian Famine Commission notes: 'A main cause of the disastrous consequences of Indian famines ... is to be found in the fact that the great mass of population directly depends on agriculture, and that there is no other industry from which any considerable part of the community derives its support' [Government of India, 1880, Part I, Para 103]. Most of the famines were due to dearth of purchasing power and not of foodgrains. At the cost of Indian manufactures, the colonial state promoted British entrepreneurship and encouraged British and other European imports into India. The same Commission notes: 'Out of a total recorded export of  $58\frac{3}{4}$  millions (sterling pounds)

in 1878-9, only 6.5 per cent represent the value of what can properly be called manufactured goods, 93.5 per cent being raw produce or such articles as ... to fit which for the market, some manipulation is required' [Government of India, 1880, Part II, Chapter I, Section VIII, Para 10].

Further, in spite of large scale use of imported manufactures, neither the Indian financiers nor the artisans took any interest in their techniques of production. The traditional Indian education, acquired by rote learning by the Brahmins, had no scientific content. During the second half of the nineteenth century, factories or mills came to be set up first in cities like Bombay (now called Mumbai) and Calcutta. Also, certain public sector undertakings, railways being the largest of them, came into existence. The emergence of modern services and manufactures, however, did not alter much the structure of the workforce. Again, out of the total actual workers, more than 25 per cent were partially agriculturist (see Table 1). The Census data since 1871-72, shows little sign of change over the period 1881-1951, agriculture's share in providing employment remaining at about 70 per cent, manufacturing at about 10 per cent and services at about 15-20 per cent [Krishnamurty, 1982, p. 548]. In fact, the modern industry could not prevent the decline in employment in the industrial sector, even during the first quarter of the twentieth century. The

percentage of male workers employed in manufacturing declined from 10.6 in 1881 to 9.1 per cent in 1911, while that for both male and female, stood at 10.1 in 1901, 9.6 in 1911, 8.8 in 1921 and 8.5 in 1931. Further, India derived more of its national income from handicrafts closely allied to agriculture than from factories until 1947 [Ray, 1992, Pp. 8-10].

### Industrial Workers

According to the Industrial Census of 1911, a factory is defined as any establishment 'in which twenty or more persons were employed on the date of the Census. ... (and) the word "industry" ... includes the growing of special products and the extraction of minerals. ... there are in the whole of India 7,113 factories employing 2.1 million persons, or 7 per mille of the population' [Gait, 1913, Volume I, Part I, para 556].

**Table 1. Occupationwise Employment**

Occupations	Actual Workers			
	Total		Partially Agriculturist	
	Males	Females	Males	Females
(1)	(2)	(3)	(4)	(5)
All	101,525,421	47,359,582	3,336,983	669,653
Extraction of Minerals	210,555	97,894	15,136	6,887
Industry	11,503,467	6,011,763	1,401,566	299,777

Source: *Census of India*, 1911, Volume I, Part 2, Table XV - Occupation or Means of Livelihood [Gait, 1913, Volume I, Part I, p. 262].

Table 2 highlights the inferior status of the Indian labour in the 7,113 factories. Of the 0.21 crore persons employed in factories only 3 per cent worked in directorial, supervisory or even clerical posts while 70 per cent were unskilled workers. Out of the former again, 13 per cent were Europeans. 'The great majority of the larger concerns are financed by European capital, and in such cases the management or direction is

generally European, and the Indians shown under this head (in the table) are engaged for the most part on supervision and clerical work' [Gait, 1913, Volume I, Part I, para 559]. It also focused on the substantial proportion of child labour, including girl-child labour, among the unskilled labour and stressed the need for legislation and regulation.

**Table 2. Classification of Persons Employed**

(1)	Total No. of Persons Employed	Direction, Supervision & Clerical Work		Skilled Workers		Unskilled Workers	
		Europeans & Anglo-Indians	Indians	Europeans & Anglo-Indians	Indians	Age 14 & Over	Under 14
		(3)	(4)	(5)	(6)	(7)	(8)
Male	1,521,031	9,267	69,081	6,262	504,560	796,830	144,031
Female	584,793	170	713	210	43,746	446,888	93,086

Source: *Census of India*, 1911, Volume I, Part 2, Table XV - Occupation or Means of Livelihood, Part E. Statistics of Industries, (i) General Statement, [Gait, 1913, Volume I, Part I, p. 332].

Almost one-fourth of the early factories in India were connected with the manufacture of textiles such as jute, cotton and wool. The Royal Commission, 1929 records: Out of the 1166,000 average daily employed in 1929, 696,000 worked in textile factories [Government of India, 1931, p. 6]. Thus, in terms of man power textile factories dominated.

Nonetheless, 'spasmodic attempts had been made to establish the factory system in many industries, which met with varying degree of success' [Gadgil, 1924, 1971, p. 60]. Among engineering factories, railway workshops and among metal factories, Tata Iron and Steel Company (TISCO) (established 1907) employed large number of workers. About half of the railway workshops were state-managed, employing in 1929 over 78,000 while TISCO employed 28,000 persons, of whom two-thirds worked in the main factory. Industrial factories also included paper, leather, cigarette and glass industries as well as rice, timber, sugar, flour and oil mills. The most important single industry in this group was the printing industry, about 360 presses employing 38,000 persons [Government of India, 1931]. The industry was not only small, but its complexion was also very simple. Manufacturing industries involving complicated processes were markedly absent. Further, factories were of two types: perennial and seasonal. The latter dealt mainly with agricultural products in the raw state, like cotton ginning and pressing factories, jute presses, tea factories, rice mills, etc. and worked longer hours per day.

Factory labour for both was drawn from rural areas and, in the case of perennial factories, often from areas at a long distance from them. Poverty was, no doubt, the main cause for migration to urban areas, but social, particularly caste disabilities, drove hordes of villagers to cities. Vocationally, the majority of factory workers were drawn from artisans, craftsmen, rural landless labour, displaced peasants, marginal peasants and also urban workers on sundry jobs. But they had little previous experience of working in an industrial establishment, though most of them were familiar with wage employment. Another striking feature of the Indian industrial workers was that, unlike their compatriots in the West,

they persisted in retaining some link and contact with the village. Labour was not stable, nor firmly committed to the industrial way of life. 'Labour at this time (1890s) was so migratory as to be almost casual' [Clow, 1926, p. 27]. It suited the employers too, who were not keen on constancy and stability of labour force, for various reasons (discussed later). And the village link was the only security for the labour against the uncertainties of getting work in factories (see Table 1).

The work-rules and penalties imposed on the inexperienced village recruits by the mills, in order to transform them into disciplined work-force, comprised the first factory regulations. These rules, absolutely of a general nature (punctuality, regularity, non-smoking on the premises, etc.), were framed by each factory for itself; they were displayed on the factory premises, to comply with the statute on master and servant. After the Factories Act, 1891 was enacted, the Mill-Owners' Association attempted to formulate and adopt 'a uniform code of rules for the observance and guidance of workpeople', and prepared such a draft of 16 regulations. However, the effort was futile.

The rules were enforced through penalties and heavy fines. In the 1870s and in the early 1880s, the typical fine for arriving late for work was between two to four annas, which amounted to a half or full day's wage since most of the workers received Rs 7 (112 annas) per month in those days. The factories followed the 'double *khada* system', i.e., for each day's unauthorised absence two days' wages were to be forfeited. Standardised output per day was expected from every labourer and amounts were deducted from wages for any shortfall. Work performance was better controlled through payment on a time basis, rather than that on piece rates. Since workers were normally paid wages at the end of the second month, the employer always had their accrued earnings against which fines could be recovered. This practice of withholding wages also helped to prevent trained mill-hands to change jobs or to strike work. Workers were obliged to give at least two weeks', in certain factories a month's, notice

before quitting. On the contrary, the employer had no reciprocal obligation and could dismiss any of them at will.

Although the work-rules were stringent, the work discipline was lax. The Bombay Factory Commission of 1884-85 observes that any given time in any textile mill about 7 to 47 per cent of the workforce was not at its machines. Ninety per cent of the workers took their meals, some three to five, per day during working hours and while they were away from work at their meals, there was somebody else doing it. The Factory Commission of 1890 reports: 'We have ourselves seen them (mill workers) engaged in drinking water, washing, smoking and looking about'. Such indiscipline was attributed to Indian worker's nature, ingrained habits and traditional attitudes. However, at least textile mill-owners had, after making careful, rational economic calculations, deliberately chosen this pattern of work behaviour. It suited the specific relative factor costs - cheap labour and expensive capital (machinery) - as well as the textile industry's market requirements - its competitive advantage in the production of coarse yarns and cloth from cheap, short-staple local cotton and minimally trained labourers with hardly any need of elaborate supervision. The quality of output or the stability of the workers was immaterial to the profits of their mills. Hence, recruitment, training and supervision were left to the jobbers, who exacted *dasturi* for recruiting and were naturally benefitted through a higher labour turnover. However, mill-owners paid little attention, knowing full well that their profits would not be affected, dependent as they were on simply running the expensive machinery as continuously as was permitted and at the highest achievable speed. Besides, market fluctuations prompted them to employ temporary labour. As a result, industrial labour was casual, in spite of the rise of an informal shift system.

Factory legislation for India was first mooted in the Report of Major Moore, Inspector-in-Chief of the Bombay Cotton Department in 1873. 'Between 1875 and 1908 factory legislation was the subject of investigation by four Commissions or

Committees.... Factories Acts were passed in 1881, 1891, 1911, 1922, 1923 and 1926' observes another Commission on labour - the Royal Commission on Labour, 1929 [Government of India, 1931, p. 37]. Marx describes factory legislation as the first and meagre concession wrung from capital by the government and the worker [Phillips, 1980]. In order to avert anarchy, maintain law and order, and increase investment and production, a popular government has to enact some labour laws. It may incidentally raise workers' standard of living. No government can afford unbridled exploitation of the worker by the capitalist. However, this is apropos a free welfare state, preferably democratic, like the U.K. But the colonial government in India undertook any legislation in India, only when it served the British interests. The legislation for plantation labour was passed predominantly for the benefit of the planters, who were then mostly Europeans: in Assam, 549 tea gardens were owned by them while only 60 by Indians; also 536 managers in these gardens were Europeans while just 73 were Indians. In the coffee plantations of Madras and Mysore as well as in the jute mills of Bengal, the same pattern prevailed [Gait, 1913, Volume I, Part I, para 558].

Also, factory legislation was passed only apparently to safeguard the interests of workers. In reality, it was enacted under pressure from the British mill-owners in the U.K. They took abnormal interest in the welfare of the Indian factory labour, though it constituted then just less than one percent of the population. Such interest originated from the trade rivalry between England and India. '(I)n Bombay, ... Indians own 110 of the cotton spinning and weaving mills, and share 25 with Europeans, and the latter own exclusively only 12' [Gait, 1913, Volume I, Part I, para 558]. The mill-owners from the U.K. feared that long hours of work and low wages would give Indian manufacturers a competitive edge over them as regards cost of production, since factory legislation in England was not only a little more pro-labour than the Indian, but was also strictly implemented from the latter half of the nineteenth century. 'Manchester, Lancashire, Dundee, etc., wanted to make the Indian labour as costly as



possible. It was just business as usual' [Punekar and Varickayil, 1990, Vol II, p. xvii]. The Government of India and most of the provincial governments, particularly those of Bengal, Bombay and Madras, were in a dilemma and under pressure from mill-owners in both the countries. For, certain members of British Parliament raised the query, 'Whether it is lawful, under the Indian Factories Act, for mills owned by English capitalists, and competing with similar mills in the United Kingdom, to be worked night and day with three shifts of hands'; whereas the Indian mill-owners stressed on 'the great difference of conditions in the manufacturing industries of the two countries', and also on the fact that 'factory legislation of an earnest and thorough character' which the mill-owners in England prescribed for India at that time was absent in England fifty years before [Kydd, 1920, Pp. 75-76].

Even most of the princely states in India, though primarily agricultural, were obliged to adopt similar factory legislation for their states (Appendix lists these Acts). The Government of India in an inquiry into labour legislation on behalf of the International Labour Office, notes that '18 States had some kind of measures for regulating labour condition in factories in 1929-30 and a few more have since then enacted Factories Acts' [Das, 1938, p. 5]. The Committee of the Bengal Chamber of Commerce, 1895-96 regarded the excessive, philanthropic interest in Indian labour on the part of manufacturers in England as interference, resented 'the spirit which dictated it. Put boldly, ... India is to be met and checked at the outset of the renewal of her industrial career by such protective claims, so imperiously urged and so very thinly disguised ...' [Kydd, 1920, Pp. 73-74]. Marx rightly pointed out: 'Unlimited exploitation of cheap power is the sole foundation of their power to compete. ... (The) demand for extension of factory legislation is 'the cry of the capitalists for equality in the conditions of competition, i.e., equal restraint on all exploitation of labour' [Marx, 1952, p. 234 and p. 242].

How inconceivably, history repeats itself! One of the arguments advocated for the new protectionism or neo-mercantalism, which is lately developing in the international economic relations, is the pauper labour argument or the social clause in the WTO (GATT) Agreement. In developed countries, there is a growing demand to subject to non-tariff restrictions goods originating from countries where wages are low, thereby offering protection to their domestic products. The argument is that it is immoral to buy goods produced by cheap or sweat labour. It is conveniently overlooked how oppressive were their labour laws in the *early* stages of their development, that higher wages and other amenities for labourers are likely to drive out of existence the industry in developing countries which is their sole source of livelihood, and also that 'the benefits of low labour costs per unit of output are offset by low labour productivity' [Aggarwal, 1994, p. 8]. Labour legislation is once again being used as a camouflage for protection of manufacturers in developed countries against those in the developing countries.

#### *Indian Factories Acts*

The question of the need for Factory Legislation in India centred primarily round the cotton industry in Bombay and the jute industry in Bengal in the nineteenth century. The Bombay Factory Commission was appointed in 1875 to enquire into the conditions of work in factories in Bombay and its vicinity, with a view to determining the necessity of a factory legislation, similar to the British law in this regard. The *Summary of Evidence from the Proceedings of the Bombay Factory Commission, 1875* confirmed that children below 7 years of age worked in factories; that the working day was 12 hours or more; that there was no weekly holiday; and that safety-guards to machinery, facilities for sanitation, and ventilation were not provided, uniformly, in all the mills [Punekar and Varickayil, 1990, Vol II, p. 19].

Following its report, a Factories Bill was introduced for the whole of British India in 1879 in the Council of the Governor-General of India. It was referred to the Select Committee, and passed with necessary amendments as the Indian Factories Act, 1881. It is the first labour law in the colonial period. It defined a factory as 'any premises (other than indigo-factories or premises situated on, and used solely for the purpose of, a tea or coffee plantation) wherein is carried on, for not less than four months in the whole in any year, any process for, or incidental to, making, altering, repairing, ornamenting, finishing, or otherwise adapting for use, transport, or sale, any article or part of an article; and (a) wherein steam, water or other mechanical power is used in aid of any such process; and (b) wherein not less than one hundred persons are on any day simultaneously employed in any manual labour in, or incidental to, any such process' (section 2). It also stipulated that children under 7 years of age were not to be employed in a factory and those between 7 and 12 were to work only for 9 hours a day, with a minimum interval of an hour for food and rest, and 4 paid holidays per month; they were also not to operate dangerous machinery. They were known as 'half-timers'! Some of the other sections of the Act provided for fencing of dangerous machinery, reporting of accidents, appointment of inspectors and certifying surgeons, and penalties for violation of the provisions of the Act. Occupiers of factories were made primarily liable for any breach but, strangely, the term 'occupier' was not defined in the Act. Surely, the Act was made applicable to state-owned or Crown factories also, which was not the case with the factory legislation in some of the princely states, e.g., Junagadh. However, 'thanks to an almost complete lack of adequate inspection machinery, the Act remained a dead letter in nearly all provinces' [Mehra, 1985, p. 242].

The Bombay Factory Commission of 1884-85 observes that 'for 18 hours' work, from 4 a.m. to 10 p.m., three or four annas was the wage. ... Those working these excessive hours frequently died' [Punekar and Varickayil, 1990, Vol II, p. xi]. The Commission recommended amendments to the Indian Factories Act, 1881. Accordingly, a

bill was introduced in the Council in 1890. However, in that very year, the Indian Factory Commission was appointed chiefly to get the employees' point of view on the bill. Two of its remarkable recommendations were that the hours of work for child labourers should be reduced from 9 to  $6\frac{3}{4}$  a day maximum, and that the

reduction of the hours of work for children should be accompanied by providing facilities for their elementary education. The Factories Act was amended in 1891, and the amended Act came into force with effect from 1892. But the above recommendations did not find any place in it. Only the minimum age for employment in a factory was raised from 7 to 9, and half-timers, that is, those below 14 (instead of 12 as per the 1881 Act) were to work between 9 to 7 hours a day. Women's hours of work were for the first time shortened than those of men, to 11 hours a day. The amended Act was made applicable to smaller units too - all those employing 50 or more workers. Further, it empowered the provincial government to make it applicable, if necessary, to units employing less than 50 but not less than 20, and also to frame rules for water supply, ventilation, sanitation, prevention of overcrowding in factories, and for prohibition of employment of women and children at night. Accordingly, the Bombay Factories Rules, 1892 were formulated for the then Bombay Presidency. The Act of 1911 which repealed the earlier Act was applicable to all factories employing more than 50 workers. It reduced the hours of work for children to 6 hours, made possession of age certificate compulsory, prohibited for women night employment, and restricted hours of work for adult textile workers to twelve hours a day. During the First World War, in order to increase the war effort, a number of exemptions were granted to factories and there was a fall in the average number of inspections. This Act was reformed in 1922 to make it less inconsistent with the ILO Conventions.

The Factories Act of 1922 made extant factory labour legislation applicable to all factories using power and employing twenty or more workers. The provincial governments had an option to reduce this number to ten. Children below 12 were not to be employed in factories and up to 15 they

were regarded as children and worked only six hours. In addition, many liberal provisions were introduced, such as children and women were not to be employed before 5.30 a.m. and after 7.00 p.m. and rest intervals of an hour after every six hours of work were made mandatory. The Act fulfilled the Government of India's statutory obligation undertaken on its ratification of the ILO Conventions of Washington (1919) and Geneva (1921). It was amended in 1923 and 1926 to remove the flaws in the working of the Act. One amendment needs to be mentioned: with the reduction in children's hours of work, parents and guardians were increasingly tempted to allow their children to work in more than one factory on the same day; the amendment in 1926 made this an offence. The Children (Pledging of Labour) Act, 1933, in force still, makes an agreement to pledge the labour of a child void and prescribes for parents/guardians, intermediaries and employers penalties, heavier for the last two.

All railway workshops, excluding the small sheds and railway collieries, were brought under the purview of the Factories Act of 1922 and, thus, were administered as per the ILO Conventions of Washington (1919) and Geneva (1921). Since 'the Railway Board found the application of the Conventions to other branches of railway activity a problem beset with difficulties', the Indian Railway (Amendment) Act, 1930 was passed for railway servants [Government of India, 1931, p. 156]. The Railway Servants' Hours of Employment Rules, 1931 were framed to provide for reasonable hours of work and periodical rests, but excluded again running staff, that is, those working on running trains, and watchmen, sweepers, watermen, gatekeepers and supervisory staff. The Act provided 60 hours of work per week for such continuous workers. Because of the varied nature of work from branch to branch, general application of uniform hours was difficult, as uniform hours would have been too long for certain sections of work requiring high level of concentration, while unjustifiably short for some. Another point at issue was whether their hours of work and those of other general body of workers in factories and mines should be uniform.

The Royal Commission was divided in its recommendation. Whereas the minority view was that the weekly hours of continuous workers be reduced to the same level as for general workers, namely, 48 hours a week, the majority recommended examination of all branches, case by case, with a view to determining curtailment of hours of work in all railways (until 1931, the state owned 72 per cent of the total route mileage and directly managed 45 per cent, companies incorporated in England owning and managing the rest) [Government of India, 1931, Pp. 156-60 and p. 136].

The Factories Act of 1934 was passed on the recommendations of the Royal Commission on Labour, 1929 and came into force on January 1, 1935. Under the Government of India Act, 1919 matters relating to labour employed in mines, on the railways, in all the chief ports and on sea-going ships came within the legislative purview of the central government, while matters relating to labour employed in factories, on plantations, in public works and on inland steam vessels were provincial subjects; but they were generally 'reserved', i.e., they were in the portfolios of Members (official) and not Ministers in the provinces, and the Government of India had full powers of 'superintendence, direction and control' over legislation in the 'reserved' matters passed by the provincial governments [Government of India, 1931, p. 456]. Hence, nearly all labour legislation was enacted by the central legislature until 1935.

The Factories Act, 1934 provided that, in addition to child workers (age between 12 and 15), adolescents, that is, those over 15 and under 17 should be deemed as children, if not certified as fit for adult employment. It distinguished between seasonal and perennial factories and reduced the hours of work in the latter to 10 hours a day and 54 hours per week, but children's hours of work in both the factories were reduced to five. The Act also imposed limits on overtime and regulated the payment for overtime.

While racial discrimination in favour of Europeans and Anglo-Indians was the chief grievance of the railway workers, unemployment and underemployment were of dock workers, since the demand for dock labour was intermittent. Also, there was no law for their protection until 1934, when the Indian Dock Labourers Act was passed. Although all the Port Trusts, constituted under the provincial Acts, consisted of representatives of shipping and commercial interests, besides official and nominated members, hardly was a member representing labour interests included and that, too, in one or two Port Trusts. Because of the sporadic nature of work, the port authorities maintained a small permanent establishment under direct control and left the bulk of labour engaged in loading and unloading to the mercy of corrupt intermediaries. Thus, a majority of them were casual dock workers. There were no regulations for safety in docks and hours of work varied from port to port. The Indian Ports Act, 1908 was amended in 1922, making it obligatory for provincial governments to frame rules prohibiting employment of children under 12 in docks. The Royal Commission, 1929 recommended to raise the age to 14. Its other recommendations include decasualisation and registration of dock labour so that a system of recruitment giving all efficient men equal share of work would be developed and their exploitation by intermediaries prevented. Most of these recommendations formed the basis of the Indian Dock Labourers Act, 1934.

#### *Mine Workers*

Laws for miners were not legislated simultaneously with those for other workers. They appeared later. Collieries accounted for two-thirds of all the employees in mines, and 88 per cent of miners who worked underground. The Labour Commission, 1896 studied in detail such aspects of mine labour, as supply of labour and recruitment, the number of miners employed, their native places, their castes, wages, prices of foodgrains prevailing in the mining districts, conditions of working in mines and of living in workers' settlements, health standards, etc. The Commission also delved into other aspects of the

mining industry and trade. As a result, the government was convinced of the necessity of regulating mining for the proper work of the industry, and the Act to Provide for Regulation and Inspection of Mines was passed in 1901. It provided for the appointment of Inspectors and the Chief Inspector of Mines and for constituting Mining Boards and Committees. It also laid down the duties and responsibilities of owners, agents and managers in mining operations, as well as empowered the government of India and the local governments to make rules, pertaining to matters, like employment of women and children, safety, satiation, water supply, etc.

However, 'it was not until the present Act was passed in 1923 that any restrictions were imposed on the employment of labour' [Government of India, 1931, p. 123]. The Mines Act, 1923 prohibited employment of children under 13, limited the hours of work per week to 60 above ground and 54 underground, and provided a weekly holiday. Along with the Act two Regulations - one for coal mines and one for other mines - by the central government and rules by provincial governments were framed. The Act was amended in 1928 to prohibit operating of mines for more than 12 hours a day, unless in shifts, to limit the hours of work per shift to 12, and to prohibit the overlapping of shifts. This amendment, thus, enhanced the hours of work, because under the previous law no miner could work more than 9 hours a day. 'The whole case for and against a shorter daily limit was examined with care by the Select Committee of the Legislative Assembly, which considered the Bill in 1928', before the Act was amended [Government of India, 1931, p. 125]. Since, practically, all work at the mines was paid by the piece, the Select Committee felt that less than 12 daily hours of work would affect the earnings of miners. Some of the characteristics of the miners were required to be taken into account, while bringing about any legislation for them. They were: a great majority of miners were tribals and aboriginals; also most of them were agriculturists, too. Consequently, there was seasonal absence, which reached the peak during pre-monsoon and monsoon periods. Also many colliery proprietors owned surface rights in the

land above the mine and assigned small holdings to service tenants on the condition of rendering labour in the mine. At times, lands away from the mines were purchased and assigned to such service tenants at low rent, for the sake of guaranteed supply of labour. However, this practice was later prohibited by law in 1923. There were, thus, irregularities in the miners' hours of work. Had they attended on all six days, they would have exceeded the legal weekly limit of 60 hours above ground and 54 hours below, the full shift being of 12 hours; but they worked on an average only four to four and a half days per week. Another Regulation of March 1929 prohibited underground employment for women.

As mentioned earlier, miners were paid on piece-rate basis, the unit for coal cutters and loaders in collieries being the tub or basket. However, there were many factors beyond a miner's control which used to prevent him from earning a full day's wage, such as inadequate tubs or baskets, difficult working places, long leads, stone and shale and mechanical breakdowns. Very few mines paid some allowance to miners on these grounds. Hence, to ensure a large gross output without much reference to the output of an individual miner, mine-owners tended to employ

more labour. The Royal Commission recommended a statutory provision for payment for minimum guaranteed standard output to a miner 'whose wages fall short from causes outside his control' [Government of India, 1931, p. 122].

The Mines Act, 1923 provides for the establishment of Mining Boards for consideration of proposed legislation and settlement of disputes between inspectors and mine-owners regarding bye-laws, and cases referred to it instead of a court. Sections 21 and 22 of the Mines Act regulate the working of the Courts of Enquiry, to be appointed to enquire into a fatal accident. These Sections provided for appearance before the courts, also for examination of witnesses, by relatives of the deceased and trade union representatives along with employers. The Royal Commission recommended to make mandatory the publication of the enquiry report, which was optional under Section 22 [Government of India, 1931, p. 132]. But the provincial governments had not instituted even such machinery until then. The Mines Act, 1923 was directed primarily to questions of safety but, as the Royal Commission observes, 'there has been no marked or regular decline in the accident rate of recent years' [Government of India, 1931, p. 130]. This is noticed from Table 3.

Table 3. Figures of Accidents in Mines

Year	Collieries		Other Mines	
	No. Killed per 100,000 Employed	No. Injured per 100,000 Employed	No. Killed per 100,000 Employed	No. Injured per 100,000 Employed
(1)	(2)	(3)	(4)	(5)
1919	127	165	88	98
1920	98	136	91	105
1921	135	146	61	120
1922	113	132	77	129
1923	182	132	105	197
1924	123	160	72	176
1925	107	215	58	152
1926	100	215	63	193
1927	110	277	63	246
1928	133	277	40	220
1929	117	269	69	218

Source: Government of India, 1931, p. 130.

The Mines Maternity Benefit Act, 1941 was passed to regulate the employment of women in mines for a certain period before and after childbirth and to provide for payment of maternity benefit, i. e., payment by the employer of eight annas per day for eight weeks to a woman during her absence due to confinement, in case she has worked continuously six months or more in a mine or mines owned by the same employer. The Act was amended in 1945 to raise the sum of payment to twelve annas.

#### *Workmen's Compensation*

The (Indian) Fatal Accidents Act, 1855 provides for a suit for damages to the family of the worker whose death is caused by wrongful act, neglect or default on the part of the employer. Until then, such wrongs might have amounted to felony in certain cases but, since conviction under penal laws always requires indisputable evidence and strict interpretation, punishment was inconceivable. Moreover, compensation to the members of the deceased's family was out of question. This Act provides the award of damages to the wife, husband, parents and children of the deceased person (worker). Damages for loss to the estate of the deceased can also be claimed by the legal heir to that estate. The general principle for assessing the loss and calculating the compensation is to balance both the loss as well as the advantage resulting from the death to the claimants, i.e., had the worker been alive, the family would have incurred expenses on his food, cloth, etc., which would be saved because of his death. Damages under this Act are not solatium but reckoned on the basis of reasonable expectation of the pecuniary benefit that would have accrued to the claimant from the continuance of life of the deceased.

Since the (Indian) Fatal Accidents Act, 1855 gave succour only in death cases, the Workmen's Compensation Act was proposed in 1921 and came into force on July 1, 1924, initially, on an experimental basis. It was amended several times even before Independence, as in 1926, 1929, 1933, 1937, and 1941. It is criticised by the Royal Commission for its extreme rigidity. In spite of

being modelled on the British law, it is a *quasi*-penal statute and, as such, has to be construed strictly, that is, sympathy cannot be allowed to affect its interpretation. It tries to leave few openings for disputes but in the process led to a great deal of arbitrariness in its application to individual cases. The definition of a workman according to Section 2(n) includes a railway servant and all those listed in Schedule II. Yet, it originally applied only to workers in railway, tram, factory, mine, sea, dock, building, trade, sewage and fire-brigade establishments. Occupational disabilities are enumerated in Schedule III. There is no provision to automatically revise the scales of compensation, although prescribed with exact precision, as per the degree of injury sustained while on duty. In addition, the Employer's Liability Act, 1938 was passed in order to bar raising certain defences (justifications, such as common employment or general awareness of the risk) by the employer in order to avoid payment of compensation in suits filed by workmen or their families when injured or deceased.

#### *Health, Housing and Welfare of Workers*

'Even amongst the more or less permanent industrial workers, physique is frequently unsatisfactory, and the standard is perhaps lowest of all in the large organised industries', so observed the Royal Commission on Labour, 1929, which regrets the absence of statistics of sickness incidence, 'figures showing the incidence of sickness for definite groups of workers over a comparatively long period' [Government of India, 1931, p. 246, p. 267]. Dangers from sickness and epidemic diseases like cholera, malaria and plague were enhanced in cities and towns by 'reduction, under economic necessity, of valuable elements of diet' which were almost free on village fields, 'adulterated food supplies', 'cramped and often insanitary streets', lack of 'industrial hygiene' leading to industrial diseases like anthrax among workers in tanneries, or complications arising out of industrial fatigue, lack of fresh air, medical facilities, and also of family life, etc. Census of 1911 records 847 women per 1,000 men in towns and cities, as

compared to 953 women for 1,000 males for the whole country [Gait, 1913, Volume I, Part I, para 71]. But the greatest health hazard for the industrial labour was their crowded multi family housing - the *bustees* of Calcutta or the *chawls* of Bombay or *cheries* of Madras (now called Chennai) - which provided 'warehousing, rather than housing' - consisting usually of single room, of 100 square feet each [Dalal, 1930]. As per the Census of 1901, there were *chawls* in Bombay where per *chawl* 400 to 700 people huddled together for shelter; in the mill areas like Girangaon (Ward E) 8,421 single rooms housed per room 20 or more people in Bombay. It was possible on account of the shift system in mills and sleeping on the streets during the dry season. The situation was no better in other cities. The Royal Commission on Labour, 1929 rightly exhorts the local municipal bodies, provincial governments and employers to jointly shoulder the responsibility of providing adequate housing for the workers and, thereby, prevent growth of slums and squatters' colonies.

Lack of rest and oppressively long hours of work affected the health of workers. Although factory workers were able to get a paid weekly holiday since the passing of the Factories Act, 1891, and the mine workers with the passing of the Mines Act 1923, the workers in shops, restaurants, theaters and other establishments began getting it only from 1942 when the Weekly Holidays Act was passed.

One additional factor affecting the welfare of workers is the omnipresent institution of middleman or intermediaries in every industry, called garden *sardars* on plantations, *toliwalas* in Bombay docks and jobbers in factories, who had to be bribed in cash or kind - usually drinks - for getting a job or transfer to a better job, or even retaining it, or for getting re-employed after a break. 'There are few factories where a worker's security is not, ... , in the hands of a jobber. ... it is a fairly general practice for the jobber to profit financially by the exercise of this power. The evil varies in intensity from industry to industry, from centre to centre. ... The jobber himself has at times to subsidise the head jobber; ... even members of

the supervising staff sometimes receive a share of the bribe' [Government of India, 1931, p. 24]. This report makes one wary about advocating in the present labour laws amendments, that would deprive workers in the organised sector, particularly those in the public sector enterprises, of their job security. In fact, job security in public sector comes more as a *quid pro quo* for low wages, when compared with those in the private sector.

The workers' indebtedness was yet another factor causing much harm to him/her. (Rural indebtedness is already discussed in an earlier section). The Royal Commission observes: 'The worker's debts are due to a large extent to the fact that the lender finds in him a profitable investment and is ... eager to give the worker money which it is contrary to the latter's interest to accept. ... Under the Civil Procedure Code, it is possible for a money-lender to secure the attachment of the wages .... We recommend that the salary and wages of every workman receiving less than Rs 300 a month be exempted entirely from the possibility of attachment. ... so far as industrial workers in receipt of wages or salary amounting to less than Rs 100 a month are concerned, arrest and imprisonment for debt be abolished' [Government of India, 1931, p. 231-32]. The Royal Commission also recommended (i) summary liquidation procedure which was rapid and free from the intricacies and technicalities of the ordinary civil court procedures, (ii) reduction of the period of limitation for unsecured debts to two years, (the period of limitation refers to the period beyond which a money-lender cannot sue his borrower for recovery of loans), and (iii) payment of wages mandatorily by short periods, say, a week or fortnight to prevent unduly long delays, then frequent. The Royal Commission exhorted the trade unions to make the worker not only conversant with his legal rights but also capable of invoking them against the money-lender. It is ambiguous how far such exhortations were effective. When the Usurious Loans Act, 1918 was passed, the money-lenders began using their muscle power for recovering their undeserved dues. On the day wages were to be distributed, their go-betweens - the burly *Pathans* - with hefty

nightsticks queued at the factory gates. It indicated that the indebtedness among workers had not attenuated. Since 1860, when the Employers and Workmen (Disputes) Act was passed for regular payment of wages, not a single law pertaining to wages was enacted, though a bill to that effect was deliberated from 1925. In 1936, the Payment of Wages Act was passed to place on the employer the responsibility of payment of wages to persons employed by him or by the person responsible to him, that is manager in factories or the person nominated by the railway administration, in particular form and at regular intervals without any unauthorised deductions. It was applicable only to certain class of employees, like railway employees, initially. It was only after Independence that it was made applicable to coal-mines in 1947, other mines in 1951 and to all other industrial establishments in the 1960s.

#### *Trade Union Movement*

Production in factories gradually replaced production at home, as had been the practice in the pre-British period, but this changeover did not abolish exploitation of the working class. 'It was the beginning of European exploitation of Indian resources' including human resources [Gadgil, 1924, 1971, p. 47]. During the period of adjustment from rural to urban surroundings at the dawn of industrialisation in India, the retention of ties with the villages came in the way of workers uniting together to fight for their rights. The industrial worker was just 'the unskilled coolie (the word banned for official use after Independence), engaged in an unending struggle to eke out his existence, neglected by society except for his labour, and with very limited aspirations' [Government of India, 1969, p. 31]. Gradually, a working-class consciousness - a sense of their own identity as labourers, of their collective interests and opposition to other groups - evolved in traditional labourers of India. Pursuant to urbanisation, their ties with community, their caste obligations and their allegiance to temple-priests and landlords were snapped. It was a slow process due to lack of egalitarianism resulting

from caste hierarchies, and other illiberal, traditional bonds, like religious and linguistic affiliations and kinship ties. Illiteracy, general apathy and fatalism of the Indians, victimisation by employers and the system of intermediaries further prevented the formation of the common working-class identity and union activities, which was obviously considered by the intermediaries as a threat not merely to their control over workers but to their very existence.

Nevertheless, unlike the medieval labour, the working class did emerge as an organised group, first in plantations (rural ties, as mentioned above, having been less haunting when transported far away from home), and then in mines and railways and, eventually, in factories. Common class identity was inculcated by common interests, common experiences and common participation in struggles against exploitation and domination. Dwarkanath Gangopadhyaya, a Brahmo social reformer, who lived in disguise among the labourers (coolies) published his experiences on plantations in *Sanjibane* and *The Bengalee* (edited by Surendranath Banerjea) and for the first time brought the pitiable state of the plantation labour to light [Punekar and Varickayil, 1989, Vol I, pp. xii-xiii].

Labour movements in those days invariably appropriated an anti-colonial, nationalist content and, at times, even a socioreligious one. For instance, the agitation of the Oraon tea plantation labour of Duars in Jalpaiguri district in Bengal in 1915-16 was directed not only against the planters but the entire colonial capitalist invasion, its accompanying modernising mechanisms like railways, steamboats and even bicycles, and also against other exploiters and oppressors like the *zamindars* and the *mahajans* [Das Gupta, 1989, Pp. 2197-202]. In the same vein, it suited the colonial state to exaggerate the political dimension of labour mobilisations because, in that case, they had a free hand to crush them on the pretext of maintaining law and order, along with allegations of seditious activities. Of course, the post-Independence state has no better record in this regard. The colonial rulers suppressed the



genuine labour uprisings by labelling them subversive movements by the Communist or radical nationalist outfits and, therefore, hounding them underground while the post-Independence rulers, on the excuse of internal and national security, have been driving some of the legitimate labour agitations to terrorism, like the Naxalite movement.

The earliest attempt at forging a trade union of factory workers could be the one by the Bombay social workers and philanthropists under the leadership of Sorabji Shapurji in 1875, to protest against the deplorable conditions of work, particularly of women and child workers. The Bombay Mill-Hands Association was formed in 1890 in Bombay by the efforts of N.M. Lokhande, himself a worker, who agitated since 1884 for a revision of the Factories Act, 1881. They demanded the right of making a representation to the Factory Commission, appointed just then. Lokhande started the first working-class newspaper *Deenbandhu* bringing the legitimate grievances of the textile workers to the notice of the public. However, both of the pioneering organisations were not trade unions in the real sense, as they had no rules and regulations, no funds, and no membership as such.

Between 1904 and 1920, a number of workers' organisations came to be spontaneously established: unions of the printing press workers, postal workers' clubs, railway workers' and clerical staff's associations, and affiliations of forest rangers, *talathis* and *kulkarnis* and even of police. Yet they were *ad hoc* associations, set up for temporary purposes, not statutorily recognised. The sheer expediency of defending themselves jointly against the several injustices meted out to them activated them to unite. Also, due to the increased demand for labour during the First World War, and due to the shortage of labour in cities like Bombay resulting from plague and influenza epidemics during the post-War period, their position *vis-a-vis* the management improved. The *Swadeshi* Movement, the October Socialist Revolution in Russia in 1917 and the

influence of the ILO, with India as one of ILO's founder members, gave further impetus to their formation.

The Madras Labour Union, organised in 1918, was the first trade union resembling more or less today's trade unions. But still, in 1921, its activities were terminated through a High Court order by the British employers, because there was no legislation for the registration and protection of trade unions then and also because its leadership was in the hands of a prominent leader of the Indian National Congress, B.P. Wadia.

The ineffectiveness of isolated unions functioning in different industries and different parts of the country led to the formation of federations of unions in different industries and also of the All India Trade Union Congress (AITUC) in 1920, under the presidentship of Lala Lajpat Rai. Surprisingly, the employers formed their associations and chambers of commerce as early as in the 1830s, the chambers of commerce in Calcutta in 1833, in Madras and Bombay in 1836 and so on, in order to protect their interests. Even the first Native (Indian) Merchants Chamber of Cocanada, later renamed as the Godavari Chamber of Commerce, was established in 1885 and the system of affiliation of associations to the chambers originated in 1904. These employers' organisations hardly looked after the interests of labour.

The Indian Trade Union Act, passed in 1926, recognised for the first time workers' fundamental right to freedom of association. The Act defined a trade union as 'any combination whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen, or between employers and employers, or for imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more trade unions'. Thus, the definition was wide enough to include employers' organisations and even chambers of commerce.

Registration of a union under the Act conferred on its leaders some immunity from criminal proceedings and civil suits. Earlier, they were liable for arrest and punishments for any concerted action against the employer under Sections 141 to 159 of the IPC. These Sections are really for penalising such offences against public tranquility as unlawful assembly, rioting, etc. Moreover, union activists could be sued for damages in civil actions for infringing the contractual obligations to the employer and for interfering with his right to carry on free trade and business. As mentioned earlier, in 1921, the Buckingham and Carnatic Mills had resorted to such pleas to restrain the leaders of the Madras Labour Union through an injunction by the Madras High Court. The Act contained special provisions regarding strikes and offered protection to participants in strikes.

The number of trade unions registered under the Act until 1929 was 87 with a membership of 1,83,000 [Giri, 1959, p. 13]. However, a number of trade unions were ill-equipped to maintain records, accounts, documentation, etc., and submit them to the Registrar, as required for registration. Further, since the Act legalised the status of the outsiders in the posts of union executives, rivalry and conflict became rife. Consequently, the number of trade unions increased whereas there was no corresponding rise in membership, e.g., in Bombay in 1929, there were 52 registered/unregistered trade unions with a membership of 159,699; the corresponding figures for 1947 were 279 and 295,685. Also, the employers were not legally required to recognise even any registered union as representative of workers. Recognition was a favour sought by the trade unions and a patronage bestowed by the employer. As a result, inter-union rivalries were not discouraged. Also, union leaders had 'to prove that they were "responsible" to civil society than to demonstrate that they were representative of working-class opinions, aspirations and sentiments' [Chandavarkar, 1994, p. 405].

By 1927, two distinct groups evolved among the trade unions: the 'Geneva-Amsterdam Group' and the 'Muscovites', affiliated as they were to two different political doctrines. Conflicting views were held on (i) participation of the AITUC in the International Labour Conference at Geneva, (ii) its affiliation to the Third International at Moscow, and (iii) its association or otherwise with the Federation of Trade Unions at Amsterdam. Ultimately, the AITUC split in 1929 at its Nagpur session, under the presidency of Jawaharlal Nehru. There was difference of opinion on two principal issues: whether to boycott the Royal Commission on Labour which was then touring India, and whether to affiliate with the Pan-Pacific Congress at San Francisco. The All India Trade Union Federation came to be formulated by the splinter group. There was a further split in the AITUC in 1931 and the Red Trade Union Congress was formed. In 1933, the All India Trade Union Federation along with the All India Railwaymen's Federation, which had remained neutral until then, formed the National Trade Union Federation. It merged with AITUC in 1938. But AITUC split again in 1939 on the question of cooperating with the British government in their war effort during the World War II. The Indian Federation of Labour was formed, and it made propaganda amongst workers in favour of the war effort. It ceased to function by 1946. Since AITUC was controlled by the Communists, in November 1946, the Congress-minded labour leaders formed the Hind Mazdoor Sevak Sangh to be run on Gandhian principles, which evolved into Indian National Trade Union Congress in 1947. The Socialists separated and formed the Hind Mazdoor Sabha in 1948.

All these splits took place mainly on ideological grounds or on account of clash of personalities. Possibly, a large number of employers also had vested interest in maintaining inter-union and intra-union rivalries. However, there were hardly any inter-union rivalries due to communalism and casteism or linguistic affiliations. The *raison d'être* of unionism is to usher in democratic principles into the industrial domain and, thus, to protect the labourers' interests by restraining the employers through collective bargaining which is

encouraged by suitable policies and appropriate legislations by the state - that is what happened in the industrial West. Here the colonial government aimed at controlling both the parties on the plea of promoting war effort while their successors, who had used the trade union movement more for political purposes during the struggle for Independence than for safeguarding the workers' interests, continue doing so out of several compulsions. 'The supreme irony of trade union policies lay in the industrial relations law of independent India having its origins in the wartime regulations of the British administration, namely, the Defence of India Rules' [D'Souza, 1996, p. 115]. 'The IR (industrial relations) law in the country gives government virtually unrestricted powers to intervene in any labour-management dispute at any stage. ... Even more invidious is the intervention of government outside the framework of the IR law. Labour Ministers, and often Chief Ministers of States, personally involve themselves in particular industrial disputes, especially strikes and lock-outs, in important industrial organisations' [Tulpule, 1996, Pp. 129-30]. Trade unions also seek political patronage in order to seek concessions from the state through more favourable labour policies and laws.

#### *Legislation on Industrial Disputes*

The first law to settle trade disputes was the Employers and Workmen (Disputes) Act, 1860. It was applicable to workmen on any railway, canal or public work. It provided for summary disposal of labour disputes by magistrates, but was confined to the settlement of wage disputes alone. Besides, the Act had many objectionable provisions, such as the one making any breach of contract by a workman a criminal offence. If, without reasonable excuse, workers refused to perform stipulated work, they were liable to fine for refusing specific performance. The right to strike is based on the general principle that since an individual worker has an option of selling his labour as he desires, he has the choice of withholding it also. But this right is curtailed by the state by a law imposing reasonable restrictions, when it infringes the national security or the

interests of the common citizens. E.g., the Essential Services Maintenance Act, 1981 prohibits workers in certain establishments to strike work. The counterpart of this right is the employer's right to declare lock-out, which is also subordinated to national interests in similar manner. However, both these rights were not officially recognised in India until the Indian Trade Disputes Act, 1929 was passed. 'The state in India, especially before the War of 1914-18, had raised *laissez faire* into a principle so sacred and powerful that it enjoined a veto on the creation even of a provincial department of industries' [Gadgil, 1945, p. 10].

During the 1880s and the 1890s, there were several sporadic stoppages of work for a short duration in Bombay and Calcutta for better wages, better working conditions, and improvement in factory laws. Strangely, the earliest workers' strike was recorded neither in Bombay nor in Calcutta but in the Empress Mill of Nagpur in 1877. It was an unsuccessful attempt to get a wage hike [Mamkoottam, 1982, p. 110]. The great outbreak of industrial unrest after the First World War had such economic causes as well as political ones, since the labour movement was closely associated with the struggle for Independence during that period and most of the labour leaders were national leaders. Since 1920, works committees and joint committees were instituted in government establishments and private enterprises to prevent disputes as far as possible, and to resolve them, if they arose. These committees aimed at securing closer contacts between management and workforce by holding regular meetings and discussions and, thus, bipartite settling of matters affecting their interests. The constitution of such committees was, however, *ad-hoc*, at the instance of the management. Only in Ahmedabad in 1920, a permanent conciliatory machinery, consisting of two nominees - one representing labour and the other employers - was set up because of the efforts of Gandhiji who was the nominee for the labour since its inception. In case of disagreement between the two nominees, the dispute was referred to an adjudicator acceptable to both and his decision was binding. Except that the system was dilatory in settlement

of disputes, it had a substantial measure of success, particularly in settling grievances of individual workers.

As a rule, state intervention in labour-management disputes is possible in three ways: (i) instituting an inquiry; (ii) attempting conciliation by appointing conciliatory bodies; and (iii) providing for judicial arbitration. The utility of the first lies in that an inquiry report provides an independent, investigative, in-depth review of the causes of a dispute and recommends possible measures not only to end it but also to prevent its recurrence in future. But its success depends on the acceptance of the inquiry report by the government and the parties concerned. Conciliation often brings out temporary truce but may not be necessarily effective. On the contrary, arbitration, whether compulsory or voluntary, ordinarily leads to a final settlement of the dispute, as the arbitration award is binding on both the parties of the dispute.

A bill for a Trade Disputes Act, proposing establishment of arbitration machinery was prepared in Bombay Province in 1924 but it was withheld as, in the same year, the Government of India circulated a bill for an all-India statute based on the British Industrial Courts Act of 1919. However, it was not introduced until 1928, and the 1924 Bombay draft was altered significantly. The Trade Disputes Act 1929 provided for the appointment of Courts of Enquiry and Boards of Conciliation, the former for enquiring into and reporting on specific matters referred to them while the latter for settling a dispute and for enlightening the public regarding its merit.

The Courts of Enquiry and Boards of Conciliation, were to be appointed by provincial governments or, when the employer was a government department or a railway company, by the Governor-General-in-Council. They were to be appointed on joint or separate application from the representatives of both the parties to the dispute. A Court of Enquiry consisted of one or more independent experts whereas a Board of Conciliation constituted of an independent

chairman and of other members who may, generally, be representatives of the parties to the dispute. Section 13 of the Act permitted instituting criminal prosecution of the members of these two tribunals as well as civil suits against them for wrongful disclosure of confidential information relating to the parties to the dispute, which these members had gathered during hearings. The Royal Commission, 1929 recommended immediate amendment of this Section so that these members could get the same immunity against prosecution and suits as the government officials, that is, such cases and suits could not be instituted against the members, except by the previous sanction of the government that appointed the tribunal.

Some other provisions of the Trade Disputes Act, 1929 also needed to be amended. Instead of *ad hoc* tribunals to be appointed as and when necessary, as provided under the Act, there should have been permanent tribunals, at least conciliation officials, so as to avoid the inevitable delay. Second, lightening strikes by monthly wage earners in public utilities, and lock-outs were punishable by fine and imprisonment while sympathetic strikes were illegal under the Act but it had no provision to prevent intimidation by the employer.

*Provincial Legislation:* The provincial governments in Bombay and Bengal appointed representative committees in 1921 to consider the possibility of alleviating the industrial unrest in their provinces. The Bombay committee advocated the establishment of industrial courts while the Bengal committee opposed state intervention in private industrial disputes, but recommended formation of conciliation panels for public utilities. In 1934, the Trade Disputes Conciliation Act was passed for Bombay province to provide for the appointment of the Commissioner of Labour as the chief-conciliator, of other conciliators and of Labour Officer to protect the interests of workers. The conciliators were empowered to summon the parties to the dispute, on receiving a complaint from either of the parties, or the Labour Officer's report or even *suo moto*. The Labour Officer was expected to win the confidence of

both, workers and management. Yet, 'successive governments have so far appointed only high placed European officers as Labour Officers in Bombay. ... It is all the more a pity that the Labour Officers in Bombay City do not stay in the office for longer periods continuously. The officers when appointed are almost unacquainted with industrial conditions; and in industries like the textiles, they would be of little practical use .... (I)nterpretation of the workers' grievances and demands ... is ... always a difficult matter where workers are uneducated and unorganised' [Gadgil, 1945, p. 87]. The Mill-Owners' Association also appointed their own labour officer to safeguard their interests in the hearings before conciliators. However, Section 38(4), providing compulsory publication of the conciliation proceedings, was contentious. It was argued that it would 'rob the conciliatory proceedings of the element of informality, and consequently of considerable value' [Gadgil, 1945, p. 80]. On the other hand, this Section was also commended for according transparency to the conciliatory proceedings. At any rate, the Act was claimed to be fairly successful in ushering in industrial peace in the textile mills of Bombay.

The Congress Government in Bombay province enacted the Bombay Industrial Disputes Act of 1938, which replaced the Trade Disputes Conciliation Act, 1934. It provided for the first time a permanent arbitration machinery for the settlement of disputes - industrial courts. Yet, arbitration was voluntary and the industrial courts dealt with only such disputes as were submitted to them by a written agreement between an employer and a registered union. Persuading the disputing parties to sign such an agreement was difficult, but compelling the disputing parties would mean state regulation and intervention on a greater scale for which law-makers were not then ready. Another drawback of the industrial courts established under the Act was that only persons with judicial training and experience were appointed in them and, consequently, they could hardly command the confidence of the workers.

Unlike arbitration, conciliation proceeding was made mandatory in every dispute, that is, disputes had to be first referred to conciliation; strikes or lock-outs could be resorted to only after completion of the conciliation proceedings. Although this provision was appropriate for collective disputes, it unnecessarily delayed settlement of individual grievances of workers, such as disputes about arrears of wages or about treatment contrary to standing orders, i.e., conditions regarding employment, such as classification of employees into permanent, temporary, apprentice, probationer, *badli*, and so on, attendance and late coming, temporary stoppages (closure) of work and rights and duties of the employer and employees arising therefrom, termination, retirement, etc., all of which were settled between the employer and employees, approved by the Commissioner of Labour, and regulated relations between the employer and his employees. Incidentally, there was one more provision in the Act that without giving prior notice to the other party, no change would be made in the standing orders.

In addition, the Bombay Industrial Disputes Act of 1938 provided for only one registered union in one industry or calling in one local area. In areas, where an industrial union was already registered, there could be separate representative unions for different occupations in that industry, provided such an occupational union had as its members more than 25 per cent of the total employees in that occupation. The Registrar was given power to declare local areas and occupations. This provision was criticised as undemocratic, as it restricted workers' freedom of association. But, where unions struggled harder to organise workers among themselves than to organise them against the employer, such criticism is uncalled for. Further, as far as representing employees and negotiating on their behalf in a dispute is concerned, the Act differentiated between unions recognised by employers and those which were not recognised by them. In fact, representation and negotiation on behalf of workers are the legal rights of all bonafide unions registered under the Trade Unions Act. Such rights should never depend on employer's recognition. Again, representatives of workers had to be selected from

among themselves; even when they lacked such competence, outsiders or non-worker leaders were not allowed as representatives.

The Bombay Industrial Relations Act of 1946, replacing the Bombay Industrial Disputes Act of 1938, provided for the maintenance of a list of approved unions which were invested with certain powers and duties, such as once approved, the trade union would remain so for two years during which period it would be the sole approved union in respect of the relevant industry in a local area and it would have such rights as to collect union fees on the factory premises, to hold discussions with the employer on behalf of employees, to get legal aid at state cost, etc.; the duties of the approved union included maintaining accounts and records, holding regular meetings of the executive committee, not sanctioning nor resorting to any strike without exhausting all other methods of settling the dispute involved, not sanctioning illegal stoppage of work, etc. In spite of all these provisions, the Act could not make the workers accept the principle of 'one union in one industry' because, in addition to approved trade unions, the Act provided for representative, qualified and primary unions with membership of 25, 5 and 15 per cent, respectively, of total number of employees in any industry in any local area. They were accorded powers of representation and accordingly authorised by the government on application. Authorisation was mandatory in the case of unions commanding a membership of 25 per cent of the total number of workers employed in an occupation or industry. The Act was applicable to the textile mills initially and was to be extended to other industries, when the World War II broke out. Another legislation to the credit of the pre-War Congress Government in Bombay was the Bombay Shops and Establishments Act, 1939. It was the first of its kind in the country and soon other provinces used it as a model. It protected a segment of workers, not covered by the Factories Act. It may be plausible to argue that the liberal protective labour legislation and the popular rule in the province brought the number of working days lost in factories and mills of Bombay considerably down in 1938-39 and,

thereby, avoided national loss. Table 4 gives the figures of industrial disputes in the city of Bombay during 1930-39:

**Table 4. Industrial Dispute in Bombay**

Year (1)	No. of Dis- putes (2)	No. of Workers Involved (3)	No. of Working Days Lost (4)
1930	43	64,103	10,59,037
1931	18	26,217	2,34,081
1932	25	14,907	2,18,267
1933	42	43,719	3,56,811
1934	30	1,15,042	32,08,239
1935	20	9,719	70,944
1936	11	11,261	1,91,915
1937	41	39,798	1,92,254
1938	56	27,378	1,36,985
1939	61	23,614	1,22,921

Source: *Bombay Labour Gazette* (Various Issues), as quoted in Gupte, 1981, Tables 13-15, Pp. 96-97.

During the World War II, under Rule 81-A of the Defence of India Rules, any industrial dispute had to be mandatorily referred for conciliation and adjudication, the award of the adjudicator was binding on the parties, and strikes and lock-outs during the pendency of proceedings and for two months thereafter were prohibited. Similarly, all strikes not arising out of genuine industrial disputes were also prohibited.

The Bombay Industrial Relations Act of 1946, still in force, is a more comprehensive version of the Bombay Industrial Disputes Act of 1938. It aims at more expeditious and efficient disposal of industrial disputes as well as at giving incentive to the labour to organise themselves. In addition to *ad-hoc* boards of conciliation, it provides for labour courts to decide labour disputes and labour matters and assigns the functions of an appellate authority to the industrial courts. It also provides for joint works committees of equal number of representatives of both, the employer and the employees. After Independence, this Act provided a framework for an all-India legislation, the Industrial Disputes Act, 1947 which replaced the Indian Trade Disputes Act, 1929.

After Independence, almost all the labour laws have been thoroughly revised. Also, a number of new laws have been passed to safeguard the interests of labour. Now, after fifty years of their experience, an assessment of their utility is warranted since the environment in which they were enacted has thoroughly altered.

## NOTES

1. The social clause pertaining to the social dimensions of international trade, such as environment and labour, links labour standards with international liberalisation in trade. Global standards are set regarding minimum wages, health and safety, right of association, right to information, and the rights of children and women at the work-place. To ensure, that the WTO signatories comply with at least the core of such internationally recognised standards, they are hitched to a non-tariff restriction which can be imposed by a signatory country on imports from those countries where such standards are not honoured. There is a great deal of controversy regarding such linkage between labour rules and trade rules. Even labour organisations stand divided on its merit. Those in the developed countries and international federations of trade unions, like the International Confederation of Free Trade Unions (ICFTU), insist on inclusion of the social clause in the WTO trade rules, whereas trade unions in the developing countries, in spite of the clause being in the interest of labour, believe that the insistence of the developed countries on core labour standards stems out of fear that cheap imports from the developing countries with low tariffs under the WTO would threaten the jobs in the developed countries. In other words, the social clause is likely to be used as an instrument of protectionism to counter legitimate comparative advantage derived from lower wages. Governments of the developing countries, on the contrary, argue in favour of unhampered economic growth, as was enjoyed by today's developed countries during their early developmental periods. However, rejection of the social clause may serve more the interests of Trans-National Corporations (TNCs), enabling them to maintain their competitive advantage from segmented and differentiated labour markets. Thus, the labour from the Third World is in a 'no win' situation.

2. These may be approximate figures of employment, since there is no unanimity regarding the definitions of the organised sector or even of the total workforce. The *Economic Survey, 1998-97* gives the following definition: 'organised sector' comprises all establishments in the public sector irrespective of the size of employment and non-agricultural establishments in the private sector employing 10 or more persons [Government of India, 1997, p. S-53]. The Census Sector of the *Annual Survey of Industries* takes into consideration medium-sized and large industries employing 50 or more workers with power and 100 or more workers without power. Most of the labour legislation is applicable to all the establishments in the organised sector. But specific laws are applicable to certain establishments only, such as the Factories Act, 1948 which extends to only factories which are defined as any establishment engaged in manufacturing process and employing 10 or more workers with power and 20 or more

workers without power; whereas the Payment of Wages Act, 1936 applies to industrial and other establishments like railways, mines, plantations, and so on. Similarly, the definition of total workforce in the Census reports is based on status: usual status, current weekly status and current daily status.

3. In contrast, Section 497 of the IPC, 1860 on adultery, enacted during the colonial period and still in force, absolves the wife involved in adulterous relations of all responsibility and only the adulterer is punished.

4. Article 2 of the Convention, No. 29, defines forced or compulsory labour as all work or service exacted under the menace of penalty from a person who has not offered it voluntarily. Compulsory military service, normal civic and community service, work in emergencies and penal labour from convicts, as per the court's orders, are of course excluded.

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## APPENDIX

- The Baroda Factories Act, 1914.  
 The Barwani Factories Act, 1906.  
 The Cochin Factories Act, 1908.  
 The Coorg Labour Act, 1926  
 The Hyderabad Factories Act, 1917.  
 The Indian Factories Act, 1881.  
 The Indian Factories Act, 1891.  
 The Indian Factories Act, 1911.  
 The Indore Factories Act, 1904.  
 The Jaora Factories Act, 1909.  
 The Junagadh Factories Act, 1935.  
 The Marwara Factories Act, 1913.  
 The Mysore Factories Act, 1914.  
 The Rajkot Factories Act, 1915.  
 The Travancore Factories Regulation, 1913.  
 In addition, the princely states of Cambay, Porbandar, Nandgaon, Kolhapur, Jind, Bhavnagar, Tonk and Faridkot passed factory legislation [Das, 1938, p. 5].

## **DOCUMENTATION**

The purpose of this section is to make available to the readers official documents such as reports of committees, commissions, working groups, task forces, etc., appointed by various ministries, departments, and agencies of central and state governments which are not readily accessible either because they are old, or because of the usual problems of acquiring governmental publications, or because they were printed but not published, or because they were not printed and remained in mimeographed form. It will be difficult and probably not worthwhile to publish the documents entirely. We shall publish only such parts of them as we think will interest our readers. The readers are requested to send their suggestions regarding official documents or parts thereof for inclusion in this section.

In the present section we publish:

1. Report of The Committee Appointed by the Government of Maharashtra for Evaluation of Land Reforms (Chairman: M.P. Pande), Revenue and Forests Department, Government of Maharashtra, Bombay, 1974, Chapters VI and VIII.
2. Report of the Committee on Power (Chairman: V.G. Rajadhyaksha), Ministry of Energy Department of Power, Government of India, New Delhi, 1980, Chapter V.

## REPORT OF THE COMMITTEE APPOINTED BY THE GOVERNMENT OF MAHARASHTRA FOR EVALUATION OF LAND REFORMS

### CHAPTER VI. IMPACT OF THE TENANCY ACT ON AGRICULTURAL PRODUCTION

*Conversion of leased land into owner-operated land was expected to lead to greater efficiency of cultivation of the land*

6.1 The objective of the Tenancy Act was firstly to do justice to the tenant by regulating the rent payable by him, securing his tenure on the leased land against evictions-at-will and ultimately by transferring to him the ownership of the leased land tilled by him. A second objective of the Act was to help increase the agricultural production on leased lands. It was generally believed that the cultivation of land by owners was more efficient than that by tenants. Tenants with no security of tenure on their leased land were not likely to be interested in making long-term investments in the form of new irrigation sources, or land improvements like reclamation, levelling, etc. Indeed, it was difficult for them to obtain loans for such investments since the leased lands could not be used as security for the purpose. In the matter of current agricultural operations also, tenanted lands were considered to be under certain disadvantages. Even if the cultivators were aware that improved methods of cultivation, like application of manures and fertilisers in larger quantities, more labour intensive operations and attention, would yield a larger output of crops, the owner-cultivators were more likely to adopt these methods to a greater extent than the tenant cultivators, particularly if the tenants had leased in land on a share-rent basis. While the tenant was often required to bear the entire cost of the additional material and labour inputs, he had to share a part of the increased output with the landlords. This would naturally discourage the tenant from cultivating the leased land to the same level of efficiency or productivity as he would, if he were the owner of the land. These considerations relating to the economics of tenancy, particularly share-tenancy, led the policy-makers to hope that the regulation of rent, security of tenure and, finally, encouragement of owner-cultivation on the erstwhile leased lands by either making the tenant owner of the lands or by requiring the

owner to cultivate them personally, would lead to better cultivation of such lands and increased agricultural production.

6.2 Unlike the Tenancy Act, the major objective of the law relating to ceiling on agricultural land holdings was securing social justice and reduction of extreme inequality in the distribution of property in land. There has, however, been some debate about the impact of this measure on production from the surplus land distributed to the economically weaker sections of the rural community. On the one hand, it has been contended that the surplus land available from the very big landholder is likely to be comparatively poor in cultivation and any small cultivator given this land could not do worse; rather he can be expected to improve the level of husbandry on it. On the other hand, it has been said that as a result of the break-up of large farms under the ceiling law and the distribution of the surplus land to the landless or small cultivators the level of husbandry would suffer inasmuch as the new cultivators are unlikely to be able to put the same level of resources and expertise into the land that the big cultivators had. Even when the surplus land is of poor quality, it has been contended that the new owners are unlikely to have the capacity to invest the large resources that may be required to bring the land to a better level of productivity, while the big landowners with their better resource position would have been able to do so.

*Comparatively small area declared surplus under Ceiling Act. Therefore, no useful enquiry into its impact on agricultural production is possible*

6.3 One of the terms of reference of the Committee is to evaluate the impact of the Land Reform Legislation in the State on the agricultural production. For this purpose it would be necessary to consider the lands affected by the Tenancy Act as well as the Ceiling Act. However, it was noted in Chapter V (not inserted) that the actual surplus land distributed till 1971 as a result of the Ceiling Act was only 77 thousand acres in the State as a whole, excluding 85 thousand acres of sugarcane land acquired from the sugar factories.

These sugarcane lands are being farmed at present by the State Farming Corporation, and judging on the basis of the per acre yield of cane there is no reason to believe that the production on these lands has suffered as a result of the transfer of the lands from the Companies to the Corporation, both being large scale cultivators. No information is available about the level of husbandry in the remaining surplus land actually distributed to people so far in the villages. Since the total area involved is very small and thinly spread over a large number of villages, it was not considered feasible to make a special enquiry about them. Ownership of a much larger area of land was transferred to the tenants under the Tenancy Act than under the Ceiling Act in the State. It was, therefore, considered advisable to confine attention to the impact of the tenancy reform on agricultural production on the leased lands.

*Impact of Tenancy Act on production can be meaningfully studied in terms of its impact on long term investment in the former leased lands*

6.4 The Committee feels that any empirical verification of the expected impact of the virtual abolition of tenancy in most parts of the State on agricultural production can at best be an extremely difficult exercise. Agriculture in the State is overwhelmingly dependent on rainfall, and almost all the land involved in tenancy at the time of the Tillers' Day\*<sup>1</sup> in different parts was unirrigated. Under the circumstance, agricultural production is liable to fluctuation from year to year more due to variations in rainfall and other uncontrollable factors than due to variations in controlled inputs. The comparison of two point data on yield from lands involved in tenancy on the eve of Tillers' Day and now owner-cultivated, even if available, would be subject to this severe limitation and, therefore, may not be helpful in making meaningful comparisons. There is an additional difficulty. Information on the yield of crops can be obtained from the cultivators who have to report from memory. This is not always

very accurate particularly when one seeks information from a farmer about the yield from a particular plot that might have been involved in tenancy. The task becomes almost impossible when the farmer is required to recollect the yield on that plot of land a decade or more ago on the eve of the Tillers' Day when it was being tenant-cultivated. One possible way out of this extreme difficulty would be a comparison of the yield rate on lands at present tenant-cultivated with the yield rate on lands that were under tenancy till the Tillers' Day and are at present being owner-cultivated. There are a number of difficulties associated with this procedure, but some of these could be minimised if a large sample of lands presently tenant-cultivated could be available. However, as was noted in Chapters II to IV (not inserted), except in Marathwada, very little land was under tenant cultivation in the State in 1969-70. Most of these were tenancies under exceptional circumstances, very thinly distributed over whole regions. This alternative method therefore was not open to us.

6.5 The Committee, therefore, decided to variations in inputs - i.e., long term investments in the land as well as changes in some important current inputs like manure, fertilizer, improved seeds, etc., as stable indicators of changes in the productive endeavour on the erstwhile tenanted lands.

6.6 The Committee decided to collect information on these aspects for all the plots of land that were involved in tenancy on the eve of the Tillers' Day, in a few selected villages in the three regions of the State. Since the enquiry involved visiting every tenant and landlord and obtaining detailed information from him, it would have been both expensive and time-consuming if a very large number of villages were to be selected for the enquiry. Therefore, the Committee selected only six villages, two from each of the three regions - Western Maharashtra, Vidarbha and Marathwada - at random from among the fifty villages selected for the special survey on tenancy. (Ref. Appendix E - not inserted). In each of

<sup>1</sup> \* An appointed day on which the tenants in possession of the leased land were declared as owners of the land, subject to the payment of a price. See Chapter VIII, Para 8.11.

these villages, all plots of land involved in tenancy on the eve of the Tillers' Day were taken up for investigation. The landlords and tenants were interviewed to get information on different aspects of agricultural operation at the time of the Tillers' Day as well as at the time of this special survey in 1970. The questionnaire used for this survey is reproduced in Appendix F (not inserted) of this Report.

#### *Impact on sinking of new wells*

6.7 Information was obtained on sinking of new wells on the plots, investments in bunding and terracing as well as land reclamation, levelling, etc., after the implementation of the Act. In addition to these, information was also obtained on changes in use of some major inputs like manures, fertilizers, insecticides, new hybrid and high-yielding varieties of seeds and other improved agricultural practices.

6.8 The plots of land for which the above data were collected have been grouped into four categories: (1) Plots which reverted to the landlords for cultivation after termination of tenancy,

(2) Plots which came to be owned as well as cultivated by the tenants, (3) Plots on which tenancy continued because the Tillers' Day had either been postponed or the lands belonged to exempted categories, or in the case of Marathwada, tenancy was legally continued; (4) In addition to these three categories of land which had been involved in tenancy on the eve of the Tillers' Day, similar data were also collected from all these landlords and tenants about their plots which was (were) not involved in tenancy. Besides, data were collected about the plots belonging to a random sample of 10 per cent of the *Khatedars* in the selected villages whose holdings had not been involved in tenancy. Comparison of changes in investment and current inputs in the latter two types of plots with those involved in tenancy would provide a basis for judging the differential effect of abolition of tenancy on productivity in agriculture. In all, 494 *Khatedars* involved in leasing operations on the Tillers' Day and 91 *Khatedars* not involved in tenancy were contacted for this study in the six villages. The classification of the surveyed plots and their area belonging to these *Khatedars* is given in Table 6.1.

**Table 6.1. Total Number of Plots and Their Area Selected in the Survey According to the Type of Possession on Tillers' Day and Survey Day**

Types of Possession (1)	Number of Plots (2)	Area (in acres) (3)
I. Tillers' Day Leased Plots. Ownerable Remained with the Lessor	127	892
II. Tillers' Day Leased Plots. Ownership Transferred to the Tenant	296	980
<i>SubTotal-Tillers' Day Leased Plots. Ownership Cultivation (I and II).</i>	423	1,872
III. Tillers' Day Leased Plots. Tenancy Continued	89	381
<i>SubTotal (All Tillers' Day Leased PlotS). (I and II, III)</i>	512	2,253
IV. Owned and Operated on Tillers' Day and Survey Day	1,286	5,764

6.9 Did greater investment in new sources of irrigation and land improvement take place as a result of the abolition of tenancy and promotion of ownership cultivation? Canals form an important source of irrigation in the State. Extension of canal irrigation, however, does not depend upon farmer's initiative but on the decision of the State and, therefore, tenancy and its abolition can have little to do with it. The farmer's initiative and decision about investment is (are)

involved mainly in sinking irrigation wells, which are also the major sources of irrigation in the State. Table 6.2 shows that only 8 out of 519 plots, i.e., about 1.6 per cent of the plots involved in tenancy had irrigation wells on the Tillers' Day; two of these were dilapidated wells unfit for irrigation. On the other hand, out of the plots owner-cultivated all along, 4.7 percent had wells, though a little over half of these were dilapidated and therefore not in use on the Tillers' Day. By the

time of the Survey, the number of plots with wells had doubled among those that were originally involved in tenancy: there were 16 of these plots with wells in 1970 as against 8 at the time of the Tillers' Day. On the plots cultivated by owners all along the number of wells increased by only 39 per cent. Very few of the unused wells had been renovated. Thus, generally there was no great increase in the number of wells in these surveyed villages after the Tillers' Day. But considering the great risk and uncertainty involved in sinking wells for irrigation in most parts of Maharashtra, this was not surprising. What is noteworthy, however, is the fact that the

number of wells increased most by about 167 per cent on those plots of land which the tenants come to own as a result of the Act. The other two categories of erstwhile leased lands - those now cultivated by the landlords and those still under tenancy - had also registered some increase in wells. But out of the 8 new wells sunk on the former leased lands, 5 were on the plots which had been sold to the tenants. It will not be incorrect to say that had tenancy continued on these lands as in earlier years, neither the tenants nor the owners would have made any investments in sinking new wells on them.

**Table 6.2. Percentage of Plots with Irrigation wells and the Area Irrigated on the Tillers' Day and Survey Day**

Type of Possession (1)	Tillers' Day		Survey Day	
	Plots (2)	Areas (3)	Plots (4)	Area (5)
I	1.6	0.2	2.4	0.5
II	1.0	1.6	2.7	1.6
Sub-Total (I-II)	1.2	0.9	2.6	1.1
III	3.3	3.6	5.6	4.6
Sub-Total (I-II-III)	1.6	1.4	3.1	1.7
IV	4.7	1.1	6.6	2.2

N.B. - For details of types of possession I to IV, please refer to Table 6.1.

6.10 Construction of new wells would help increase the area under irrigation. Extension of area under irrigation was reported for all the categories of plots, except for category II, i.e., for plots which were being cultivated by tenants who had become owners. This was so because all the new wells sunk by them had been just completed or were about to be completed when our investigation was conducted and, therefore, no extension of irrigated area could be reported in their case.

*Impact on investment in land reclamation, etc.*

6.11 Differences similar to those in regard to investment in wells may be noticed in other types of medium and long-term investments in land. Table 6.3 shows the percentage of plots and of area in which land improvement measures like bunding, terracing, reclamation and levelling had

taken place after the Tillers' Day in each of the four categories of land. All categories of land reported increased bunding activity to the same extent. But, then bunding in Maharashtra is undertaken by the Government on a village basis and the expense is recovered from the cultivators concerned. Therefore, no difference between owner-operated and tenanted lands need be expected in this regard. Very few plots were terraced during this period, except some still under tenant cultivation, but these were rather exceptional cases. The real significant change reported was about reclamation of land. Almost all plots reportedly reclaimed after the Tillers' Day belonged to the tenants who had become owners of the lands. Nearly 5.4 per cent of the plots involving 9.3 per cent of the total area had been reclaimed by the tenants after they became owners of the land. Very few owner-operated plots had been reclaimed. It is quite possible that

some of the plots that were worth reclaiming had been reclaimed earlier by their owners. But it is unlikely that owner-cultivators had no more land worth reclaiming. The real point is the tenants who in many cases became owners of the poorer type of leased land spent considerable resources on reclaiming and developing these lands for cultivation, something they naturally had not

considered worth doing when they were tenants. Even if they had found it worthwhile, they would not have been able to muster adequate resources for the purpose. Conferment of ownership provided both the basis and the incentive for such long-term investment of resources and labour in the land.

**Table 6.3. Percentage of Plots and Areas Brought Under Different Land Improvement after Tillers' Day**

Type of Possession (1)		Reclamation (2)	Levelling (3)	Bunding (4)	Terracing (5)
I	P		2.4	33.8	0.8
	A		3.5	18.6	0.3
II	P	5.4	1.0	38.2	0.3
	A	9.3	0.6	21.0	0.1
Sub-Total (I+II)	P	3.8	1.4	36.9	0.5
	A	4.9	2.0	19.9	0.2
III	P	1.1	2.2	35.6	13.3
	A	0.3	0.3	22.8	16.0
Sub-Total (I+II+III)	P	3.3	1.6	36.6	2.7
	A	4.1	2.1	20.3	2.9
IV	P	0.2	1.2	35.6	0.8
	A	0.1	1.5	23.9	0.6

N.B.- P - Plots, A - Areas.

For details of types of possession I to IV please refer to Table 6.1.

The picture about levelling of land was less clear, the differences among the four classes in this matter were not very significant.

*Impact of Tenancy Act on long term investment in the erstwhile leased land was marginal but positive*

6.12 The information collected in the six surveyed villages of the State therefore reveals on the whole only a small effort at long term investments on land during the decade or more since the Tillers' Day. But what is more, significant for our purpose is the fact that the limited increase in sinking of wells, land-reclamation and other land-improvement activities was reported more on the lands that were formerly cultivated by tenants. This was particularly noticeable on the lands which the tenants had come to own as a result of the Tenancy Act. The evidence, though small, was positive that as a result of the conferment of ownership of the leased land on the ten-

ants, long term investments in such land had increased. This should lead to increased agricultural production on such lands.

*The evidence about its impact on current agricultural practices and application of improved inputs is less clear*

6.13 The evidence about the impact of the Tenancy Act on the improvements in current inputs and agricultural practices was less clear and positive. Information obtained about the changes in the use of manures and chemical fertilizers, improved seeds and other improved agricultural practices on the four different types of plots are summarised in Tables 6.4 to 6.6 given at the end of the chapter. The data show that before the Tillers' Day more than 60 per cent of all the plots were receiving some manure. By the time of the Survey in 1970 there had been an increase of 15 to 20 per cent in the number of plots on which manure was applied and this was so for all types of plots. Very little land was treated with

chemical fertilizer before the Tillers' Day. By the time of the Survey, fertilizer was being applied to 10 to 14 per cent of the plots. The least increase was on those plots which the former tenants had acquired. Extension of application of fertilizer has been a result of a basic change in the technology of agriculture known to the farmers. But it is conditioned among other factors by the availability of timely and adequate water supply. Since this was not uniformly the case among the four different types of plots, no great significance can be attached to the differences among them in the matter of application of fertilizers. The same can be said about the changes in the application of insecticides.

6.14 Similarly, with regard to the use of improved seeds, it appears that very little land in the surveyed villages was being sown with whatever improved seeds were known to the cultivators at the time of the Tillers' Day. By 1970, the proportion of plots sown with improved seeds had increased to about 14 per cent in case of plots formerly cultivated by tenants and to about 24 per cent in case of plots owner-cultivated all along. As in the case of fertilizer, use of improved seed is also to some extent conditioned by the availability of adequate water and fertilizers. Water, seed, fertilizer and insecticides go in a package, so to say. Therefore it is difficult to attribute significance to differences among the various groups of plots in the use of improved seeds without reference to those circumstances. While the increase in the extent of the formerly tenanted land sown with improved seeds has not been insignificant, it is difficult to say on the basis of the available evidence, that the Tenancy Act had led to a greater use of such seeds on the formerly tenanted lands.

6.15 The farmers in the six surveyed villages were also asked if they had used any improved sowing practices on their plots, like line sowing, spacing, dribbling, etc. The greatest increase was reported on plots cultivated by the ex-tenants who had come to own those plots. This does not necessarily mean that on the other plots improved sowing practices were being followed to a lesser extent; it may be that on owner-operated plots

such practices had been followed even before the Tillers' Day. Even if that be the case, the fact remains that such practices came to be followed to a large extent on the former leased lands when the tenants became the owners of such lands.

6.16 The evidence relating to the application of improved current inputs and agricultural practices may now be summed up. There was some increase in the application of improved seeds and fertilizers. However, there was no definite evidence that a greater use of such inputs had taken place on the lands formerly under tenancy. But then it has to be remembered that these improvements are highly conditioned by the availability of assured water supply which was very limited in the villages studied. There is some evidence to the effect that improvements in agricultural practices took place significantly on plots which the former tenants had come to own as a result of the Tenancy Act. This may be the result of the ownership conferred on the tenants.

*Production on the very small farming (farms?) formerly leased out, might have suffered somewhat as a result of the Act*

6.17 Before considering the final assessment of the indirect evidence on the impact of the Tenancy Act on agricultural production presented above, attention may be turned to another aspect of the question that has been brought to our notice. As a result of the land-to-the-tiller legislation in the State many small land-owners who had leased out land and migrated to urban areas for work and earning, either terminated the tenancy arrangements for fear of losing the land altogether, or got back their land as a result of voluntary surrender by the tenants. Since the creation of new tenancy is risky, such a small owner tried to get the land cultivated through his wife and children in the village with the occasional help of a friend or a relation. This has naturally led to rather perfunctory cultivation of the land without adequate bullocks, implements and labour, and resulted in poorer total production than was the case when the land was being cultivated by a rent-paying tenant. To the extent this is true, agricultural production has suffered as a result of the Act. But



it is necessary to remember that while such landholders might not be insignificant, in number in the State, the land owned by them forms an insignificant part of the total cultivated land in the State. Therefore, any marginal decline in production on such lands cannot cause a meaningful change in the total.

*The indirect evidence on impact of Act on agricultural production shows original but positive results*

6.18 The available indirect evidence about the impact of the Tenancy Act on the agricultural production in the State reveals only small or marginal changes. In the first place, there was no great increases in the total number of irrigation wells or in various land improvement measures, as well as in the extension of the use of chemical fertilizers, new improved seeds, etc., in these villages during the decade or so since the Tillers' Day. But this may be due to many circumstances that have nothing to do with the legal-institutional frame of agriculture. Sinking of irrigation wells in the State with its unfavourable geo-hydrological characteristics is still a very uncertain and expensive venture. So is land development like reclamation and levelling which in many situations might require heavy investments and some additional water supply to pay off. Propagation of new fertilizers and seeds

is comparatively recent, and both require minimum assured water supply. In view of all these, if there has been no spectacular growth in large and short term investments following the implementation of the Tenancy Act, it would not be proper to attribute the failure to the Act. It was noted earlier that, within these basic limitations, long-term improvements like construction of wells, reclamation and levelling, took place to a greater extent on the lands which were under tenancy at the time of the Tillers' Day and were now owner-operated, particularly by the tenants who had become owners of their leased lands as a result of the Act. The change in the legal-institutional structure of landholding in their case helped them exploit the known technical potentialities of agricultural development. In the absence of a proper legal-institutional structure in landholding, the techno-economic possibilities in agriculture cannot be fully exploited. But changes in institutional structure by themselves cannot deliver the goods if the techno-economic basis of agriculture is not favourable. This is the lesson of the limited experience in tenancy reform examined in this chapter. It implies that the legal-institutional changes in agriculture brought about in the State through the implementation of the Tenancy Act would pay greater dividends as the technological basis of our agriculture gets more and more transformed and strengthened in the years to come.

**Table 6.4. Percentage Distribution of Plots and Area Under Chemical and All Fertilizers on Tillers' Day and Survey Day Separately for Leased and Unleased Plots**

Type of Possession (1)	Tillers' Day				Survey Day			
	Plots		Areas		Plots		Area	
	Chemical (2)	All (3)	Chemical (4)	All (5)	Chemical (6)	All (7)	Chemical (8)	All (9)
I	0.1	51.2	0.1	29.2	11.3	65.3	11.9	53.8
II	0.7	70.9	0.2	49.0	3.1	86.2	0.7	56.6
Sub-total (I+II)	0.7	65.0	0.5	39.2	5.6	80.0	6.4	55.2
III	1.1	61.1	0.5	27.9	33.3	92.2	14.1	63.8
Sub-total (I+II+III)	0.8	64.3	0.6	37.2	10.5	82.1	7.6	56.6
IV	2.7	60.5	3.7	50.4	14.2	70.2	11.6	59.9

N.B. - For details of Types of Possession I to IV please refer to Table 6.1.

Table 6.5. Percentage of Plots and Area Under Improved Seeds on Tillers' Day and Survey Day

Type of Possession (1)	Tillers' Day		Survey Day	
	Plots (2)	Areas (3)	Plots (4)	Area (5)
I	2.4	1.2	16.1	14.0
II	0.4	0.2	13.1	18.9
Sub-Total (I-II)	0.9	0.7	14.0	16.5
III	3.3	2.2	7.8	10.9
Sub-Total (I-II-III)	1.4	1.0	12.9	15.6
IV	1.8	2.5	23.8	22.4

N.B. - For details of Types of Possession I to IV please refer to Table 6.1.

Table 6.6. Percentage of Plots and Area Where Change was Reported after the Tillers' Day in the Adoption of Different Improved Techniques of Cultivation

Type of Possession (1)		Improved Sowing Practices (2)	Use of Improved Implements (3)	Use of Insecticides (4)	All Techniques (5)
I	P	..	8.7	5.3	11.0
	A	..	19.6	13.7	23.0
II	P	48.2	7.1	3.0	56.4
	A	12.8	9.5	7.4	25.1
Sub-Total (I+II)	P	33.6	7.6	4.0	42.8
	A	6.7	14.3	10.4	24.1
III	P	16.8	5.6	5.6	24.7
	A	8.4	6.4	9.1	20.7
Sub-Total (I+II+III)	P	30.6	7.2	4.1	39.6
	A	7.0	12.9	10.2	23.4
IV	P	3.1	7.1	5.9	14.5
	A	1.2	15.4	9.3	22.6

N.B. - P - Plots, A - Areas.

For details of types of possession I to IV please refer to Table 6.2.

#### CHAPTER VIII. CONCLUSIONS AND RECOMMENDATIONS

8.1. In Maharashtra, land reform laws and their implementation are largely the phenomena of the post-Independence period. The laws may be divided under three heads (heads); abolition of various types of intermediary tenures in land, including different types of *Inams*; regulation of tenancy; and fixation of a ceiling on agricultural land holdings.

8.2. Consolidation of holdings is also sometimes considered as an Act of land reform. The Committee considers that land reform signifies reform in the legal and customary rights in land of landholders and actual cultivators. Consoli-

dation of holdings, on the other hand, is concerned with its physical location and layout, though incidentally it involves exchange of plots of land belonging to different owners. The Committee, therefore, decided to confine its enquiry to the abolition of the intermediary tenures, tenancy reform and ceiling on landholdings.

8.3. The abolition of intermediary tenures began, soon after the independence, with the abolition of the *khoti* tenure in the coastal districts, *malguzari* and *izardar* tenures in the Vidarbha districts, and *jagirdari* tenure in the Marathwada districts, and came to an end with the abolition of the Revenue *Patel Watans* in Western Maharashtra in 1962 and *Patwari Watans* in the former

Hyderabad enclaves in 1965. The only intermediary tenures that are being continued today in the Western Maharashtra and Marathwada regions are the *inam* grants which constituted endowments to religious, educational or charitable or such other public institutions.

8.4. The land area under the various intermediary tenures, now abolished, was quite large. In Western Maharashtra the total area was over 61 lakh acres. In Vidarbha, nearly 93 per cent of all the villages in the four former C. P. districts were under intermediary tenures and only about 9 per cent of villages in the four former Berar districts were under *jagir* or *izara* tenure. Separate figures about the extent of *jagir* lands in Marathwada were not readily available but it was also quite large.

8.5. The larger proportion of the land was under tenures like *malguzari*, *izardar*, *jagirdari*, *khoti* and certain political *inams* in which the intermediaries were personally occupying for cultivation only a small part of their total estates; on the rest there were tenant cultivators with varying rights. All the intermediary tenures in the Vidarbha region were of this type. In Marathwada also, the bulk of the land under the intermediary tenures was under *jagir* or *inam* tenures. In Western Maharashtra, nearly two-thirds of the total under various forms of the intermediary tenures, were under tenures like *khoti*, *jagir*, political and personal *inams*. The abolition of these tenures resulted in the intermediaries becoming revenue-paying occupants of only such lands as were under their personal occupation. While the proportion of such land in the total land under the tenure varied from one tenure to another, by and large, it formed a comparatively smaller proportion of the total. On the larger proportion of the land the tenants secured occupancy rights. Some land, mostly forest and uncultivated waste and village common land, vested in the Government. In Vidarbha nearly 33 lakh acres of land of this type vested in Government. Separate figures are not available for Marathwada. In Western Maharashtra about 7.5 lakh acres of land vested in Government as a result of the abolition of *jagir* and *inam* tenures.

8.6. A second group of intermediary tenures consisted of various types of service tenures, like the *Pargana* and *Kulkarni Watans*, the service *inams* useful to the community, the inferior village *watans*, and the village *patel* and *patwari* service *inams*. These intermediaries were mostly small *inamdars* holding lands at concessional land revenue in return for certain services to the village community or the State. On the abolition of the tenures, the tenure holders became occupants of the land and began paying the full revenue assessment. Only uncultivated waste lands and lands not claimed by the *ex-inam* or *watan* holders vested in the Government.

8.7. The implementation of the Tenure Abolition Act has in most cases been completed. However, compensation is still to be determined and paid in some cases of *jagirdari* in Marathwada, abolished more than two decades ago, as also in some cases of personal *inams* in Western Maharashtra. This work should be completed at the earliest. In the case of abolition of the *Patwari Service Inams*, while occupancy right has been conferred on all the former *watandars*, the payment of compensation has still to be completed. This should be expedited. In regard to the abolition of *inams* useful to the village community and the inferior service *inams*, the work of regranteeing the *inam* land vesting in Government is still incomplete. The delay has been due to the failure of the former *inam* or *watan*-holders in paying the small occupancy price in order to become occupants. Similarly, the occupancy right on nearly 35 per cent of the land formerly under inferior village *watans* (mainly *mahar watans*) has not yet been acquired by the former *watandars* on paying the small occupancy price, despite extension of the time-limit for the purpose. Since these *watandars* had held very small areas of land and were, by and large, on the lowest rung of the economic ladder, the Government has decided to regrantee the lands to the concerned *watandars* at the same small occupancy price even after the expiry of the time-limit. The Committee is of the view that in the case of all the above three types of holders of *inams* or *watans*, it would be preferable to confer occupancy rights on those who have not yet paid the occupancy price, and

recover that price along with land revenue in easy instalments. Amendment of the relevant Acts may be necessary for the purpose, if however, the Government ultimately fails to recover the occupancy price, the land should be granted either to the actual tenant on that land, if any, or to another *watandar* of the same category in the village, who is already in possession of a small holdings, so that his holding may be raised to reasonably minimum area.

8.8. Most of the land vesting in the Government was uncultivated land or land under forests. Only in Western Maharashtra did some cultivated land vest in Government, but this was due to the failure of the intermediaries to pay the occupancy price in time. In Vidarbha, out of the 33 lakh acres vesting in Government, 22 lakh acres were forest land, and the rest of the land was either waste or grazing land or land under non-agricultural uses. The Government subsequently conducted enquiry to locate culturable waste lands, if any. So far, about one lakh acres of such land have been distributed for cultivation. Similar break-up of the 14 lakh acres of land vesting in the Government in Western Maharashtra and Marathwada is not available.

8.9. By and large, abolition of the intermediaries resulted in the conferment of occupancy right on a very large body of under-right holders and some tenants in all the parts of the State. Making the intermediaries and their under-right holders the occupants of the land in their possession, was essentially a reform in revenue administration. However, to the extent their tenants became the occupants, it was a step in keeping with the objective of the Tenancy Act in the State. It also put an end to all uncertainties about the rights of the landholders, as well as to the extraction of illegal dues, which were often the features of the large intermediary estates. Finally, the vesting of all uncultivated and forest land of the intermediaries in Government reduced the gross inequality in the distribution of land, and removed a major source of feudal patronage in rural areas. Indeed, the abolition of the intermediary tenures like *malguzari*, *izardari*, *jagirdari* and *khoti* may

be considered as an important step in the progress of our rural society from a feudal towards a democratic social order.

8.10. The amended Tenancy Acts now in force in different parts of the State were enacted around the middle of the fifties. These affected the largest number of persons in the State and brought about the transfer of ownership of a very large area of agricultural land from the owners to their tenants. More than 26 lakh tenancy cases had to be examined in the process of the implementation of the three Tenancy Acts. The total number of tenants involved in these tenancy cases is not available; but it would not be much less than 25 lakh. The number of landlords involved was of course much smaller.

8.11. The Tenancy Acts in Western Maharashtra and Vidarbha regions required the termination of all the recorded tenancy arrangements, with only some exceptions. Landlords were permitted to resume land under certain circumstances; tenants were also free to voluntarily surrender land to their landlords; and finally on an appointed day called the Tillers' Day the tenants in possession of the leased land were declared as owners of the land, subject of course to the payment of a price. In Marathwada the law did not require termination of all the existing tenancies. Tenants were made owners of only a part of their land on the dates fixed for the purpose and the remaining land was to continue under their tenancy as long as they did not choose to surrender it.

8.12. The administrative task of implementing these Acts was quite massive. The revenue agencies at the village and the taluka levels were required by law to examine everyone of the 26 lakh of cases of tenancy, verify the cases of resumption and surrender, and fix the price in cases in which the ownership of land was transferred to the tenants.

8.13. The Committee found that by the end of September 1970, i.e., more than 13 years after the Tillers' Day in Western Maharashtra and between 9 to 12 years after the Tillers' Day in Vidarbha

and Marathwada, nearly 17 per cent recorded tenancy cases in the coastal region and 14 per cent in the non-coastal region of Western Maharashtra, 12 per cent in the former C.P. districts, 22 per cent in the former Berar districts and about 5 per cent of the cases in Marathwada were still to be decided by the Agricultural Lands Tribunals. The progress of implementation had, therefore, been far from satisfactory, particularly in Western Maharashtra and Vidarbha.

8.14. The reason for the long time taken for the disposal of the recorded tenancy cases appears to be two-fold. In the first place, preparation of the Holding Registers and extraction and compilation of information from the village revenue records necessary for the implementation of the Acts took at least two to three years in the beginning. In Bombay and Poona revenue divisions of Western Maharashtra between 6 and 8 hundred special *Talathis* were appointed in the years 1957 to 1959 for the preparation of these records. In the Nagpur revenue division, even a larger number of special *Talathis* (more than 1,700) was appointed in 1961 and they were able to complete their work by about 1964-65.

8.15. Secondly, the number of special officers, particularly the Agricultural Lands Tribunals (ALTs) and the special *Tahsildars*, appointed during the first 4 or 5 years, was inadequate for speedy implementation of the Acts. The ALTs could take up the tenancy cases for disposal only after the records had been prepared. Therefore, the appointment of the special *Tahsildars* and ALTs in Western Maharashtra began only in 1958. However, during the first two years there were not even hundred ALTs in the whole of Western Maharashtra. Their number increased by 1960-61 to more than 150 and it exceeded 200 only since 1964. The increase was particularly noticed in Bombay Division because of the very large volume of work in Ratnagiri district. The ALTs needed a variety of other supporting staff as well as supervisors and these were also provided. In Nagpur Division, the strength of the ALTs and special *Tahsildars* was increased from 46 in 1961 when they were first appointed, to 57 since 1966 when the work was speeded up.

Appendix H-1 and H-2 (not inserted) give details of the special staff position in each year since 1956 till 1971.

8.16. While the special staff was quite large, it was inadequate. This may be seen by examining the position in Western Maharashtra. There were more than 20 lakh tenancy cases to be decided by the ALTs. If there had been 200 ALTs right from the beginning, then in order to complete the work in 10 years each ALT would have been required to dispose of one thousand tenancy cases every year. This was rather difficult to attain. As it was, in the first six years there were hardly 100 or 150 ALTs. Consequently, the rate of disposal of the tenancy cases was slow in the beginning. In Vidarbha the position was better. Considering the total number of tenancy cases in that region, there were proportionately more ALTs right from the beginning and the strength was further increased during 1966. Despite this, at the end of 9 years since the Tillers' Day, 12 to 22 per cent of the cases remained undecided. The Committee was given to understand that the special staff appointed for the purpose was also drafted for other urgent administrative work as and when the necessity arose. This further aggravated the inability of the special administrative staff to complete the work in reasonable time. The Committee, therefore, finds that development of a larger body of implementing officers right from the beginning and a purposeful drive to complete the task at the maximum speed possible was (were) necessary to reduce the time taken for the implementation of the Tenancy Acts. It was to be realized that speedy and proper implementation of land reform measures like the Tenancy Act, affecting the interest of a vast mass of people in rural areas, requires a sizeable and full time qualified staff. The difficulty of mobilising a large body of trained staff as well as budgetary limitations were, no doubt, partly responsible for the inability of the Government to do so. But at the same time it appears that the Government was, in the early years of implementation, not fully aware of the dimensions of the task in hand; consequently the staff strength was increased only when the progress of work was found to be rather slow. In fact, as soon as the necessary records

were prepared, the dimensions of the work became evident. If at that time the Government had set a time-limit for the completion of the work, ways and means would have been devised to meet the requirement.

8.17. If the work relating to tenancy reform made a considerable draft on the trained administrative personnel at the taluka level, it also required large sums of money. Separate estimate of the total expenditure incurred in implementing the Tenancy Acts is not available. But rough estimates suggest that the payment of salary to the special staff engaged for the purpose during the last 14 years alone must have cost the state at least Rs 10 crore (Ref. Appendix H-13, not inserted). The actual cost is sure to be larger.

8.18. The Committee would like to draw attention to another feature of tenancy in the State that has some relevance to the task of implementation. It was noticed that contrary to the popular notions, the landlords who leased out land were not all big landowners. In fact, more than one-third of the lessors in the coastal region and about three-fourths of the lessors in the non-coastal region of Western Maharashtra, between 40 to 50 per cent of the lessors in the Vidarbha region, and about one-fifth of the lessors in the Marathwada region were small landowners owning 10 acres or less land (except in the coastal region where a small lessor is one who owns 5 acres or less). But they accounted for hardly 5 per cent of the total leased land in the coastal region and Marathwada, and about one-fifth of all leased land in the rest of the State. If the implementation of the Tenancy Acts had been confined to the medium and large lessors in the first phase, the total number of cases to decide and, consequently, the time required for the purpose would have been significantly less. At the same time, the bulk of the leased land would have been disposed of in accordance with the Acts and, thereby, the major objective of the Acts could have been achieved much earlier.

8.18-A. As a result of the implementation of the Tenancy Acts, by the end of September 1970, ownership of leased land was partly or wholly transferred to the tenants in about 8.75 lakh tenancy cases out of a total of about 26 lakh recorded tenancy cases in the State. The total area of leased land transferred to the tenants was around 26 lakh acres. Since some cases still remained to be decided, it can be safely said that in the final analysis, the ownership of more than 26 lakh acres of leased land would be transferred to the tenants who were mostly landless or small landowners as a result of the implementation of the three Tenancy Acts. This amounts to over 5 per cent of the total area occupied for cultivation in the State.

8.19. In absolute terms this is, of course, a large area. But only in about one-third of the recorded tenancy cases could the tenant become owner of leased land, and about an equal proportion of the leased land became his. In most of the remaining cases, the tenants lost the right to cultivate the leased land which returned to the owners. The pattern was, however, not uniform in all the parts of the State. In the coastal region tenants became owners of 70 per cent of the total leased area; in the non-coastal region of Western Maharashtra ownership of only 24 per cent of the leased land was transferred to the tenants. In the former C. P. districts, tenants came to own only about 8 per cent of the total leased land, in the former Berar districts, about one-third of all leased land. In Marathwada region about 13 per cent of the leased land had been transferred to the tenants. Thus, judged in terms of the transfer of ownership of the leased land to tenants, the effect of the Tenancy Act was most satisfactory in the coastal region of the State, and the least so in the old C. P. districts. Elsewhere the result was not encouraging. It is necessary to remember that in the Marathwada region the Tenancy Act did not require termination of all the existing tenancies.

8.20. The reasons for the failure of the tenants to acquire ownership of the leased land under the provisions of the Act were many and varied. One interesting feature was that not much leased land was legally resumed by landlords for personal

cultivation. This was partly because the legal provisions regarding resumption were rather stiff - only a small fraction of the total number of applications for resumption was granted by the revenue authorities. The reasons why the bulk of the leased land returned to the landlords were three: tenants voluntarily surrendered land to the landlord; tenants were not in possession of leased land on the Tillers' Day or the existence of tenancy could not be proved; the relation between the owner and the cultivator was not that of landlord and tenant. The last circumstance is unexceptionable. After all, many 'tenants' were close family relations of the landlords and, therefore, the question of transfer of ownership to such tenants did not arise. This was the most important reason in the coastal districts and to a lesser extent in the non-coastal districts of Western Maharashtra, but comparatively minor in Vidarbha.

8.21. Termination of tenancy prior to the Tillers' Day or lack of proof of the existence of tenancy was an important reason for the failure of tenants to get the leased land. It could be owing to voluntary surrender by tenants without notice to the ALTs, or owing to faulty records, or due to ignorance of tenants about their rights, or owing to direct or indirect socio-economic pressures on them by their landlords. It was not possible for the Committee to ascertain the magnitude of each of these reasons. However, as discussed at length in paragraphs 2.94 to 2.97 and 3.72 to 3.74 of this Report (not inserted), the Committee had indirect evidence to believe that the tenants had been dispossessed from a significant part of the leased land under undue socio-economic pressure. Ignorance of the law and apprehension of future consequences were the reasons for their failure to stake their claims before the authorities. The Committee therefore is of the view that some of this leased land could have gone to the tenant, if the Act had from the very beginning provided that all tenants should be considered to be in possession of the leased land on the Tillers' Day, unless they were dispossessed in accordance with the provisions of the Tenancy Act. But there is very little that can be done about it now. An attempt

was made in 1969 to give a fresh chance to such dispossessed tenants to claim back their land, but it was too late in the day.

8.22. Voluntary surrender of land or declaration of unwillingness to buy the leased land by tenants was the third important reason why large proportion of leased land returned to the owners. The possibility that some of these were brought about by inducements and threats cannot be ruled out. The extraordinarily large scale surrender of the leased land by small tenants in the former C.P. districts was, in the opinion of the Committee, due to the prevailing socio-economic backwardness of the tenants, the hang-over of feudal traditions and ignorance about the law. It only goes to show that the law, however well-framed, and the administrative agency, however well-oriented, (this cannot always be presumed, particularly, at the lower levels in the regions that are socially and economically less developed and have recently emerged from a feudal system) cannot succeed in the absence of a vigilant public opinion and an active socio-political organisation to help the tenants assert their rights in land.

8.23. The Committee has observed that on account of the provisions in the Tenancy Act regarding purchase price being payable in instalments ranging from Rs 12 to 15, in the case of a large body of tenants the purchase has not been completed. If the instalments cannot be recovered at any time, the purchase becomes ineffective and the land goes back to the landlord subject to the limits of the Ceiling Law. In many cases, this provides an inducement to the landlord to bring pressure on the tenant to make a default so that the land may revert to him. Thus, the present system does not make a statutory right of purchase conferred by law completely secure, and makes it liable to be rendered ineffective due to undue socio-economic pressures. The Committee would, therefore, recommend that in cases in which the purchase price has not been fully recovered, Government should provide for payment of the remaining purchase price directly to the landlord in the form of bonds payable in suitable instalments with interest, and for the recovery of the same, from the tenants directly in

suitable instalments along with land revenue. In this way, the right of the tenant purchaser would be secured. In the event of his failure to pay the amount, the land would revert to Government and not to the landlord. The land so coming to Government can be distributed according to prescribed priority. This recommendation may also be borne in mind while conferring ownership on the existing tenants in Marathwada, as suggested hereafter.

8.24. In about 8 to 10 per cent recorded tenancy cases in Western Maharashtra and in about 3 to 4 per cent cases in Vidarbha region, the Tillers' Day had been postponed because the landlords were minors or widows or physically or mentally disabled persons. The present legal provision requires that within one year after the landlord becomes a major or the widow property passes to a successor or the landlord's disability ceases, the landlord should make an application for the resumption of land for personal cultivation and, on his failure to do so, the tenant should within one year apply for the transfer of ownership of the leased land. Failure to apply within one year amounts to ineffective purchase by the tenants. The Committee is of the opinion that this provision may lead to the loss of tenant's right in many cases, since the tenant may not come to know when these changes in the owner's status or condition take place. In view of the tenant's unfamiliarity with the details of legal provisions and his inability to take advantage of these in time, the Committee is of the view that this provision may be modified. The law should instead, provide that in all the cases in which the Tillers' Day had been postponed, the tenant will automatically become the owner of so much of the leased land as he is entitled to purchase under the Act. The landlord must notify the ALT of any change in his status or condition. The ALT on receipt of this intimation or *suo-motu* should proceed to enforce the Tillers' Day provisions of the Act.

8.25. Very little land vested in the State as a result of the implementation of the Tenancy Act. The legal provision for the disposal of this surplus in Western Maharashtra is straight and simple; the landowner is compensated by the State for the

loss of the land, and the State distributes this land according to priorities laid down in the Act. In the Tenancy Acts for Vidarbha and Marathwada, however, there are rather cumbersome provisions for the management of surplus land by the State. The Committee is of the view that the relevant provisions in the Tenancy Acts for Vidarbha and Marathwada regions be amended and brought in line with those in the Tenancy Act for Western Maharashtra. This will both cease the task of implementation and be more in keeping with the basic objective of the law.

8.26. The Tenancy Acts do not entirely prohibit creation of new tenancy, but the legal provisions for the creation of such tenancy are quite discouraging. It is feared that the Tenancy Acts would lead to the creation of concealed tenancies in one form or the other. It was not practicable for the Committee to ascertain the extent of concealed tenancy, if any, in the 50 villages surveyed by it. An enquiry to this end has to be conducted by an agency to which the tenant concerned would be willing to reveal the real nature of his arrangement with the landowner. The official revenue agency at the village and taluka level through which the investigation was conducted was not suited for the purpose. The Committee, however, would like to refer to two other sources of information on this score, for what they are worth. In the first place, while conducting an investigation in 6 villages of the State about the impact of the Tenancy Acts on agricultural production, information was also incidentally collected about the extent of existing tenancies, recorded or otherwise. This information showed that existing tenancies were comparatively few and almost all of them were recorded as such in the village records.

8.27. The second source of information is the replies to the questionnaire issued by the Committee to a large number of officials and non-officials in every district of the State. Unfortunately, comparatively few replies were received. The maximum number of replies, 62 were received from the Marathwada districts. From the Western Maharashtra region very few replies (only 41) were received. The number of



replies received from the Vidarbha districts were also equally small, only 22 in all. In Western Maharashtra and Vidarbha a larger number of respondents were Government officials, while in Marathwada they were largely non-officials. The questionnaire, the list of the respondents and the tabulated answers to each question are presented in Appendix E to this Report (not inserted). The replies to the questions, relating to the surrender of land by tenants and the resumption of leased land by the landlords, are borne out by the findings of the Committee. In reply to the questions relating to the extent of tenancy at the time of their reply, a large number of respondents in Marathwada division alone mentioned about the prevalence of tenancy. But this is not unexpected because tenancy is legally allowed to continue there. In the two other divisions, not many replies were received to this question. Most of those who replied thought that there was no significant tenancy prevalent in their regions.

8.28. While these two sources of information cannot be considered decisive in coming to a conclusion on the question, the Committee is inclined to believe that the extent of land under tenancy - concealed or recorded - is at present quite small both in Western Maharashtra and Vidarbha. The enquiry by the Committee in the surveyed villages showed that in Western Maharashtra at the most 20 per cent of the land formerly leased out, and in Vidarbha around 15 per cent of the land formerly leased out, were under tenancy in 1969 (excluding land under tenancy cases, pending decision of Agricultural Lands Tribunals). This amounts to no more than 3 to 4 per cent of the total cultivated area in the regions. Making allowance for any new tenancy or concealed tenancy, it would not be wrong to say that not more than 5 per cent of the total cultivated land in these two regions is at present under tenancy of one form or the other. It is quite possible that in some areas, like the old C. P. districts, the extent of new tenancy - recorded or concealed - would be somewhat higher than in other regions.

8.29. The Tenancy Acts provide that a new tenancy is to be of only one year's duration. At the end of the year the tenant will be entitled to own (on payment of a prescribed price) so much of the leased land as the Act entitles him to, provided he applies to the Agricultural Lands Tribunal within one year of the commencement of tenancy. Otherwise, the leased land must revert to the owner. The Committee feels that the provisions about annual tenancy in the Act for Western Maharashtra are not clear in certain respects. The Committee is of the opinion that these provisions in the three Acts should be suitably amended along the following lines.

8.30. In the first place, in the case of all new tenancies, the Agricultural Lands Tribunal should, at the end of the year of the tenancy, send a notice to the tenant informing him of his right to purchase the land or part of it, and ascertain from the tenant his willingness or otherwise to purchase the land. Unlike under the present provisions, the tenant should not forfeit his right to purchase if he has not made an application within one year. Unwillingness of the tenant to purchase the leased land would amount to his surrender of the land to the landlord. However, if that landlord (but not his successor) again leases out the land to the same or a new tenant, and the tenant refuses to buy the land at the end of one year of the tenancy, then the landlord should not be permitted to retain the land. The land should be considered as surplus land and taken into the Collector's pool for distribution. This is necessary, in order to prevent a landlord from leasing out land on an annual basis almost continuously, thereby violating the basic objective of the law.

8.31. Secondly, the Committee noted that the provision in regard to new tenancy of not more than a year's duration was without any exception whatsoever. The Committee considers that it would be advisable to provide some exceptions on justifiable grounds. The first type of exception should be in respect of landlords who are minors or are physically or mentally disabled. In their case the tenancy should be allowed to continue until a landowner attains majority or his disability ceases. At the end of this period, the provisions

in the Act relating to the cases in respect of which the Tillers' Day is postponed, as amended along the lines suggested by the Committee in paragraph 8.24 above, should be made applicable to them. The Committee, however, wishes to point out that no minor or disabled landowner should be allowed to lease out land in this manner so long as there is any able-bodied adult male member in his or her family. For this purpose 'family' should have the same connotation as 'family' in the amended Land Ceiling Act.

8.32. The second exception to one year tenancy should cover the very small landowners. A number of respondents to our questionnaire, both official and non-official, have suggested that small landowners may be exempted from the provisions of the Tenancy Act. A very large body of landowners in the State own very small holdings, and they take out only a fraction of their living from their land. Most of them are really agricultural labourers. Many of them are on the look out for alternative employment, opportunities either in their villages or outside. It was noticed that, before the Tillers' Day, many of them did not hesitate to lease out their tiny holdings when they wanted to try their luck elsewhere. Not all of them could possibly find adequate alternative employment in their village; many migrated to urban areas for work. It takes time to find some assured or stable employment and income outside the village, and no poor man would like to lose an assured source of employment and income like owned land - however small - in exchange for something uncertain. Under such circumstances the one year provision for new tenancies creates even greater obstacles to his mobility in search of a better living. It is not possible to provide every poor man in the rural area with additional employment in or near his village. The law should help rather than hinder those who want to move out and try their luck elsewhere. The Committee, therefore, considers it desirable that very small landowners in the State who derive their income mainly from agriculture or agricultural labour should be permitted to lease out their entire holding, if they desire, for a period of 5 years at the most. At the end of this period they should be permitted to resume their holding

for personal cultivation. But if they choose to lease out again any part of their holding, the provision in regard to one year tenancy should be made applicable in their case. For the purpose of this provision a very small landowner should mean any landowner whose total family holding does not exceed one acre of rain-fed rice land or 6 acres of Varkas land or 5 acres of other dry land in the State. 'Family' for this purpose should have the same meaning as 'family' in the new Ceiling Act. The Committee considers it necessary to fix the limit as low as has been suggested above, lest advantage is taken of the provision by medium landholders through partition of holding. There was a suggestion that such leases should be in favour of equally small landowners in the village. The feasibility of giving effect to this suggestion may be examined by Government.

8.33. The above provisions, if incorporated in the Tenancy Act, would not only go some way to help certain sections of the rural community, suffering from disadvantages, but also might reduce the incidence of concealed tenancy. However, it has been contended that landowners who do not live in or near the villages in which their land is located, tend to lease out their land for cultivation. This was amply borne out by the Survey conducted by the Committee. Under the provisions in regard to new tenancy, such persons can no longer lease out their lands. But as long as they live away from their villages, they would try to get the lands cultivated in one way or the other. The possibility of concealed tenancy under the circumstance cannot be ruled out. The present definition of 'personal cultivation' in the Tenancy Acts leaves scope for resort to conceal tenancy by such landlords. The Committee, therefore, is of the view that for the purposes of the Tenancy Act, as also of the Land Ceiling Act, a landowner should be considered to be personally cultivating land if he or any member of his family is normally resident within such distance from the village where his land is located as would enable him to cultivate personally. For this purpose 'family' should mean the same as 'family' in the amended Land Ceiling Act, and 'normal residence' should mean residence for at least one full crop season in the year.

8.34. The success of the provisions of the Tenancy Act in regard to new tenancies will ultimately depend upon the vigilance and efficiency with which they are enforced at the village level. The Committee is of the view that the procedure for this purpose at the village level needs stream-lining. It has been noted that the village revenue records in this respect are often not kept up-to-date, that mistakes of omission and commission are not unknown, and that tenants and landlords do not quite often know about the entries in the records about them. This has become abundantly clear in the course of the implementation of the Tenancy Act during the last two decades. The Committee considered many suggestions to improve this situation. The Committee would like to recommend that a meeting of the Gram Sabha should be called every year in every village sometime during the agricultural year, when a revenue officer of a higher rank than the village Talathi should read out from a list the names of the owner and the tenant of each plot of land (along with the plot number and the local name of the plot, if any) that has been entered that year in the village records. Any interested person present may take objection to any entry or omission, and the officer concerned should record such objections then and there. At the end of the meeting, the document should be signed by the officer, the village Talathi as well as by all members of the Village Panchayat present in the meeting. The objector's signature should also be taken on the document. A copy of the document should be posted on the village *chavadi* for information and objections. A copy of the list, with all the objections received, should also be sent to the Tahsildar immediately for further action. The Committee thinks that this is the minimum that can be done to keep all villagers informed in time about nature of entries in the village records concerning tenancy. This list should also provide a basis for the Agricultural Lands Tribunals or the Tahsildar to proceed with the disposal of recorded tenancy cases at the end of the year. The Agricultural Lands Tribunals or the Tahsildar concerned should every year examine all recorded tenancy cases of the previous year and take prompt action, as required by law.

8.35. The three Tenancy Acts in the State also fix the maximum reasonable rent payable by the tenant. This has been a feature of the Tenancy Acts right from the beginning. But investigations during the 1950's had shown that it was scarcely observed in actual practice. The drastic decline in the extent of tenancy as a result of the current laws has naturally reduced the significance of this problem. However, the Committee made some investigations about the actual rent paid by tenants in 1969 in only 6 villages of the State. It appeared that in a number of instances tenants still continued to pay rent in kind, in some cases even as high as half of the produce. But, by and large, cash rent had become the practice, particularly in Western Maharashtra. The cash rent paid, however, was often in excess of the prescribed maximum of 5 times the land revenue assessment or Rs 20 per acre, whichever is less. In most instances, no receipts were given by the landlords to the tenants. The Committee examined the question of the enforcement of the provision relating to rent. It was felt that unless all payments of rent are channelled through an official agency, it would be impossible to ensure the strict observance of this provision. But this was thought to be rather impracticable. However, it was felt that if any tenant wished to pay his rent to the landlord through the village Talathi or the Tahsildar he should be permitted to do so and the revenue official concerned should pass a receipt to the tenant.

8.36. The Committee noted the fact that the maximum reasonable rent had been fixed in the Act more than a decade ago, as a fixed sum. The land revenue assessment has not been revised over long periods. But the value of produce of land in terms of money has been showing a rising trend over the years. Under the circumstances a fixed sum of money as rent of land will become gradually a smaller and smaller proportion of the value of gross produce of the land. It was, therefore, thought that it would be reasonable to periodically revise this maximum, by taking into account the changes in the price of the produce of the land. A number of respondents to the Committee's questionnaire had also suggested revision of the maximum rent fixed in the law. Quite

sophisticated methods can be devised for the purpose, but the Committee is of the view that a simple method of taking account of price changes would be more helpful. For this purpose the Government may compute, once every five years, the average price of the major crop grown in the district in the preceding five consecutive years. This average price expressed as a percentage of the price of the crop in the district in the year of the passage of the Tenancy Act would indicate the extent of rise in the price of agricultural produce. The maximum reasonable rent of land in the subsequent 5 years in the district, therefore, should be equal to the amount fixed in the Act raised by the percentage by which the price of the major crop has increased. This is undoubtedly a crude measure, but the Committee is of the view that this is relatively simple to operate, and will avoid the gross injustice that a fixed rent in money will involve in periods of sustained price rise.

8.37. The Committee also noted the fact that while the Tenancy Acts applicable to the Western Maharashtra and Vidarbha region have more or less similar provisions, the Act for Marathwada is different. The Act for Marathwada did not terminate all protected tenancies existing in 1956-57 and the ordinary tenancies in 1965. It allowed the tenants to automatically acquire ownership right only on a part of the total leased land. On the remainder, tenancy was to be continued without any right of resumption by the landlord, as long as the tenant did not wish to surrender the land. The Committee estimated that about 12 per cent of the total cultivated area in Marathwada was under tenancy at the end of 1969. It can be contended that since the law does not allow resumption of any of this land by the landlord, the tenants are at no disadvantage under the existing provisions of the Act. However, it has been the experience in the past, both in Marathwada and in other parts of the State that such protection to the tenants has in practice been infructuous, largely because of the weak socio-economic position of the large body of tenants. In Marathwada itself, protected tenancy had been terminated on nearly two-thirds of the leased land by the time of the partial Tillers' Day. Not all of this was due to genuine surrender by tenants. By

1969, protected tenants continued only on 20 per cent of the land ordinarily leased out to them as tenants; the landlords had inducted new tenants after dispossessing the protected tenants on another 10 per cent land. In the case of land with the ordinary tenants, the situation was even worse; by 1969, the tenants were in possession of only about half the leased land which was in their possession in 1965; they had been dispossessed from the other half, or had presumably surrendered some land. If this trend continues, it would result in a gradual decline in the land under tenancy through dispossession, as well as in the change of tenants by the landlords, in spite of the Tenancy Act.

8.38. The Committee has, therefore, found it necessary to make two suggestions to prevent such unlawful termination of tenancy (Ref. Paragraphs 4.74 to 4.76, not inserted). In the first place, all termination of tenancy without any verification should be considered illegal, and the two-years time limit for the tenant to represent should be abolished. Instead, the landlord should be required to notify the Agricultural Lands Tribunal or the Tahsildar within one year of termination of tenancy. The ALT or Tahsildar, on receipt of such intimation, should proceed to verify the circumstances of termination and do the needful in the matter. This change in the law will put the responsibility on the landlord and the Revenue Officer, rather than on the tenant as at present. The second suggestion relates to unauthorised sale of the leased land by the landlords. The Committee considers it necessary to suggest that registration of such sales should not take place without clearance from the Agricultural Lands Tribunal or the Tahsildar.

8.39. The above suggestions are, however, only in the nature of palliatives. The Committee is of the opinion that it would be preferable to terminate the existing tenancies in Marathwada, as has already been done in Western Maharashtra and Vidarbha. A new Tillers' Day may be fixed for all existing tenants. All landlords may be given a fresh chance to resume land for personal cultivation under the conditions provided in the existing Act. But landlords should not be

permitted to retain leased land surrendered by tenants, except to the extent they are entitled to under the provision for resumption. For, it has been noted that these so-called voluntary surrenders are not always genuinely voluntary. If a landlord does not or cannot resume land for personal cultivation, and the tenant does not wish to purchase the leased land, the land should be considered surplus land and should be acquired by the State for distribution.

8.40. Amendment of the Hyderabad Tenancy Act along the above lines will not only prevent any further possibility of erosion of the rights of the existing tenants, but also would help to make the tenancy uniform in all parts of the State. After this has been completed in Marathwada, the three Tenancy Acts in the three different regions of the State may be replaced by a uniform Tenancy Act for the State as a whole.

8.41. The Committee found it difficult to make any investigations into the impact of tenancy reform on agricultural production. However, investigations showed that as a result of tenancy reform there was a small but positive increase in investment on land development or adoption of improved cultural practices on the former leased lands. The Committee is of the view that legal-institutional change provides only a frame which by itself cannot achieve much in terms of agricultural improvement if the basic technological conditions are not conducive to such change. However, given a suitable legal-institutional frame, as the present laws provide, technological improvements in agriculture in the years to come will yield greater dividends than would have been possible in the absence of tenancy reforms.

8.42. The third aspect of land reforms in Maharashtra relates to ceiling on holdings, of agricultural land. The Land Ceiling Act came into force in all parts of the State in 1961. By the end of 1971, about 16 thousand returns in all had been submitted by the landholders under the Act. And contrary to earlier expectation, only about 4,600 landholders were found to hold land in excess of the ceiling. About 2.56 lakh acres of land had been

declared as surplus with these landholders. About 3 per cent of the returns remained to be scrutinised. In addition to this land, 84 thousand acres of surplus land were acquired from 14 sugar factories in the State. While all the land acquired from the sugar factories had come into the possession of the State and subsequently of the State Farming Corporation within 3 years of the enforcement of the Act, that was not the case with regard to the surplus land from the individual holdings. Only about 80 thousand acres out of 2.56 lakh acres had been taken over as surplus land by the end of 1971. The remaining land was not yet available as surplus, either because the decisions of the Collectors were under review by Commissioners, or appeals against the decisions were pending with the Maharashtra Revenue Tribunal or writ petitions were pending before the High Court or the Supreme Court.

8.43. The Committee is of the view that, considering the total volume of work involved, the time taken in completing the work of enforcement of the Ceiling Act has been inordinately long. The Committee found that at the district level the work was not given priority until the Government pressed for speeding up its disposal. At the same time, in the context of the complexity of the work, the staff strength was inadequate for its speedy completion. Expeditious disposal of the work requires adequate full time staff; in the context of the implementation of the amended Ceiling Act this has to be borne in mind.

8.44. Part of the delay in finally acquiring the surplus land has been caused by the appeals preferred by the landholders before the Maharashtra Revenue Tribunal or the Courts. While some of these may be genuine, it is quite possible that appeals were sometimes made merely as stalling devices. The Committee therefore suggests that in ceiling cases where appeals are preferred to the Maharashtra Revenue Tribunal, or writ applications are filed in the High Court or the Supreme Court, a penal provision should be made for payment to the Government of compensation equal to all the income (actual income from the land in question) earned by the

landholder during the period of litigation, if the original declaration of surplus land is not cancelled.

8.45. The distribution of surplus land among people of different categories in the list of priorities laid down in the Act has kept pace with the acquisition of the surplus. The Act gives co-operative farming societies priority over individuals in the programme of distribution. It was however found that there were very few societies which had come forward to claim the surplus land. Not all these co-operative societies have functioned effectively subsequently. Under the circumstances, the Committee is of the view that priority may not be given to co-operative farming societies. The Committee finds that the total surplus land about two and half lakh acres, if distributed at the current average rate of about 8 to 9 acres per recipient, would suffice for hardly 30 thousand households in the State. That comes to about 0.5 per cent of the landless rural households in the State. The impact of this surplus on the condition of the landless and the poor cannot therefore be significant. The Committee is of the opinion that, if the surplus land is distributed to the landless, then they would also have to be helped with other wherewithals of cultivation. Instead, if the surplus land is distributed among the very small landholders in the rural areas, then it might help bring the holdings of a larger body of such small holders to a reasonably minimum level. Most of them would also be having some implements and bullocks. So much of the surplus land should be given to a small landholder as would raise the total landholding of his family to no more than 2.5 acres of unirrigated rice land or 10 acres of unirrigated other land. The Committee is also of the view that in view of the paucity of surplus land and the comparatively small number of families who may be helped thereby, priority in distribution should be given to the very small landholders belonging to the Scheduled Castes and Scheduled Tribes in the villages. The reason for this recommendation is obvious and need not be elaborated.

8.46. It would also be desirable to provide that the sale, lease or the mortgage within the period of 10 years, of any part of his holding by the recipient of surplus land, except to a co-operative credit society, or to a co-operative land development bank or to a nationalised commercial bank, shall be illegal and that such surplus land shall be taken back by the Government. Thereafter, the recipient should be allowed to sell, lease or mortgage only with the prior permission of the Collector.

8.47. If the total land area acquired as surplus is rather meagre, the reasons are a rather high ceiling considering the size distribution of land holdings in the State, and the provision that any individual can hold land up to the ceiling limit. All other considerations are rather minor. But this has been the basic approach of the law, the implementation of which the Committee has been required to examine. Any amendment of the existing law affecting these two aspects would naturally alter the surplus area that can be acquired.

8.48. The ceiling law is applicable not only to holdings that were larger than the ceiling limit at the time of the passage of the law, but also to all holdings that may become larger than this in later years. But the Committee found that during the last 10 years no steps had been taken to identify such emerging surplus-holders and notify them to submit returns. For the Act to be effective, administrative measures will have to be devised to keep a track of such cases. The Committee has made some suggestions towards this end in paragraphs 5.44 and 5.45 in the Chapter on Ceiling on Land Holdings (not inserted). They need not be repeated here. Some of them relate to the proper maintenance and use of the land records in the village. In this connection, however, the Committee feels constrained to observe that during the last 15 years or so, the practice of keeping the village records up-to-date and issuing annual reports based on them at the State level has slackened or fallen into disuse in some respects. To give one example: Until 1953 the annual report of the department of revenue used to contain once in every five years a statement

about the size distribution of land-holdings in every district of the State. It is no longer compiled. This would have been a useful source of information for both the Ceiling and the Tenancy Acts if they were being compiled (complied with) at the time. Similarly, extent of tenancy in the village is recorded in the village records, but had the information been systematically compiled and reported as a matter of routine, it would have been found extremely helpful both for policy formulation as well as for concurrent evaluation. The Committee would, therefore, strongly urge that not only greater attention should be paid to the proper and timely maintenance of the village revenue records, but that they should be used in preparing district and State-wise statements annually or otherwise. These would help the administration at the time of policy formulation, and also in keeping track of the impact of various policy measures.

8.49. The evaluation of the implementation of the land reform laws in the State by this Committee had to be rather academic, because the Committee was set up when the implementation of most of the laws was already over or was nearing completion. The experience of implementation so far, however, points to the necessity

for concurrent evaluation of any such land reform legislation. It will not only help the Government to keep track of the rate at which the work is tackled, but will also reveal the difficulties in the process which may require prompt administrative as well as legislative action. A special cell for concurrent evaluation of the implementation of land reform laws should be set up in the Department of Revenue at the Secretariat. This cell, on the basis of a careful study of the Act, should prescribe the manner and the forms in which the implementing agencies at the Taluka or the district level should submit information about the progress of work under each head. It should also prepare at least every year, or even more frequently, if necessary, reports based on the information collected. It should promptly bring to the attention of the Government any problems and difficulties associated with the work of implementation as well as those arising out of any provision of the law. The Government may also set up a standing advisory committee consisting of non-officials as well as officials for consultation and advice in the matter. The chief of the cell may be the secretary or the convener of this Committee.

## REPORT OF THE COMMITTEE ON POWER

### CHAPTER V. FINANCE, FINANCIAL MANAGEMENT AND TARIFFS

#### FINANCING THE POWER SECTOR

5.1 As already pointed out in the Chapter on Power Planning, there are two features which characterise the power sector in India and have relevance to the overall financial performance of the electricity supply industry. Firstly, the industry is increasingly capital-intensive. Secondly, the industry is growing at a much faster rate than the rest of the economy. Consequent to

these two factors, the share of the power sector outlays has increased from 12 per cent in the First Plan to 23 per cent in the Draft Sixth Plan. About 85 per cent of these outlays has been financed by the States and the share of the Centre has so far been small. Table 5.1 below indicates the proportion in which the power sector has been financed during the last five years from internal and external sources. It is to be noted that State Electricity Boards have no equity base.

**Table 5.1. Percentage Distribution of Contributions by (i) Internal Resources, (ii) Government Loans, and (iii) Other Net Borrowings (Including Market) for Financing the Total Block Capital of the Electricity Boards**

Name of the SEBs	Percentage of Annual Contributions					Cumulative Contributions upto the End of 1978-79
	1974-75	1975-76	1976-77	1977-78	1978-79	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>1. Andhra Pradesh</b>						
(i) Internal resources	28.4	40.4	24.1	14.2	19.2	18.0
(ii) Government loans	44.5	40.0	53.5	62.5	43.4	54.7
(iii) Other loans (net)	27.1	19.6	22.4	23.3	37.4	27.3
<b>2. Assam</b>						
(i) Internal resources	1.1	4.9	6.3	2.8	26.7	0.3
(ii) Government loans	46.6	13.1	33.5	72.9	50.6	63.0
(iii) Other loans (net)	52.3	82.0	60.2	24.3	22.7	36.7
<b>3. Bihar</b>						
(i) Internal resources	12.2	24.9	30.4	(-)6.6	(-)17.7	19.7
(ii) Government loans	24.8	35.2	31.5	54.6	65.9	48.9
(iii) Other loans (net)	63.0	39.9	38.1	52.0	51.8	31.4
<b>4. Gujarat</b>						
(i) Internal resources	26.4	22.4	28.7	16.7	18.6	24.8
(ii) Government loans	54.4	54.7	48.7	53.8	52.0	50.9
(iii) Other loans (net)	19.2	22.9	22.6	29.5	29.4	24.3
<b>5. Haryana</b>						
(i) Internal resources	13.7	12.9	15.5	11.1	1.6	10.7
(ii) Government loans	65.0	69.7	57.6	56.6	73.5	64.7
(iii) Other loans (net)	21.3	17.4	26.9	32.3	24.9	24.6
<b>6. Himachal Pradesh</b>						
(i) Internal resources	9.7	(-)5.5	9.5	0.2	2.1	5.4
(ii) Government loans	37.2	48.0	48.9	60.3	60.5	64.8
(iii) Other loans (net)	53.1	57.5	41.6	39.5	37.4	29.8
<b>7. Jammu &amp; Kashmir</b>						
(i) Internal resources	(-)8.1	(-)16.0	(-)34.9	(-)15.9	(-)10.9	14.8
(ii) Government loans	56.6	59.4	60.9	50.7	52.8	58.7
(iii) Other loans (net)	51.5	56.6	74.0	65.2	58.1	26.5
<b>8. Karnataka</b>						
(i) Internal resources	56.7	71.3	69.2	64.3	76.0	34.2
(ii) Government loans	24.9	22.8	14.8	18.6	11.8	36.4
(iii) Other loans (net)	18.4	5.9	16.0	17.1	12.2	29.4

(Contd.)



Table 5.1. (Concl'd.)

Name of the SEBs	Percentage of Annual Contributions					(Percentages)
	1974-75	1975-76	1976-77	1977-78	1978-79	Cumulative Contributions upto the End of 1978-79
(1)	(2)	(3)	(4)	(5)	(6)	(7)
9. Kerala						
(i) Internal resources	6.7	15.3	41.8	42.3	42.8	24.9
(ii) Government loans	25.6	28.7	5.1	4.8	10.4	41.2
(iii) Other loans (net)	67.7	56.0	53.1	52.9	46.8	33.9
10. Madhya Pradesh						
(i) Internal resources	42.0	13.9	17.3	18.0	16.1	21.7
(ii) Government loans	15.6	58.0	57.4	53.1	61.0	53.8
(iii) Other loans (net)	42.4	28.1	25.3	28.9	22.9	24.5
11. Maharashtra						
(i) Internal resources	10.7	33.0	22.5	14.7	17.2	23.9
(ii) Government loans	47.2	42.2	71.5	68.8	71.1	55.3
(iii) Other loans (net)	42.1	24.8	6.0	16.5	11.7	20.8
12. Meghalaya						
(i) Internal resources	..	(-) 6.2	(-) 36.1	0.9	10.7	10.4
(ii) Government loans	..	..	68.7	36.7	0.6	46.7
(iii) Other loans (net)	..	106.2	67.4	62.4	88.7	42.9
13. Orissa						
(i) Internal resources	24.8	36.3	22.0	9.8	15.7	12.1
(ii) Government loans	14.2	10.4	37.5	45.8	32.3	42.1
(iii) Other loans (net)	61.0	53.3	40.5	44.4	52.0	45.8
14. Punjab						
(i) Internal resources	4.4	12.8	7.5	22.0	1.5	9.1
(ii) Government loans	77.9	72.3	77.6	54.4	71.8	74.5
(iii) Other loans (net)	17.7	14.9	14.9	23.6	26.7	16.4
15. Rajasthan						
(i) Internal resources	32.3	39.8	34.9	22.8	26.7	19.8
(ii) Government loans	6.9	1.5	28.7	41.3	28.7	48.8
(iii) Other loans (net)	60.8	58.7	36.4	35.9	44.6	31.4
16. Tamil Nadu						
(i) Internal resources	63.3	77.3	44.5	23.0	26.5	34.2
(ii) Government loans	55.0	9.2	34.8	48.3	52.6	40.4
(iii) Other loans (net)	(-) 18.3	13.5	20.7	28.7	20.9	25.4
17. Uttar Pradesh						
(i) Internal resources	9.5	23.6	20.9	10.8	19.6	1.3
(ii) Government loans	75.5	68.3	70.7	77.2	64.8	82.4
(iii) Other loans (net)	15.0	8.1	8.4	12.0	15.6	16.3
18. West Bengal						
(i) Internal resources	6.5	12.6	6.6	16.9	9.1	10.1
(ii) Government loans	22.4	35.4	35.6	41.3	49.6	41.9
(iii) Other loans (net)	71.1	52.0	57.8	41.8	41.3	48.0
Total all Boards (18)						
(i) Internal resources	19.5	27.7	23.3	15.8	16.2	16.9
(ii) Government loans	49.8	48.1	53.3	57.3	56.3	57.3
(iii) Other loans (net)	30.7	24.2	23.4	26.9	27.5	25.8

5.2 It is necessary to explain here as to what is implied by the term 'internal resources'. In accordance with the provisions of the Electricity (Supply) Act, 1948 (till it was amended in 1978), prior to meeting the liability on account of interest charges payable to State Government, the State Electricity Boards (SEBs) were required to make specific transfers every year at the prescribed rates to the general reserve and depreciation funds. These 'internal resources' were supplemented by items such as voluntary loan contributions from consumers, deposits from contractors, security deposits, employees' provident fund contributions, etc. However, according to the amendment brought out in 1978 to the Electricity (Supply) Act 1948, the Boards are now required to meet their interest liabilities prior to transferring funds to depreciation. No revenues are to be transferred to the general reserve fund. These would, in effect, reduce the funds available to them as internal resources. The figures indicated in Table 5.1 do not reflect this position.

5.3 From Table 5.1, it is evident that the capital expenditure of the Boards is financed largely by borrowings from the State Governments and other institutional and internal resources represent a relatively small share of their investment and this share has been falling. In fact, the percentage contributions of the borrowings have increased from 80.5 per cent in 1974-75 to 83.8 per cent in 1978-79. As a result, the SEBs have, over the years, become excessively dependent on the State Governments. This is one of the important factors that has led to the dilution of the autonomy of the State Electricity Boards.

5.4 In the Chapter on Power Planning, (Chapter II not inserted) an indication has been given of the magnitude of the funds that will require to be invested in the power sector over the next 21 years on two alternative scenarios. The first assumes that the present trends in the growth of demand will continue unaltered over the period, and the second that less power intensive growth strategies will be adopted. The range of investments in

power on these two assumptions will vary from Rs 120,000 crore to Rs 154,000 crore over the next 21 years at current prices.

5.5 The Committee is of the view that, both to generate the requisite resources and to restore to the Boards a measure of financial independence, about 50 per cent of the annual investments in power on an average should be funded by internal resources. This would notionally amount to a debt equity ratio of 1:1 which is by no means too low by normal commercial practices. This would mean that of the Rs 120,000 crore to Rs 154,000 crore required for the power sector, approximately Rs 60,000 crore to Rs 77,000 crore would need to be generated internally. The feasibility of this will be discussed in a later portion of this Chapter. As things stand today, considering that the power supply industry as a whole is not in a position even to discharge its present liabilities such as interest payments, it will not be possible for the industry to meet this order of resource generation, even partially. To be able to do so, the industry will have to minimise its operational costs and rationalise its tariff structure. It is in this context that it becomes necessary to examine the financial performance of the power supply industry and to review its financial objectives with a view to securing its long term viability and its operational autonomy.

#### FINANCIAL PERFORMANCE OF UTILITIES

##### (i) Financial provisions in the Electricity (Supply) Act

5.6 Prior to the recent amendment of the Act in June 1978, the Electricity (Supply) Act, 1948 had laid down in Section 59 that the Electricity Board shall not, as far as practicable, carry on its operations at a loss and shall adjust its charges (tariffs) accordingly from time to time. Revenue receipts of the Board constitute tariff revenues from sale of power and other receipts like licence fees, meter rent, etc., in addition to subventions from the State Government under Section 63. Section 63 lays down that the State Government may, with the approval of the State Legislature, from time to time, make subventions to the Board for any purpose and on such terms and conditions as the

Government may determine. The electricity duty levied by the State Government on consumption of electricity does not form part of the revenues of the Board. Revenue liabilities as per 1948 Act constitute operation, maintenance and management expenses, provision for depreciation, transfer to general reserve fund and interest on loans. Other resources of the Board like net borrowings from the Government and elsewhere, consumer contributions, security deposits, net accretions in funds including appropriations from revenue, etc., form part of the capital resources of the Board for financing the capital outlays.

5.7 Section 67 lays down the order of priority in regard to discharge of revenue liabilities out of the available revenues of the Board during a year. According to this Section, the revenue should be utilised for meeting operating maintenance and management expenses and after payment of tax on income and profits, the balance shall be distributed in order of priority for payment of interest due on loans raised from the market and financial institutions, provision for depreciation, provision for general reserve fund and payment of interest to the State Government, according to these priorities. In case revenues of a Board during a year are insufficient to meet these liabilities in full, contingent liabilities are created to the extent of shortfalls by under providing for interest to the Government and depreciation. On the other hand, if there are surpluses after discharging the revenue liabilities fully (including contingent liabilities created so far), the balance could be appropriated to finance development activities or for repayment of loans advanced under Section 64.

5.8 The Electricity (Supply) Act, 1948 was amended in June 1978 to make the State Electricity Boards commercially viable and to earn a net return on their investments. Section 59 of the Amendment Act accordingly lays down that the Board shall, after taking credit for any subventions from the State Government, carry on its operations and adjustments tariffs so as to ensure that the total revenues in any year of account shall,

after meeting all expenses properly chargeable to revenues, including operating, maintenance and management expenses, taxes on income and profits, depreciation and interest payable on debentures, bonds and loans, leave such surplus as the State Government may, from time to time, specify. In specifying such surplus, the State Government shall have due regard to the availability of amounts accrued by way of depreciation and the liability for loan amortization and leave a reasonable sum to contribute towards the cost of capital works. The Amendment Act also enables the State Government to convert a part of the outstanding loans into equity capital under Section 12A, and in case any part of the loans has been so converted into equity, a reasonable sum by way of return on the equity capital may also be assured. Section 67 of the Amendment Act lays down the order of priority in regard to discharge of the cash revenue of the Board.

5.9 The present Act makes it incumbent on the Board to meet the current interest burden on all loans obtained by it, before making provision for depreciation. Though the Amendment Act specifically lays down that there should be net revenue surplus to finance the capital works, such amounts for each Board are to be determined by the State Governments from time to time. The Act does not specify what should be the rate of return to be achieved by the Board on its capital investment. The Central Electricity Authority (CEA), in a communication addressed to all the Chief Secretaries of the State Governments had in August 1978 directed that a percentage around 20 to 25 of the annual plan programme should be considered as an appropriate target of internal resource generation (after repayment of loans). So far, however, no State Government has specified the quantum of surplus to be achieved by any Electricity Board in accordance with Section 59 of the Amendment Act. Neither has any Government so far taken steps to convert any part of the outstanding loans of the Electricity Boards into equity.

## (ii) Recommendations of various Committees on financial returns

5.10 The poor financial performance of Public Sector Electricity Undertakings has been and continues to be a matter of great concern for the Central as well as the State Governments. Various Committees have been constituted in the past and these bodies have made many recommendations to improve the operational and financial performance of the Electric Boards. A Working Group set up by the Planning Commission in 1963 on Price Policy of the State Electricity Undertakings had recommended that the State Electricity Boards should earn a return of 12 per cent (including electricity duty) on capital investments after providing for operating expenses and depreciation. The capital base was to be calculated on the basis of the definition given in the Electricity (Supply) Act, 1948.

5.11 The Venktaraman Committee, in its report of 1964, had recommended that the State Electricity Boards should earn a return of 11 per cent on the capital employed, if not immediately, at least within a period of 10 years. This return was to be computed after providing for operating cost and depreciation but included receipts from electricity duty which were estimated to be about 1.5 per cent of the capital. The net return was about 3 per cent after providing for interest charges (6 per cent), transfer to general reserve fund (0.5 per cent), and after excluding receipts from electricity duty (1.5 per cent), representing the revenues to the State Government. The Committee was in favour of capitalisation of interest charges during construction period if the Board was not in a position to meet the full interest liability.

5.12 In negotiations for assistance for power projects with external lending agencies, e.g., the World Bank, a return of 11 per cent (after operating expenses and depreciation) including revenue of 1.5 per cent from electricity duty, on the average capital base has been mutually agreed upon. The average capital base, as defined by

these agencies, represents the average of the 'total capital' at the beginning and end of financial year. The 'total capital' is to be computed as follows:-

- (a) The gross value of fixed assets in operation;
- (b) The cost of intangible assets; and
- (c) An amount on account of working capital equal to 1/6th of administrative and operating expenses (excluding provision for depreciation) for the fiscal year ending on the date under consideration.

### *Reduced by*

- (i) The amount of accumulated depreciation charged on account of fixed assets in operation;
- (ii) The amount contributed by the customers for fixed assets in operation; and
- (iii) The amount of security deposits of consumers.

## (iii) Returns achieved by the State Electricity Boards *vis-a-vis* those recommended by the Venktaraman Committee

5.13 The Venktaraman Committee, as already mentioned, had recommended that the State Electricity Boards should earn a gross return of 9.5 per cent (excluding electricity duty) on the capital base after providing for operating expenses and depreciation charges. Today the average interest rate on Government as well as institutional loans is generally higher than the average rate of 6 per cent assumed by the Venktaraman Committee about 15 years back and hence, even if the Electricity Boards do earn a return of 9.5 per cent on their capital base, the net return available for financing their investment programmes would be much smaller than the 3 per cent envisaged. The following Table 5.2 indicates the rate of return achieved by each Electricity Board in the year 1977-78 on the average capital base as defined in para 5.12. The net return shown in Table 5.2 is before payment of tax and provides for operating expenses and depreciation only.

Table 5.2. Rate of Return in 1977-78 on Average Capital Base of State Electricity Boards

Sr. No.	Board	Net operating surplus* (Rs crore)	Average capital base (Rs crore)	Rate of return on average capital base (per cent)
(1)	(2)	(3)	(4)	(5)
1.	Andhra Pradesh	29.70	389.90	7.6
2.	Assam	2.84	41.74	6.8
3.	Bihar	10.66	294.74	3.6
4.	Gujarat	32.21	334.39	9.6
5.	Haryana	12.56	192.10	6.5
6.	Himachal Pradesh	..	25.50	..
7.	Karnataka	14.18	167.00	8.5
8.	Kerala	20.40	241.80	8.4
9.	Madhya Pradesh	35.16	282.00	12.5
10.	Maharashtra	76.92	496.70	15.5
11.	Meghalaya	0.79	27.20	2.9
12.	Orissa	4.84	169.10	2.9
13.	Punjab	33.35	352.10	9.5
14.	Rajasthan	37.48	259.80	14.4
15.	Tamil Nadu	41.89	410.70	10.2
16.	Uttar Pradesh	3.37	853.50	0.4
17.	West Bengal	13.72	144.80	9.5
Total (17 Boards)		370.07	4,682.83	7.9

\* Revenue receipts minus operating expenses and depreciation. Provision has not been made for interest, General Reserve Fund, etc.

Source: Data furnished by the SEBs or CEA (August 1979).

5.14 The preceding Table shows that only a few Boards, e.g., Gujarat, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu and West Bengal, earned a rate of return of 9.5 per cent and above on the capital base. Even here, the Boards of Tamil Nadu and Punjab had the benefit of substantial subsidies from the State Government(s) in that year and, in the case of Rajasthan in particular, the Board had taken credit for revenue arrears of Rs 23.1 crore relating to previous years. Some of the Boards, such as Bihar, Himachal Pradesh, Meghalaya, Orissa and Uttar Pradesh, show a rate of return of less than 5 per cent which would be inadequate to service even the cost of capital. For all Boards taken together, the rate of return based on the data available comes to 7.9 per cent i.e., lower by about 1.6 per cent than the rate recommended by Venkaraman Committee.

5.15 This however is an over-statement of the return because the capital bases for many of the Boards shown in Table 5.2 do not represent the correct position on commercial principles, since works-in-progress which are excluded here from

the base, often contain a portion if not all assets in a project which are actually completed and productively used. The omission is mainly the result of non-completion of accounting formalities such as the payment of a few bills. Likewise the depreciation charges at an average of 3.5 per cent, are by modern concepts much too low. The operating expenses would also turn out to be more if all State Electricity Boards had followed the accrual concept in their accountings systems rather than the cash concept. In short the rates of return shown in Column 5 of Table 5.2, if calculated correctly, would be considerably lower. The actual financial returns are thus much lower than the rates recommended by the earlier Committees and far lower than recommended for public sector undertakings, i.e., 12-15 per cent post tax return on shareholders' funds or 15 per cent net return on capital employed.

#### (iv) Contingent Liabilities

5.16 One reason for the poor financial performance of the Boards was the working of the 1948 Electricity Supply Act which allowed

Boards 'to carry on their operations as far as practicable without revenue loss', as a result of which the authority vested with them under the Act for enhancement of tariffs was not adequately exercised. The Boards had also the option to default in the matter of payment of interest to the Government and in regard to provision for depreciation. Most of the Boards failed to discharge their interest obligations to the Government in full, due to steep increases in the operating costs and the high interest burden on institutional borrowings. Some of the Boards even failed to provide for adequate depreciation in respect of fixed assets in use. The interest burden on works-in-progress imposed a heavy burden on most of the Boards. As years passed, the contingent interest liability of the Electricity Boards to

the State Governments has gone up. This contingent interest liability did not attract any penal interest and was to be liquidated only in the event of revenue surpluses in future years. On the basis of data furnished by the Boards, contingent interest liability at the end of 1977-78 amounted to about Rs 1,000 crore for all Boards together and exceeded Rs 200 crore in the case of Uttar Pradesh and was about Rs 100 crore or more in the case of Bihar, Punjab and Tamil Nadu.

5.17 Table 5.3 shows for eighteen Electricity Boards and the Mysore Power Corporation (M.P.C.), the net revenue surpluses or losses for the years 1974-75 and 1977-78.

Table 5.3 Net Surpluses (+) or Losses (-) during 1974-75 and 1977-78

Sr. No. (1)	Electricity Board and M.P.C. (2)	1974-75 (3)	1977-78 (4)
1.	Andhra Pradesh	(-) 171	(-) 70
2.	Assam	(-) 599	(-) 548
3.	Bihar	(-) 1,793	(-) 1,790
4.	Gujarat	(-) 613	(-) 440
5.	Haryana	(-) 1,055	(-) 1,423
6.	Himachal Pradesh	(-) 217	(-) 491
7.	Jammu & Kashmir	(-) 563	(-) 828
8.	Karnataka	(+) 15	(+) 16*
9.	Mysore Power Corporation	(-) 79	(-) 1,054
10.	Kerala	(-) 829	(+) 85
		} -64	
11.	Madhya Pradesh	..	(-) 256
12.	Maharashtra	(+) 867	(+) 2,080
13.	Meghalaya	(-) 40	(-) 236
14.	Orissa	(-) 425	(-) 1,281
15.	Punjab	(-) 1,988	(-) 792
16.	Rajasthan	(-) 774	(+) 1,450*
17.	Tamil Nadu	(+) 541	(+) 498
18.	Uttar Pradesh	(-) 5,798	(-) 9,658
19.	West Bengal	(-) 878	(-) 1,060
	Total Boards	(-) 14,399	(-) 15,798
	(Surpluses)	(+) 1,408	(+) 4,129
	(Losses)	(-) 15,807	(-) 19,927

Notes: 1. Net revenues take into account all revenue liabilities including transfer to depreciation and general reserve funds.  
2. Total losses for all the Boards shown in this Table include the surplus of Karnataka Board also in 1974-75, since there is a loss taking Karnataka Board and Mysore Power Corporation together.

\* Before appropriations to investment allowance reserve fund.

Source: Based on the data furnished by the State Electricity Boards to the Committee on Power or as given in annual accounts or based on the data circulated by the Central Electricity Authority, Ministry of Energy, in August 1979, in the document 'Financial Performance Review of SEBs during the 5th and 6th Plan Period.'

5.18 The Committee would emphasise that care should be taken to avoid jumping to conclusions regarding the relative financial health and efficiency of different Boards on the basis of the data presented above on account of five major reasons, viz., differences as between States in:

- (a) financial concessions/burdens given to Boards by State Governments;
- (b) generating and distribution costs;
- (c) proportions of capital used for works-in-progress;
- (d) rate of interest and proportion of loan capital financed by State Government; and
- (e) accounting practices.

5.19 (a) Not all the Boards were placed in similar conditions for meeting their revenue requirements. Some of them had the advantage of securing subventions from the State Governments for meeting rural electrification losses partly or fully, while other Boards had to discharge such subsidies without any assistance from the Government. The Maharashtra SEB, for instance, enjoyed the benefit of interest moratorium on Government loans for a period of six years. The Boards of Andhra Pradesh and to some extent the Board of Tamil Nadu enjoyed the benefit of non-levy of electricity duty by the State Governments.

5.20 (b) Different Boards have different hydel-thermal mixes, and hydel power, especially from old projects, is much cheaper than from newer projects. Secondly, conditions relating to population density, nature of the terrain to be served and the extent of rural electrification differ from Board to Board. Several States suffer from a locational disadvantage from the point of view of the distance over which the coal has to be hauled before it reaches the thermal power stations.

5.21 (c) Works-in-progress constitutes a widely varying proportion to total block capital in different Boards, ranging from 17 per cent of total capital in Andhra Pradesh to 34 per cent for Madhya Pradesh and going to as high as 66 per cent for Himachal Pradesh. The component of works-in-progress to the total block capital at the middle of 1978-79 is given in Column 11 of Appendix 5.1 (not inserted). Works-in-progress

does not earn revenue but still interest on it is payable. There is also considerable divergence between the approach to declaring assets as being in productive use. Owing to a lack of understanding or to present a better picture of return on capital, some Boards, as stated earlier, have included under the head 'works-in-progress' assets which are contributing to production but on which some formalities regarding payment of residual bills remain to be completed.

5.22 As far as (d) is concerned, different Boards borrow different proportions of their block capital from their respective State Governments and other sources. The State Governments also charge different rates of interest on loans advanced to their Boards. Finance from other sources is generally obtained at higher interest rates as compared to State Government loans and market borrowings.

5.23 Lastly, coming to (e), accounting practices vary widely as no clear formats and definitions have been laid down centrally. There is also wide divergence between Boards in respect of what expenditure should be booked to capital and what to revenue. For instance, some Boards like Bihar, Rajasthan, West Bengal, etc., follow the practice of capitalising a part of the interest charges and even administration and establishment costs, while others put the entire burden on the revenue account. In several Boards, repairs and replacements such as wooden or concrete poles used by distribution systems are booked to revenue; in others to the capital account. Some Boards follow the accrual concept while the others follow the cash concept. In the latter case, expenditure during the year is not fully represented in their accounts. This leads to non-provision of bills owing (owed) to contractors and suppliers making it difficult to correlate financial expenditure with physical progress. Another area which is responsible for creating uncertainties in the financial picture is the large scale transfer of materials from one division of a Board to another leading to internal disputes about the quantity and value of such transfers. The quantum of such disputed amounts runs into crore of rupees.

5.24 In the annual accounts of the State Electricity Boards, the losses shown in Table 5.3 are not explicitly presented as such, since the Act permits the Boards to under-provide for interest to the Government and depreciation in the event of revenues falling short of full obligations actually due to be discharged.

5.25 However, apart from these inter-Board disparities, the fact remains that many of the Boards had been suffering heavy revenue losses year after year. On the basis of information so far received from eleven Boards and the data obtained from the CEA for the remaining Boards,

total revenue losses in 1979-80 after providing for operating expenses, depreciation and interest charges are estimated at about Rs 350 crore.

5.26 One readily understood parameter is the extent to which each Electricity Board is losing financially in terms of each unit of energy sold. Table 5.4 indicates the average revenue per unit sold (excluding subsidy from the Government), average cost per unit and net revenue per unit derived in 1978-79. Losses of over 11 paise per unit sold in the case of large systems like U.P. are bound to act as a major drag not only on the finances of the Board and the State but on the economy as a whole.

Table 5.4 Average Tariff, Average Cost and Estimated Net Revenue Per Unit Sold in 1978-79

Sr. No.	Electricity Boards/ Corporations	Average Revenue Per Unit Sold			Average Cost Per Unit Sent Out			T & D Loss Per Unit	(paise per unit)	
		Tariff	Other Receipts	Total* (2+3)	Variable Cost	Fixed Cost	Total (5+6)		Average Cost Per Unit Sold (7+8)	Net Revenue Per Unit Sold (4-9)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1.	Andhra Pradesh	27.6	4.0	31.6	14.3	9.9	24.2	7.0	31.2	(-) 0.4
2.	Assam	37.0	1.3	38.3	29.5	19.6	49.1	11.7	60.8	(-) 22.5
3.	Bihar	31.4	1.3	32.7	25.6	11.0	36.6	12.2	48.8	(-) 16.1
4.	Gujarat	28.1	1.0	29.1	16.8	8.6	25.4	5.6	31.0	
5.	Haryana	24.0	2.7	26.7	12.1	11.7	23.8	6.3	30.1	
6.	Himachal Pradesh	20.0	0.6	20.6	12.6	9.5	22.1	6.1	28.2	(-) 1.9
7.	Jammu & Kashmir	22.3	0.3	22.6	13.9	13.4	27.3	15.3	42.6	(-) 3.4
8.	Karnataka	20.9	1.1	22.0	11.2	3.5	14.7	4.1	18.8	(-) 7.6
9.	Mysore Power Corporation	3.0	1.8	4.8	3.4	4.8	8.2	..	8.2	(-) 20.0 (+) 3.2
10.	Kerala	16.7	0.4	17.1	9.3	6.0	15.3	2.0	17.3	(-) 3.4 (-) 0.2
11.	Madhya Pradesh	26.7	1.7	28.4	15.0	11.0	26.0	5.7	31.7	(-) 3.3
12.	Maharashtra	24.4	1.7	26.1	15.0	5.5**	20.5	4.3	24.8	(+) 1.3
13.	Meghalaya	19.0	0.4	19.4	12.5	22.9	35.4	3.1	38.5	(-) 19.1
14.	Orissa	14.9	0.5	15.4	11.1	7.2	18.3	2.8	21.1	(-) 5.7
15.	Punjab	20.0	1.6	21.6	8.7	13.5	22.2	4.9	27.1	
16.	Rajasthan	24.4	1.6	26.0	15.5	8.7	24.2	7.2	31.4	(-) 5.5
17.	Tamil Nadu	28.3	0.3	28.6	19.5	5.8	25.3	5.9	31.2	(-) 5.4
18.	Uttar Pradesh	27.1	1.4	28.5	17.2	14.7	31.9	8.0	39.9	(-) 2.6
19.	West Bengal	28.0	0.8	28.8	20.4	11.2	31.6	4.1	35.7	(-) 11.4
20.	DVC	20.9	0.3	21.2	13.4	4.9	18.3	0.5	18.8	(-) 6.9 (+) 2.4

\* Excluding subsidy from State Governments.

\*\* Fixed charge is low due to interest moratorium on Government loans for six years.

Notes: 1. Subsidies in 1978-79 are Rs 5.37 crore for Kerala Board, Rs 6.9 crore for Orissa, Rs 12.15 crore for Punjab and Rs 6.0 crore for West Bengal.

2. The average revenue and cost for MPC and Karnataka Board are not comparable with other Boards. MPC being the generating body sells power to Karnataka Board at low tariff as bulk consumer and the Board sells power to the consumers at higher rates. Cost of power for MPC represents the generating cost and the same for the Boards represents mainly transmission and distribution cost.



### (v) Rate of Return for Central Electricity Undertakings

5.27 The three major Central Sector electricity undertakings are the Damodar Valley Corporation (DVC), the National Thermal Power Corporation (NTPC) and the National Hydro Electric Power Corporation (NHPC). The DVC has been a financially self-sustaining operation, earning returns which went up to 20 per cent in 1977-78 before interest charges. During the last five years (1974-79), it financed 59 per cent of its total investment through internal resources.

5.28 The NTPC and NHPC are relatively new Corporations who have recently taken over a number of departmentally run undertakings mostly under construction and two (Badarpur and Baira seal (Sial) in operation). It is planned that NTPC and NHPC will earn a return of 10 per cent on their equity before tax and dividends. The nuclear power stations under the Department of Atomic (Atomic) Energy are expected to earn a return of 12 per cent on total capital. The return on the Tarapur Atomic (Atomic) Power Station, if treated as a separate accounting entity, has been about 16 per cent.

#### CAUSES OF POOR FINANCIAL PERFORMANCE

5.29 The poor financial performance of Boards is the result of several factors. Some of these are:

#### (i) Poor operating efficiencies

5.30 The performance of the thermal stations in particular leaves a good deal to be desired and the causes of this have been explained in the Chapter on Operation and Maintenance (not inserted). Although it is of paramount importance that the utility companies improve their efficiency, the effect of this is not likely to have such a dramatic impact on the financial performance of the SEBs, as is sometimes supposed. For instance, in 1976-77 when the overall plant load factor reached a record high of 55.3 per cent, the highest for the last 15 years, and when the power shortages were not unduly severe (5.8 per cent), the SEBs incurred a revenue loss of Rs 112 crore. The plant load factor, which the Committee feels

would represent a reasonable level of efficiency in the Indian environment is only 2.7 per cent more, viz., 58 per cent.

#### (ii) High fixed costs

5.31 Fixed costs can be high partly on account of low output, high inventories, and a variety of other causes. While the differences in accounting systems make direct comparisons difficult, Appendix 5.1 (not inserted) shows that administration and establishment charges varied from figures as low as 2.3 and 3.0 paise per unit in Gujarat and Maharashtra, respectively, to 6.4 paise in U.P. and 7.6 paise in West Bengal in 1977-78.

#### (iii) Tariff Structure

5.32 The two largest consumers of power today are industry and agriculture accounting for 64 per cent and 14 per cent, respectively, of the total energy sold. Generally speaking, domestic and commercial users, the two other categories of consumers, already pay reasonably high rates. The major areas of subsidy are therefore industry and agriculture. One of the major beneficiaries of these subsidies to industry have (has) been power intensive industries. Turning to agriculture, although the proportion of the total power consumed by agriculture is smaller, the losses on agriculture/rural electrification have been disproportionately high. Table 5.5 gives a Board-wise analysis showing the impact of losses of rural power supplies on the overall performance of the Board. It is apparent that the R.E. (Rural Electrification) programmes have wiped out the surpluses from other consumers by incurring an aggregate loss of Rs 157 crore (approximately) in 1976-77.

5.33 Table 5.6 shows the average cost of supplying low tension power to urban and rural consumers together, because due to lack of data it has not been possible to calculate the cost of supplying the two groups separately. It also shows the large gap between rural tariffs and the cost of LT (low tension) supplies. As urban consumers represent relatively concentrated load centres, it can be safely concluded that the real cost of

supplying the rural consumers is considerably higher than the figures shown in Table 5.6, as is actually the case with U.P.

5.34 There is an increasing tendency to shift from metered supplies to flat tariffs related to the horsepower of the pumpset used, on the grounds of administrative convenience, saving in cost of meters and overcoming the problem of theft.

States like Rajasthan, Bihar, Haryana, Punjab and U.P. have adopted this system. In practice, however, in such States when power is available it is used far in excess of the few hours of operation on which the rate is calculated and in fact offers no incentive for conserving either power or water. When power is not available, it becomes an impost on a consumer for which he gets no benefit.

**Table 5.5 Distribution of Revenue Losses of the Electricity Boards in 1976-77 between Rural Electrification Schemes and Other Schemes**

(Rs lakh)

Sr. No.	State Electricity Board	Net Surpluses/ Losses for the Board	Rural Electrification Losses	Surpluses (+) or Losses (-) from Operations Other than R.E.
(1)	(2)	(3)	(4)	(5)
1.	Andhra Pradesh	(-) 104	1,170	(+) 1,066
2.	Assam	(-) 232	N.A.	(-) 232
3.	Bihar	(-) 1,897	1,220	(-) 677
4.	Gujarat	(-) 1,233	1,200	(-) 33
5.	Haryana	(-) 1,214	1,440	(-) 226
6.	Himachal Pradesh	(-) 418	N.A.	(-) 418
7.	Jammu & Kashmir	(-) 730	N.A.	(-) 730
8.	Karnataka	..	N.A.	..
9.	Kerala	(-) 324	51	(-) 273
10.	Madhya Pradesh	(+) 146	1,070	(+) 1,216
11.	Maharashtra	(+) 1,346	1,640	(+) 2,986
12.	Meghalaya	(-) 251	N.A.	(-) 251
13.	Orissa	(-) 569	680	(+) 111
14.	Punjab	(-) 1,371	1,500	(+) 129
15.	Rajasthan	(+) 579	30	(+) 609
16.	Tamil Nadu	(+) 794	2,080	(+) 2,874
17.	Uttar Pradesh	(-) 4,763	1,370	(-) 1,593
18.	West Bengal	(-) 936	430	(-) 506
Total all Boards		(-) 11,177	15,681	(+) 4,504

Notes: 1. Surpluses or losses shown in this table take into account subsidy from the State Government in these cases where subsidy has been included in the receipt in the annual account.

2. The net surpluses/losses provide for working expenses, interest, transfer to DRF and general reserve and other appropriations also in the case of Karnataka.

Source: R.E. losses in 1976-77 are based on the information furnished by the SEBs to the Committee/data obtained from REC (Rural Electrification Corporation). For the Boards of Assam, Jammu and Kashmir, Karnataka, Himachal Pradesh and Meghalaya, R.E. losses are not separately available.

5.35 There are today no principles guiding the power tariff structure and decisions are made largely on grounds of political expediency coupled with some uninformed thinking on the correlation between cheap power and the economic development of a State. In particular, there is considerable evidence to suggest that in rural areas the beneficiaries of the power subsidies are the larger and more affluent farmers who could well afford to pay the real cost of their power supply. In most parts of India, diesel pumps are

used where power is not available or supply is erratic and despite the fact that diesel pump set power costs more than Re 1 per unit and involves higher capital and maintenance costs, farmers still regard it as a worthwhile input into their farm operations. The case for indiscriminate subsidies on rural consumers as a class has no rationale in a situation where the number of people below the poverty line is large and growing year after year (and) are getting little or no benefit from such subsidies.

**Table 5.6 Average Cost of Power Supplied to LT Consumers by SEBs and Tariffs for Agricultural Purposes in April, 1979**

				(Paise per unit)
Sr. No.	Name of Electricity Boards	Average Cost of Power at LT End		Agricultural Tariffs in April, 1979
(1)	(2)	Year (3)	Average Cost (4)	(5)
1.	Andhra Pradesh	1978-79	48.64	16
2.	Assam	1978-79	48.93	21
3.	Bihar	1976-77	51.22	7.4*
4.	Gujarat	1976-77	33.23	23
5.	Haryana	1977-78	26.10	20/22*
6.	Himachal Pradesh	1978-79	29.00	9-8
7.	Jammu & Kashmir		N.A.	10
8.	Karnataka	1976-77	28.26	20-22
9.	Kerala	1977-78	50.14	10
10.	Madhya Pradesh	1976-77	49.14	16
11.	Maharashtra	1977-78	42.02	22
12.	Meghalaya		N.A.	17
13.	Orissa	1978-79	68.79	16
14.	Punjab	1976-77	36.70	12.5/17.4*
15.	Rajasthan	1976-77	45.82	23/13.4, 22.8*
16.	Tamil Nadu	1977-78	43.04	12-14
17.	Uttar Pradesh	1978-79	44.04**	16.1*
18.	West Bengal	1976-77	48.50	35

\* BHP (British Horse Power) rate per annum converted to kWh rate assuming operation of 1,200 hours in a year.

\*\* 67 paise for rural areas.

Source: Average cost of LT end is based on the information obtained from SEBs and REC.

5.36 The stark reality of the current situation is that there have been sharp increases in the costs of all inputs going into the power industry - plant, wages, coal, fuel, oil, cement, steel, aluminium and transportation. Partly due to resistances from the State Governments or partly just lack of awareness of even relatively simple economic realities, the case for evolving a rational tariff structure has neither been studied nor does it seem to be a cause of concern, both to States and the SEBs. The realisation that, as things stand, the Centre has no option but to bail out improvident Boards has been a contributing factor to their financial indiscipline.

#### Transmission And Distribution (T&D) Losses

5.37 Although some Electricity Boards are showing a fall in T&D losses, the national trend is towards a steady increase (see Table 2.19 and Appendix 5.2) (not inserted). This has been the result of a falling emphasis on T&D in relation to generation over a long period and as a result of

which the system is becoming increasingly inefficient. Included in these losses, there are many cases of thefts not merely of power but of electrical equipment like transformers and switch-gear belonging to State Boards.

#### Arrears of Revenue Collection

5.38 Systems of billing and collection in many States are slow and ineffective. Sums outstanding and payable to the SEBs in 1977-78 amounted to Rs 309 crore. Besides delays in billing and collection, payments of bills by various bodies - even Government and public sector agencies - get tied up in legal disputes.

#### Delays in Project Implementation and Commissioning

5.39 The substantial delays that take place in executing projects and commissioning has added substantially to the interest paid on works-in-progress and led to significant increases in costs

on account of inflation.

### **Poor Accounting and Management Information Systems**

5.40 The absence of uniformity in the preparation of annual accounts, the obvious errors in computing profit and loss accounts, delays of more than a year in preparing balance sheets and the near absence of a Management Information System which can focus the attention of management at various levels on the critical problems facing the SEBs, brings one to the conclusion that most of the non-technical inputs that are required for the efficient running and management of SEBs are almost non-existent. Likewise there are no statistical or economic cells which can advise on matters such as pattern of load growth, tariff fixation, or carry out inter-division and inter-Board comparisons - all inputs which a Board must have, to plan its growth, control costs and operate as an efficient and viable industry.

5.41 The fact that several SEBs report on a cash basis and not on accrual basis which is the accepted system for the preparation of all commercial accounts, is illustrative of this general lack of competence in the accounting organisation. The forms prescribed by the Comptroller and Auditor General (C.A.G.) also appear to go into unnecessary details as a result of which it becomes difficult to see the wood for the trees. For instance, the excessively detailed classification of the various parts of a power system for the purposes of calculating depreciation or the break-down of heads of expenditure into, say, the different kinds of poles to be used for distribution systems, does appear to go into excessive detail for no good purpose. The reason for this lack of professional inputs, which applies to other aspects of the Board's working, probably arises from the fact that most Boards began as departmental undertakings and the financial objectives and practices of Government departments have persisted and no great effort to change them has been made.

### **RESULT OF POOR PERFORMANCE**

#### **(i) Slowing down of Investments in Power Sector**

5.42 On account of the various factors mentioned in the preceding paragraphs, partly within the control of the Boards and partly beyond, the State Electricity Boards have been facing serious financial and ways and means difficulties. The recurring losses incurred by them even after two decades of their formation has (have) placed a heavy burden on the State Governments.

5.43 The demand for electricity has been increasing all over the country and this calls for substantial investments. Successive Five Year Plans have placed greater emphasis on power development and allocated a growing share of the total public sector investments to power. Whereas in 1974-75, about 50 per cent of the SEBs capital outlay had come from the States' resources by 1978-79, it had risen to 56 per cent (see Table 5.1). This understates the impact on the States' resources, because of the rapidly increasing capital intensity of power projects. As a result, as compared to 1951-56 when only 19.8 per cent of the State Plans were devoted to power, by 1978-79, this figure had risen to 33.2 per cent. It is clear that any further increase in allocation of funds from the States exchequer for power will adversely affect the other priority sectors of development. The failure of the Boards to raise adequate resources has thus generally resulted in a slowing down of the pace of investment in the power sector. Power being an essential input for economic development, this has adversely affected the overall pace of economic development in the country.

#### **(ii) Erosion of SEBs Autonomy**

5.44 Under the Electricity Act the Board has been given wide powers, both financial and administrative, and does not need to seek the concurrence of the State Government even in major items of capital expenditure, appointment and terms and conditions of service of all staff (other than the Chairman and full-time members of the Boards), tariffs, revenue expenditure, and

so on. The Government can only give written directives to the Board on policy issues but what those 'policy' issues are have not been clearly defined. In practice however, the combination of a lack of job security of the full-time Board members including the Chairman and the need to go to the State Government for loans even to carry on their day-to-day business, has helped to reduce the Boards to a position of total subservience where the concept of autonomy, as it is commonly understood, has no meaning.

### (iii) Transfer to Resources

5.45 At the behest of the State Governments, the Boards continue to supply electricity at subsidised rates to agricultural, industrial and other groups of consumers, thereby incurring heavy losses. These losses are partly made good by raising tariffs for other consumer groups, such as domestic and commercial consumers, but such cross subsidisation has been ad-hoc in nature and as pointed out earlier, has not enabled the Boards to earn sufficient returns to finance their future expansion requirements or even to meet their revenue expenses in many cases. This situation has led to two anomalies. Firstly, the practice of cross subsidisation of tariffs has resulted in transfer of resources as between the different categories of electricity consumers without any clear principle being adopted and therefore its rationale can be questioned. Secondly, the inability of the Boards to earn adequate surpluses to meet their commitments has resulted in the requirements of the power sector being largely met from public taxation. This has led again to a transfer of resources from the tax payers (who are not necessarily all consumers of electricity) to those who consume electricity without the objective or principle underlying such transfers having been established.

### (iv) Problem of Attracting external Finance

5.46 The low internal resource generation of the power sector could pose problems of finding sufficient resources for the sector from external sources. As already stated, there is a limit to the funds that can be allocated by Governments from

the exchequer for power development, considering the requirements of the other priority sectors of the economy. In view of this, the resources that are required for future power development may have to be augmented significantly by financial institutions within and outside the country. The funds that can be attracted from these sources will obviously depend upon the ability of the power supply undertakings to generate adequate returns on their investments. If the level of returns that are generated by the undertakings continues to be as low as it is now, it will become increasingly difficult for the undertakings to attract investment from financing agencies.

#### RECOMMENDATIONS

##### *Policy Objectives*

5.47 Considering the circumstances that led to the poor financial performance of the electricity undertakings on the one hand and the challenge of having to raise massive resources for financing its future growth on the other, it is necessary to formulate clearly the financial and tariff policy objectives that should guide the working of the undertakings in the future. These may be set out as follows:-

- (a) Financial returns should be adequate to sustain the growth of the utility without excessive dependence on external finance. Precautions have however to be taken to prevent monopolies like SEBs from exploiting consumers.
- (b) Tariffs should be related to both costs and the consumers capacity to pay.
- (c) Tariffs should discourage waste, promote only justified use of power and increase capacity utilisation by flattening the load curve.
- (d) A distinction should be drawn between the role of a utility as outlined above and the policy of the State to grant explicit subsidies to special categories of consumers and levy duties on others as part of a wider socio-economic objective.

If accepted, these objectives may be incorporated into the Electricity Act so that the tariff and financial policies of Boards can be modified to meet them. These objectives are discussed in detail in the following paragraphs.

### **Rate of Return**

5.48 The State Electricity Boards, Central Sector undertakings, State Departmental and other electricity undertakings should run on commercial principles and should earn a minimum rate of return on capital investments. In examining this issue, four questions, which the Committee has considered, are:-

- (i) What should constitute the capital base on which a return has to be prescribed?
- (ii) How should this return be calculated?
- (iii) What should be the capital structure?
- (iv) What should be the rate of return?

Each question is examined in the following paragraphs.

#### **(i) Capital Base**

5.49 It is a well accepted principle that in calculating the rate of return, works-in-progress which do not contribute to income should be excluded from the capital base. The present accounting practices, as mentioned earlier, classify as works-in-progress, capital assets which are completed and are productively used but in respect of which audit and accounting formalities are not over or which are a part of a larger scheme. The Committee recommends that the works-in-progress should be genuine and should not include an asset which is commissioned for production. Subject to this condition the capital base should be defined as the average at the beginning and the end of a financial year of the total of the gross value of the fixed assets in operation and cost of intangible assets and working capital to the extent of 1/6th of the administrative and operative costs for the fiscal year reduced by the amount of accumulated depreciation, consumers' contributions to fixed

assets and security deposits from the consumers, i.e., the same base as is used for calculating the return on external borrowings (para 5.12).

#### **(ii) How Should the Return be Calculated?**

5.50 The return should be calculated by taking the gross revenue receipts of the Board consisting of revenue from tariffs, subsidy from the Government and miscellaneous receipts like meter rents, licence fees, etc. (excluding receipts from electricity duty) and subtracting from it - operating cost consisting of fuel cost, cost of power purchases, administration and establishment charges, operation and maintenance charges and Central excise payments and provision for depreciation of fixed assets in use; and dividing this net revenue figure by the capital base as calculated above.

#### **(iii) Capital Structure**

5.51 The capital structure of a Board should continue to have two parts, viz., loan capital and own resources. The Committee is not at this stage in favour of any conversion of the outstanding loans into equity/share capital or future Government participation by way of share capital. An equity base may have some merits if there was a prospect of the Boards paying a dividend to Government or if it were to help the Boards to attract funds. Neither of these considerations applies because, for the foreseeable future, Governments will have to continue to make a contribution to the capital resources needed by utility companies and the absence of an equity base is not likely to come in the way of attracting external finances. On the other hand, there is a risk that, because there is no compulsion to service equity whereas there is a commitment to repay interest on loans, a conversion of loan into equity will optically improve the revenue picture of the Boards and will reduce the pressure on them to improve their financial performance.

#### **(iv) Prescribing a Rate of Return**

5.52 The Committee would recommend that the annual rate of return, based in the method of

calculation as shown in para 5.50 should be 15 per cent of the average capital base, i.e., after providing for operating expenses and depreciation. On this basis the net returns of the Electricity Boards as a whole, which would provide the internal resources for the capital outlays, would be roughly 6 per cent<sup>@</sup> of the average capital base (inclusive of internal resources) after meeting interest on the loan capital both in respect of the completed works and works-in-progress. The actual generation of internal resources will vary from Board to Board depending upon the proportion of the capital tied up in works-in-progress to the total capital. The gross return of 15 per cent has been recommended on the assumption that the average composite lending rate (i.e., weighted average of the interest rates being charged by the Government and other lending institutions) to all State Electricity Boards taken together is 7 per cent. If this interest rate should rise or is higher in the case of a particular State Electricity Board, then the return of 15 per cent must be increased correspondingly. The return of 15 per cent should be equally applicable to Central sector undertakings on the basis of the total capital employed (to be calculated in the same manner as for SEBs) but likewise adjusted for the rate of its borrowings. The figure of 15 per

cent which is prescribed by various Government agencies including the Planning Commission as a target return on capital employed, is by no means excessive considering the scarcity of capital and the need to find sufficient internal resources. The return should be exclusive of any electricity duty that the State wishes to levy but inclusive of any subvention made by the State Government in order to subsidise any class of consumer or any programme.

#### Effect of Achieving the Recommended Rate of Return on Resource Generation

5.53 The likely order of resources required for the power-plan for the next 21 years has been referred to in para 5.5. An attempt has been made to work out what a return of this order would lead to in terms of internal resource generation during the next four Plan periods. Net internal resources from the industry on the basis of returns prescribed would amount to about 50 per cent of the total investment in power sector in the last decade of the century. Internal resources include profits and transfers to depreciation reduced by interest liability (including works-in-progress) and repayment of loan liabilities. The position is shown in Table 5.7(A).

**Table 5.7(A)\*. Internal Resources Likely to be Generated by the Power Industry during 1980-2000 AD for Financing the Five Year Plan Outlays on the Basis of Recommendations of the Committee**

(At 1979-80 Prices)					
Period	Additions to Capacity (MW)	Plan Investment Required (Rs Crore)	Cumulative Investment at the End of each Plan (Rs crore)	Net Internal Resources (Rs crore)	Proportion of Net Internal Resources to Plan Outlays (per cent)
(1)	(2)	(3)	(4)	(5)	(6)
1980-85	20,000	18,140	37,140	6,312	29.28
1985-90	24,000	28,170	65,310	11,337	40.24
1990-95	28,000	39,780	10,5090	18,046	45.36
1995-2001	38,000	67,530	17,2620	36,461	54.00
Total	110,000	153,620			

\* In the original Report, this table is numbered 5.7. But inadvertently the next table is also numbered 5.7. Hence to differentiate, here it is numbered 5.7(A) and the next, 5.7(B).

These figures represent an aggregate for both the Centre and the States.

<sup>@</sup> Gross return of 15 per cent *minus* 6.2 per cent representing interest on capital base and 2.6 per cent representing interest on works in progress.

### **Interest on Works-in-progress**

5.54 The Committee has given serious consideration to the suggestion that utilities should adopt the conventional practice of capitalising interest on works-in-progress rather than debit it to the revenue account. The Committee has not favoured this because of the effect the commissioning of a large project would have on the tariff if the principle of maintaining a constant return on capital is accepted. Projects, especially large super thermals and hydels, are becoming increasingly capital intensive and gestation periods are likely to increase. The effect of adding interest during construction to capital cost would require a further increase in tariffs when the project is commissioned. In effect, the non-capitalisation of interest amounts to present consumers partly bearing the cost of providing power for future consumers. However, for purposes of cost control on projects, the Committee would recommend that internally the Boards and other utilities should formulate project costs on the basis of capitalising interest charges, so that the financial cost of time over-runs is clearly brought out. At present only a few Boards, for example, Bihar, Rajasthan and West Bengal capitalise interest charges and the Committee recommends that the practice followed by the majority of the Boards today, of debiting interest on works-in-progress to the revenue account, be continued and other Boards should conform to this practice.

### **Rate of Interest on Government Loans**

5.55 An examination of the interest rates in regard to past and present loans advanced by the State Governments to the Electricity Boards shows that they vary widely from Board to Board and from time to time. The interest rates for the recent Government loans, for example, vary between 6 per cent to 11 per cent per annum. The Committee is not in favour of changing the terms of loans already taken. However, combinations of these variations with the varying proportions of Government to non-Government loans would mean that the average rates of interest at which

Boards borrow would vary so widely that any attempt to get some broad uniformity in tariffs as between States would become virtually impossible. The Committee, therefore, recommends that all future Government loans to SEBs and other utilities should carry an interest rate which is 0.5 per cent above the rate at which the State Government borrows from the market for loans maturing over a period of 10-12 years. The Central Government should also try and ensure that its own loans to Central Government undertakings are broadly in line with these rates of interest.

### **Contingent Interest Liability**

5.56 To enable the State Electricity Boards to start on a clean slate, the Committee recommends that the contingent interest liability for each Board should be converted into an interest bearing loan carrying a rate of interest equivalent to the rate at which the State Government borrowed from the market during that year (for a loan of 10-12 years) plus 0.5 per cent for servicing charges.

### **Provision for Depreciation**

5.57 At present there is no uniformity in regard to provisions made by the Electricity Boards for depreciation on fixed assets in use. The form prescribed by the C.A.G. under the Electricity (Supply) Act, 1948 is cumbersome and ad-hoc provisions are made by the Boards taking various assets clubbed together. A scrutiny of the provisions made by the Boards in 1978-79 shows that generally provisions for depreciation varied between 3-3.6 per cent of the total block capital. The percentage is below 3 in Haryana, Himachal Pradesh, Jammu and Kashmir and Meghalaya, and in Andhra Pradesh it is 4.2 per cent. The Committee recommends that the C.E.A. should set up a committee to examine this question in detail and prescribe a simplified and more rational formula for calculation of depreciation charges, more in line with normal commercial practice.



### **Receipts from Electricity Duty**

5.58 The question of electricity duty being considered a source of revenue to the Boards was discussed with several Boards and has also been discussed by an earlier Committee. This Committee is not in favour of any mixing up of tariffs and electricity duties. Tariffs are prices and duties are taxes, though both are ultimately paid by the consumers. If the Boards are to have commercial viability and independence, tariffs plus subsidies should be adequate to yield the prescribed return. Besides, the purposes of taxation are many and varied such as curbing luxury consumption, raising revenues, encouraging substitution, etc. In a fast changing energy situation, taxation will have to play an important role. It would, therefore, not be proper to club together tariffs and duties as if both are going to serve the same purpose. Revenue from electricity duties should continue to be the resources of the State Governments.

### **Central Excise Duty on Electricity**

5.59 Currently this duty, although levied by the Central Government, is passed on to the State Governments by way of share of excise duties. In computing the States' resources the 7th Finance Commission have taken this into account in the assessment of the States' resources. The Committee recommends that the next Finance Commission may consider the proposition that these excise duty receipts should form a part of the resources of the SEB, and converted into an equivalent increase in tariffs.

### **Implications of a 15 per cent Return on Present Tariffs**

5.60 At current levels of operational efficiencies, the implications notionally of a 15 per cent return on capital employed would be a 40 per cent increase in tariffs, taking the country as a whole. The actual increase will depend upon the performance and existing tariffs of the Boards in each State and in some, a higher increase may be required and in others, less.

This increase could be moderated or future increases would be smaller if operational efficiencies could be improved and superfluous staff, excess inventories and all other contributors to costs could be curbed.

### **Exemption from Income-Tax Liability**

5.61 In terms of Section 80 of the Electricity (Supply) Act, 1948 an electricity Board is deemed to be a company within the meaning of the Income-tax Act, 1922 and is liable to income-tax on its income, profits and gains. The Committee understands that so far no State Electricity Board has presented accounts which were liable to income-tax. Many of the Electricity Boards as well as State Governments have represented to this Committee that to enable the Boards to raise maximum resources for their investments, the Electricity Boards should be exempted from income-tax liability. The Boards have argued that the reluctance on the part of the State Governments to raise tariffs is attributable to the fear that the Board would become liable to payment of income-tax to the Central Government and hence the imposition of electricity duty to mop up surpluses. It must, however, be pointed out that if the Boards were to take advantage of the income-tax provisions relating to depreciation and development rebates, for a long time to come they will not be liable to income-tax. However, to remove any psychological barriers to resource mobilisation that the apprehension of an income-tax liability may arouse, the Committee recommends that the Electricity Boards, through suitable legislation, be exempted from income-tax.

### *Tariff Structure*

### **General Tariff Rates Today**

5.62 In general, tariff rates have not kept pace with the rise in costs and have lagged behind the prices of primary fuels such as coal and petroleum products including kerosene and diesel, all of which are heavily subsidised. Table 5.7(B) below illustrates this.

Table 5.7(B)\*. Growth in the Price Indices

Year (1)	All Commodities (2)	Coal (3)	Kerosene (4)	Diesel Oil (5)	Electricity (6)
1961	100.6	100.0	100.0	100.0	100.0
1962	104.1	104.2	98.9	99.8	105.8
1963	107.9	110.8	126.4	123.6	112.2
1964	119.1	114.8	135.2	128.9	119.2
1965	128.9	120.4	141.9	117.5	122.3
1966	144.3	126.9	154.4	115.4	135.4
1967	166.0	141.3	154.8	119.3	137.8
1968	165.3	159.9	156.3	120.8	140.7
1969	168.8	164.7	168.8	122.8	143.4
1970	179.2	167.9	176.0	121.6	148.3
1971	186.1	169.1	182.8	126.4	152.9
1972	200.7	173.6	199.4	130.5	157.7
1973	239.3	189.7	214.7	139.9	161.5
1974	303.0	230.8	317.9	286.7	196.7
1975	309.2	288.0	354.1	324.2	230.8
1976	301.0	333.4	405.7	341.9	254.1
1977	326.1	333.4	405.7	341.9	269.7
1978	325.4	354.0	411.3	345.3	4.6

\* See note for Table 5.7(A).

5.63 Likewise the failure of tariffs to keep pace with rise in costs is reflected in Table 5.8 below from which it will be observed that the cost as a proportion of the revenue has been going up from 69 per cent in 1950-51 to 76 per cent in 1975-76. The result has been smaller and smaller surpluses.

Table 5.8. Cost of Energy and Average Revenue per Unit Sold

Year (1)	Cost per kWh Excluding Purchase of Electricity (paise) (2)	Revenue per kWh Sold to Final Consumer (paise) (3)	Cost as a Proportion of Revenue (%) (4)	Revenue per kWh (paise)			
				Industry (5)	Agriculture (6)	Commercial (7)	Domestic (8)
1950-51	4.5	6.5	69	4.7	N.A.	N.A.	N.A.
1960-61	6.4	9.1	70	6.6	6.3	N.A.	N.A.
1964-65	5.9	9.0	66	5.3	7.6	14.3	21.0
1969-70	8.2	12.4	66	9.1	13.8	N.A.	23.9
1970-71	9.0	14.9	60	9.7	14.2	N.A.	25.0
1971-72	9.9	13.9	71	9.9	14.4	25.1	24.8
1972-73	11.6	14.9	78	10.8	15.6	28.4	24.7
1973-74	12.7	15.9	80	11.5	16.0	27.2	26.0
1974-75	16.0	20.4	78	15.4	18.9	35.7	27.0
1975-76	17.4	23.0	76	18.8	21.9	38.8	29.0

### Tariff Structure

5.64 The recommended objectives of tariff policy have been outlined in para 5.47. The question of the rate of return has already been discussed and a recommendation made. As regards the question of fair distribution of costs among consumers, the Committee would recommend two principles to be adopted. They are-

5.65 No single class of consumers (to be classified according to end use and the voltage at which power is received) shall be sold power at less than cost. 'Cost' for this purpose is to be defined as the costs of meeting all operating expenses plus the depreciation of the assets that can be allocated to each class of consumer, i.e., the interests on borrowed funds and return on capital can be excluded. It is recognised that this

is not a strictly equitable allocation of costs as they vary according to the location and type of load even within a consumer category. The Committee is of the view, however, that such fine tuning of tariffs, while desirable, is not practicable. Within a State there should be one uniform tariff for each category of consumer.

5.66 Any consumer group or region which the State, for meeting its socio-economic objectives, feels should be sold power at less than this cost, specific written instructions to this effect should be given to the Board and the loss\* on this account must be given as a specific and quantified subsidy to the State Electricity Boards. Such subsidies should form a separate item in the Budget so that the public is aware of the quantum of subsidies and its recipients and can be voted on by the Legislature. The Committee would recommend, however, that such subsidies should be made highly selective and wherever possible for a limited period of time.

5.67 Groups which in the Committee's view qualify for such subsidies are the really poor, small and marginal farmers, landless labourers, artisans and urban slum dwellers. Where subsidies are extended to electrification programmes in remote rural areas, in order to compensate the Board for the initial low load and heavy capital costs, these should be tapered off after five years or so when the load develops.

5.68 The Committee would emphasise the need to set up suitable administrative mechanisms for ensuring that subsidies for the poor do in fact reach the poor and do not go, as often happens with programmes for this target group, into the pockets of middlemen and affluent farmers.

5.69 Subject to the above, the Board should be left free to fix tariffs so that the overall objective of a return on capital base is met. In working out such tariffs no hard and fast rules can be laid down but the following principles may be kept in mind:

- (a) Tariffs should recognise that peak hour consumption adds directly to the demand on capacity. By working on the principles of marginal costs scaled down proportionally to realistic levels, it is possible to ensure that consumers pay for power in relation to the cost of providing it.
- (b) The capacity of the consumer to pay is taken into account.
- (c) Conservation measures are given incentives. The importance of this has been referred later on in this Chapter.

5.70 In regard to (a) above, the Committee would recommend that time differentiating meters be installed for all bulk consumers who take loads of 1 MW and above, so that their peak hour consumption and off peak consumption can be measured and charges levied accordingly. There is scope in most industries and the bigger commercial offices to minimise peak hour demand and if the price differential makes it worthwhile, the Committee believes that many consumers will respond and help flatten the load curve. Carrying peak hour tariff pricing to smaller industrial consumers or domestic consumers would involve heavy investment in equipment and manpower and is not worth doing at present.

5.71 Coming to (b) above, power charges (except in power intensive industries) usually constitute a relatively small portion of the total added value in industrial operations and increases in tariff should not affect their production costs significantly. Likewise domestic and commercial consumers who can afford to use air-conditioners, lifts and refrigerators and other electric household appliances can be made to pay for these through inverted block tariffs, namely, the larger the quantum of power used by a consumer the higher the rate.

### Conservation

5.72 Reference has been made elsewhere to the need for encouraging conservation and curbing the wasteful use of power that takes place in many sectors of the economy. The Committee endorses

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\* (inclusive of loss of return).

the views of the Energy Policy working Group at that tariff structure should fully reflect the real economic cost of providing power to the consumer, so that the financial advantages of taking conservation measures, reducing waste and improving the efficiency of consumption of power become worthwhile. In fact in the case of several consumers, economic prices may not be enough to make the effort to save power worthwhile and still higher tariffs may be necessary.

### **Rural Tariffs**

5.73 The Committee would draw special attention to the present high levels of tariff subsidies extended to farmers as a group. Studies, for instance, the Agricultural Census (1971) for U.P., referred to in the Chapter on Rural Electrification, show that the major beneficiaries of these subsidies are large and medium farmers most of whom can well afford to pay the full cost of power including the recommended return on the capital employed. Studies referred to in the Chapter on Rural Electrification show that the benefit cost ratio of electricity to the agriculturist who uses it efficiently is so high that even diesel power can be economically justified. The Committee therefore, recommends that general agricultural tariffs must reflect the full cost of supplying power including the full rate of return.

5.74 As mentioned earlier, there is a strong case for administratively effective measures which give incentives for the small and marginal farmers, both for pump energisation and domestic lighting as also for the landless labourers and artisans but not for the larger farmers. Unfortunately the political will to take measures, which are mistakenly felt to be harmful to agricultural interests as a whole but are economically fully justified, does not appear to exist.

### **Power Intensive Industries**

5.75 A significant class of consumers which require special mention are power intensive industries which traditionally have had the benefit of excessively subsidised tariffs and in many cases still continue to do so. Amongst these are

aluminium, are furnaces, caustic soda and calcium carbide. The Committee sees no justification in such subsidisation and on the contrary feels that it has led to power being less efficiently used than can be achieved with upto date technologies. It also tends to distort decisions on the priority to be attached to power intensive industries in the national planning strategy.

5.76 The Committee would recommend that subject to these guidelines the Boards should have some freedom to carry out cross subsidisation of consumers to suit its own load growth profile but on no account, except where explicit subsidies are granted by the State Government, should consumers be charged prices which are below cost.

### **Inter-State Competition**

5.77 The Committee notes with concern that States have been vying with each other in attracting industries to their States by offering subsidised power tariffs. This is ruinous to the finances of the government/SEBs and the only beneficiaries are the entrepreneurs who really do not need them as, in fact, they place a much higher value on such things as the totality of the infrastructure, on the quality rather than the cost of power, the availability of skilled and managerial manpower, water supply and transport services, the access to raw materials and the market, the industrial relations climate, the attitude of the State Government to industry in regard to providing facilities and taking decisions quickly, the law and order situation, etc. The Committee would urge therefore that such subsidies should not be offered and that if a State insists on doing so it must be explicitly given as a subvention to the Board at a rate equal to the difference between the rates charged and the price, including the full return on capital as prescribed and voted through the budget. It is only in highly power intensive industries that power costs become critical. If such industries tend to get located in places where power costs are naturally lower, this would, in terms of holding down prices, be a favourable development. In any case, for large consumers like those pulling aluminium smelters, the

Committee has recommended in para 2.109 that they should be permitted to put in their own captive power plants.

### **Norms of Performance**

5.78 The Committee has repeatedly been urged by various consumer interests that the inefficiencies of the SEBs and other utility companies should not be passed on to the consumer in the form of higher tariffs. The Committee recognises the merit of this argument and would, therefore, recommend that minimum norms of performance, which should be lower than the optimal norms, be prescribed for all aspects of the SEBs' performance. These norms would relate to its physical and financial performance, i.e., capacity utilisation, consumption of fuel, staff costs, repair charges and inventory levels. Tariffs should be formulated on these minima so that the failure to achieve them reflects itself in a lower return to the SEB than has been recommended and likewise Boards which do better build up reserves faster and can expand more rapidly. In recommending minimum rather than optimal norms, the Committee has been guided by the consideration that losses or failure to generate adequate internal resources ultimately leads to an increase in burden on the general tax payer.

5.79 In order to arrive at a set of norms, both minimum and optimal, based on uniform principles and methodologies for utility companies throughout the country, the Committee recommends the setting up of an expert group to be termed the Bureau of Electricity Costs and Prices (BECP) as an independent body under the Ministry of Energy on lines somewhat similar to the Bureau of Industrial Costs and Prices (BICP). This would be a multi-disciplinary body consisting of economists, management accountants, tariff experts and electrical and industrial engineers, etc. The BECP should be given statutory status to give it authority and prestige, though its reports would be recommendatory as far as the State Electricity Boards and the Central Government are concerned. The Bureau would be expected to evolve operating and financial norms

on the basis of which a practical and sound system of tariffs could be evolved for different State Electricity Boards.

5.80 In addition to overall performance figures Boards would work out their cost structure in respect of various consumer categories on the basis of the guidelines given by the Bureau from time to time. The Bureau would have the authority to call for such records and make such reports as the Ministry of Energy may consider necessary. The tariffs evolved by the different State Electricity Boards would also be required to be shown to the Bureau, whose advice would be taken into account in finalising the tariffs. If the Bureau is manned with experts of the requisite quality and led by men of stature, it is expected that its recommendations would command respect from the legislatures as well as Governments at the State and the Central levels.

### **Flat Rate Tariffs**

5.81 A few States like Bihar, Haryana, Punjab, Rajasthan and Uttar Pradesh have adopted flat rate tariffs (based on H.P.) (Horse Power) for agriculture. This tendency is gaining ground in other States also mainly owing to administrative simplicity. The Committee feels that flat rate tariffs invariably encourage wasteful use of energy as the marginal cost for use of electricity becomes zero in such a case. Moreover, such unmetered supplies make it impossible to measure the distribution losses of electricity in the system. A clear directive should be issued to all States not to adopt such flat rate tariffs in respect of any sector whatsoever and to tackle directly the administrative problems of enforcing metering. If the issue of such directives requires an amendment of the Electricity Supply Act, such changes should be made.

5.82 Considering the far-reaching implications of tariff policy, the Committee recommends that the State Electricity Boards should greatly strengthen their commercial wing so as to be in a position to carry out detailed studies on the lines indicated above. This will obviously call for

multi-disciplinary groups to be set up. Economists and accountants familiar with the subject should be inducted into the commercial wing of the SEBs and in addition, engineers should be provided training in costing and financial analysis to equip them to understand the objectives and principles of tariff formulation.

### *Accounting Practices*

5.83 In order to ensure that the utilities prepare and maintain their accounts in a uniform way, the Committee would recommend that the CEA form an expert group to prescribe in complete detail such tasks as how accounts should be kept, how budget should be prepared, how the internal audit should be carried out and set time limits for completion of various tasks. The changes which the Committee would like to recommend are:-

- (a) Accounts should be presented on accrual concept and not on a cash basis.
- (b) Assets in use should comprise all projects and works which have been completed and commissioned, though there may be accounting formalities, disputes in settlement of bills, etc., still pending.
- (c) Rational principles should be evolved and followed for classification of expenditure between revenue and capital.
- (d) Costs of excess staff, on the basis of norms prescribed by the BECP, should be clearly brought out and the divisions of the SEB where such surpluses exist identified.
- (e) The accounting heads should not only be terminologically uniform (uniform) but should also refer to the same items in actual practice. The ambiguity in regard to classification of items as between different heads that exists today should be removed.
- (f) The Sections in the Act relating to disposition of revenues should specify whether they relate to discharge of cash or accrued revenues.
- (g) Inter-divisional and inter-branch transfers should be immediately and properly credited to the relevant heads of account rather than shown under a suspense account.
- (h) Accounts should exhibit cost of supplying electricity at different voltage levels.

(i) The annual accounts of the Electricity Boards should be audited and published within six months after the expiry of the financial year.

(j) Performance budgeting should be introduced by the Electricity Boards. The budget documents should include a Section on the financial allocations and actual expenditure incurred for various projects, schemes and works undertaken and also the physical targets and achievements. To start with, these details could be presented along with the budget in a separate volume, giving explanatory notes.

(k) Internal audit procedures should be modernised to move away from merely checking vouchers and looking for minor technical irregularities to examining procedures and systems which could reduce costs, plug major leakages or misuse of funds and improve efficiency.

To ensure that these practices are adopted uniformly across the country, the CEA should issue detailed guidelines and proforma (proformas) to the SEBs and suitable amendments made in the Electricity Act, to get SEBs to adopt these practices.

### *Inter-State Tariffs*

5.84 Inter-State exchanges of power are a matter of increasing importance in the management of the power supply industry. The uneven distribution of power resources and requirements in the country between States has been discussed in the Chapter on Power Planning (not inserted). As power planning has to be based on the concept of regional optimisation, the mismatch between power generating resources and power requirements in individual State systems is bound to increase in future and inter-State flows of power will grow. Exchanges of power will also not be confined as at present to transactions between State owned stations when centrally owned super thermal stations go on stream. It is, therefore, necessary to formulate some principles which

could govern inter-State and Central tariffs so that power which flows from States and Central generation stations is priced on a rational basis.

### **Summary of Recommendations of Previous Committees in regard to Inter-State Tariffs**

5.85 The principles that should form the basis for the fixation of inter-State tariffs were examined in the past by two Committees. The recommendations of one of these Committees set up in 1966 and headed by Shri K. Venugopal were in brief, that inter-State tariffs should be based on the pooled cost of generation and transmission applicable to the selling Board. A two-part tariff covering fixed and variable costs was recommended in the case of all long-term supplies. In addition, in the case of long-term commitments exceeding three years, the tariff was also to provide for a 3 per cent profit element. As far as restricted power supply, i.e., peak/off-peak supply is concerned, it was recommended that it should be left to the parties concerned to negotiate a mutually acceptable tariff. In all other cases of inter-State exchanges, the tariff was to be based only on the variable costs. These recommendations of the Committee were by and large accepted by the Central Government, subject to some modifications in so far as they relate to the profit margins. While agreeing with the Venugopal Committee's recommendations in regard to the profit margin to be allowed in the case of long-term supplies, the Government felt that there should be similar profit margins allowed on a reduced scale in the case of the other categories of inter-State sales also. The Government expressed itself against the levy of any kind of duty on the sale of power between States. The Government further suggested that CEA should be the final authority to arbitrate on all disputes arising in regard to inter-State tariffs. However, in practice few of these recommendations have been implemented.

### **Present Practices**

5.86 The present guidelines for inter-State transfers which have been evolved after discussions at meetings of Regional Electricity Boards,

vary for different categories of transactions and are different from region to region. Appendix 5.3 (not inserted) gives these guidelines in tabular form. The Committee understands that very often these guidelines also are not always followed in practice. Cases have been noticed, for instance, where two States have made a barter deal involving the exchange of power for commodities such as rice, aluminium, etc., and quite frequently these decisions have been arrived at on political rather than techno-economic considerations. The Committee feels that it is important to evolve and enforce equitable and uniform practices in inter-State exchanges of power as well as to develop rational principles for the pricing of power sold by Central stations to different State systems. The objectives of such tariff fixation should be to encourage the flow of power between State systems so that the objective of integrated regional grid operations is facilitated.

### **Tariff Fixation as between State Systems**

5.87 Inter-State exchanges of power can conceptually be divided into the following categories:-

- (a) Long-term agreements (i.e., for more than one year) by States with surplus generating capacity with neighbouring deficit States.
- (b) Short-term commitments by States having a surplus capacity for a limited period.
- (c) Economy exchanges between State systems covering-
  - (i) Peak/off-peak exchanges;
  - (ii) backing down of the thermal station in one State system to take advantage of cheaper energy generated in another thermal station, i.e., merit order generation being applied on a regional basis;
  - (iii) backing down of thermal generation to take advantage of spillage conditions in hydel reservoirs.
- (d) Emergency/unplanned exchanges between State systems.
- (e) Wheeling of power from one State system to another State system, using the facilities of an intermediary third State system.

5.88 Before examining each category, the Committee would like to refer to its recommendation in the Chapter on 'Power Planning' (not inserted) that there should in future be no bilateral exchange of power between States. With the setting up of Regional Electricity Authorities (REAs), all power should be bought and sold by the REAs whether it originates in Central or State owned stations.

### **Long and Short-term Exchanges for Specified Periods**

5.89 In such cases, the Committee recommends that tariff should be related to the highest incremental cost of generation of the selling State plus an element of profit to ensure a return of 15 per cent on the additional facilities used including the relevant transmission facilities. The calculation of this return should be on the same basis as has been recommended for the SEB as a whole in para 5.52. The principle underlying this recommendation is that the selling system would not have generated power from its most expensive stations but for the necessity to produce power for another State. Broadly, this principle is covered by the tariff guidelines of the SREB (Southern Regional Electricity Board) and NREB (Northern Regional Electricity Board) at present, as will be seen from Appendix 5.3 (not inserted) but the EREB (Eastern Regional Electricity Board) and WREB (Western Regional Electricity Board) follow principles of average cost of thermal generation plus profit and pooled cost (inclusive of non-thermal power) plus profit, respectively. The Committee cannot emphasise too strongly the need for uniform principles in all these respect.

### **Economy Exchanges**

5.90 As indicated earlier, economy exchanges are of three types, but the basic principle underlying these exchanges is the concept of optimal running of the more economical stations in the region as a whole to meet varying power demands. In pursuit of this principle, a thermal station in one State may have to be backed down for certain periods of time in the year in view of

the availability of economical hydel power when reservoirs in another State are full and spilling. Another possible situation relevant when there is a genuine surplus of supply over demand could be where a thermal station in one State has to be backed down to ensure merit order operation as between thermal stations in the region. In both these cases, the Committee would recommend that the tariff should be based on the power cost of the selling station plus 15 per cent rate of return on the capital employed or the cost of power that would have been generated by the station being made to back down in the buying system, whichever is lower.

5.91 The third category of economy exchanges consists of peaking assistance to a system deficient in capacity. Here also, Appendix 5.3 (not inserted) will show somewhat different principles being followed in the different regions. The assumption made in most of these guidelines is that the energy received by the buying system during the peak hours, will be returned during off-peak hours to the selling system. The general approach in the present guidelines of the SREB is to levy 50 per cent of the annual charges of the previous year for the morning and evening peaks separately per kW based on the maximum demand touched during these peaks. There appears to be no economic logic in this form of tariff fixation. The Committee would suggest instead the following approach. The cost of supplying peaking energy by the selling State should be worked out by adding to the total annual operating costs (i.e., depreciation and O & M) (Operation and Maintenance) incurred by the peaking stations in the State for the previous year, a 25 per cent return on the capital employed in this station and dividing this figure by the energy actually generated in that year by that station. This cost per kWh should thus be high enough to encourage the selling State to sell peaking power to States which lack peaking capacity rather than run their peaking stations as base load stations as happens today. It should also compensate the selling State for having to adjust its irrigation flows to meet demands for peaking power when the peaking station is a multi-purpose project.



5.92 The pricing energy returned by the buying State during the off-peak period should be based on the incremental variable cost of producing power from the stations which it would otherwise have backed down. In no case, for obvious reasons, should this price exceed the price at which peaking power was bought.

#### **Emergency or Very Short-Term Assistance**

5.93 The Committee agrees with the present approach being followed in the different regions, where emergency or very short-term assistance is returned in kind between systems. It should be emphasised that emergency assistance does not mean peaking assistance which has been dealt with already.

#### **Wheeling of Power**

5.94 The use of transmission network facilities of a State system to transfer power between two other State systems will assume increasing importance in the coming years. This will also be necessary in cases where new Central generating stations are going to utilise State transmission grids. If the Committee's recommendations are accepted, the REAs will own and operate the inter-State transmission lines and buy and sell power in bulk. The REAs should, for wheeling power, charge the receiving State rates based on achieving a 15 per cent return on the capital employed.

#### **Pooling of Centrally Generated Power**

5.95 If the Committee's recommendation that the Centre should progressively have a larger role in power generation is implemented, Centrally generated power will increasingly form the largest and ultimately the only source of power that a State will be able to buy. Fixation of tariffs for Central power will, therefore, assume considerable importance. Now that the Centre will own and operate more than one station in each region, the Committee is of the view that instead of deciding upon the allocation of power from each station in isolation as at present, it would be desirable if the allocation is made on a pooled

basis in each region for all Centrally generated power irrespective of whether it is from thermal, nuclear or hydro electric stations. This should apply even in regard to the allocation of power for which the Central Government might have already entered into commitments with the State Governments. For example, instead of apportioning the power generated from the Singrauli Thermal Station of NTPC among the different States in the northern region, it is necessary to consider power generation from all those stations in this region which are owned by NTPC, NHPC or the Atomic Energy Department or any other Central Corporation and make allocations on a pooled basis. The Committee is aware that this would involve a review of the existing commitments made by the Central Government but such a review is considered desirable from the point of view of optimum operation of the Centrally-owned stations.

#### **Pricing of Power from Central Generating Stations**

5.96 Power being a key input into all forms of economic and social activity, the Committee considers that there is a case for aiming eventually at some degree of uniformity in tariffs throughout the country for each type of consumer. The few exceptions could be power intensive industries and subsidised consumer groups. One of the objectives of the Centre's role in entering in a big way into power generation would be to ring about such uniformity. The Committee therefore recommends that Central power should be sold at a uniform price throughout India to SEBs by pooling the costs of generation of all Centrally-owned stations. Here again, the pricing should be based on a 15 per cent return on capital employed subject to the same proviso as has been made for SEBs, namely, that they should achieve the minimum levels of efficiency laid down by the proposed BECP. Such a policy if accepted will eventually resolve the question of fixing wheeling charges as the cost of such wheeling will be built into the uniform tariff and shared equally by all States.

**Private Sector Utilities**

5.97 The financial return to private sector utilities should follow the general guidelines prescribed by the Government for fixing administered price, i.e., they should be allowed to earn a 12-14 per cent return after tax on shareholders' funds on the basis of their achieving the prescribed minimum norms of performance.

**Annual Review of Tariffs**

5.98 There is in some quarters a view that tariffs should not be changed frequently - not oftener than, say, once in five years. The Committee sees

no rationale whatsoever in this view. The costs of generating power are increasing rapidly both on the capital and revenue side as a result of domestic and international inflation. If the costs of even more basic needs such as foodgrains can be reviewed once a year as also other essential commodities such as cement and drugs, the Committee sees no reason why a regular annual review of power tariffs cannot be carried out, together with such mid-year increases that may arise out of increases in the prices of basic inputs such as coal and wages. Small and periodic increases are to be preferred to big increases after long time intervals.

## BOOK REVIEWS

De Wit, Joop W.; *Poverty, Policy and Politics in Madras Slums: Dynamics of Survival, Gender and Leadership*; Sage Publications, New Delhi, 1996, Pp. 305, Price Rs 395/-.

### I

India's image as a predominantly rural society is undergoing rapid transformation. New urban centres are evolving while old cities and towns are growing beyond recognition. There is an unmistakable trend showing large scale migration from villages to either nearby towns, state capitals or promising centres of trade and industry. Often, the migrants to cities constitute a majority of unskilled, semi-literate hapless men and women hoping that large metropolises will somehow feed them. Cities also represent distant opportunities for bettering life conditions in terms of access to new life-styles and many other attractions associated with urban life. Finally, for low caste villagers, cities are social agglomerates which allow the partial dissolution of caste identity, or at least some escape from a stringent caste hierarchy. Thus, while society and economy of the village operate as 'push' factors, the many real and imaginary attractions of the city work as the 'pull' factors. The inevitable result is overcrowding of the city by people who often find themselves shelterless and jobless in the city.

Urban poverty is seen as one of the most explosive factors socially and politically in contemporary Indian society. It has the potential to disrupt the social process and jeopardise democratic polity. One would, therefore, expect that the state and the Indian ruling classes would attend to this problem at least in view of their self interest. One-fourth of India's population lived in cities by 1991. Of this, over 36 per cent could be safely termed as 'poor'. What, then, is the response of the state and the ruling classes to this phenomenon of urban poverty?

### II

The book under review deals with the case of Madras (now Chennai; but since the book was published before the change of name, the book uses the old name; the review would also use the old name). Joop de Wit has studied the problem of city poverty by reviewing the policy pertaining to Madras slums and the attempted 'relocation' of one Madras slum. The main advantage of this

work is that it goes beyond a formalistic framework of policy analysis. The present work ably outlines the social context of Madras slums and situates the slum policy within the broader framework of Tamil Nadu politics. This departure from a narrow perspective of policy formation and the scholar's concern and empathy for the slum dwellers have made this work very insightful.

One can approach urban poverty in a number of ways. But the choice of slums as the 'site' of poverty is very instructive. Slums represent the jobless, poorly paid, marginalised sections of urban population. As the author points out, almost 58 per cent of slum households (hhs) of Madras had income only up to Rs 600 per month by 1990. In the non-slum category, only 13.4 per cent hhs had income up to Rs 600 per month (p. 103). This contrast sharply brings into focus the acute differentiation between slums and the rest of the city. In 1981, over 37 per cent of the city's population lived in a total of 1417 slums (p. 109). The social composition of slums betrays the strong link between caste and material conditions. While slum dwellers generally belong to lower castes, de Wit mentions that in Madras, 36 per cent slum dwellers were Dalits. Moreover, only five per cent Dalits of Madras city lived outside of slums (p. 111). This indicates that as in the villages where Dalits have separate hamlets, in cities too, an informal but inevitable segregation of Dalits does occur. A study of slums and slum related issues, then, addresses to a web of social and economic problems faced by the policy planners.

### III

Chapter three of the work under review summarises the slum policy of the Tamil Nadu government. In the early 1970s, authorities woke up to the problems of slums. The newly elected Dravida Munnetra Kazhagam (DMK) government tried to evolve a policy which would protect the interests of slumdwellers and, at the same time, take into consideration the requirement of slum clearance. The Tamil Nadu Slum Clearance Board (TNSCB) was formed. The Karunanidhi government decided that protection against eviction will be applicable to all slum dwellers who were occupying hutments by 1971. (This deadline was subsequently extended by M.G. Ramachandran (MGR) first to 1977 and, later, to 1984). The Government of Tamil Nadu seems to

have adopted a two-pronged strategy. On the one hand, a massive programme for rehabilitation of slum dwellers was undertaken by constructing tenements especially for the slum dwellers. Initially, the state government and the central government and later, the World Bank funded such programmes. In all, over fifty thousand tenements were constructed between 1971 and 1990. On the other hand, realising that full clearance of slums was not possible, schemes of slum improvement were also undertaken since 1972 itself. Under these schemes, between 1972 and 1977, more than fifty thousand families were given Rs 800 per family for improving the hutments. Later, this scheme was modified and between 1977 and 1990 another hundred thousand families benefitted to the tune of Rs 1,250 per family. In 1975, the Madras Metropolitan Development Authority (MMDA) was formed. Since then, TNSCB downscaled its investment in construction for slum relocation. At this juncture, the World Bank extended fifty per cent support for the urban development project which emphasised self-help and an elaborate scheme for recovery of loans.

On the whole, official statistics are, as usual, very impressive: almost one lakh hhs were provided with permanent housing and in all, 387 thousand hhs benefitted one way or the other between 1971 and 1989. In stark contrast, the slum problem not only continues to exist but assumes a more serious proportion today than before.

This contrast implies that '.... there is a rather big difference between data as given by the TNSCB .... and the reality in the slums' (p. 132). This is not to suggest that official data are fabricated, although reliability of government data has often been questioned by many scholars. The fact is that official sources are keen on emphasising the amounts spent and the gross number of beneficiaries. The official enthusiasm for statistics tends to ignore the main question: whether the problem has been adequately addressed. In this particular case, it is not so much a question of how many million rupees have been spent but to what extent subhuman living conditions have

been improved. The author has dwelt at length on problems related to implementation (Pp. 132-154). He points out at the hierarchical nature of relationship among the main actors involved: politicians, bureaucrats, slum leaders and the slum dwellers. It is also pointed out that interests of these four actors sharply differ. However, de Wit's explanation of interests of politicians and bureaucrats leaves much to be desired. Truly enough, the politician considers re-election as very important. This will undoubtedly influence his decision making. But beyond 'vote bank politics', there also exist substantial material interests which the politician wants to represent or protect. Politicians and bureaucrats together constitute/represent the dominant interests in the Indian society. Does this fact have anything to do with the inadequacy of policy for the slum poor? In the last chapter of this book de Wit himself quotes Pranab Bardhan on the structure of dominant interests. Similarly, commenting upon the politics of subsidies (in the second chapter) he notes that costs of subsidies are not borne by the rich, and Pandian is quoted to show how the green revolution benefitted only the rich. In this background, de Wit could have addressed the question of material interests represented by the politician and the bureaucrat as a factor responsible for particular failures of policy making and implementation.

The implementation problems discussed by de Wit may be broadly classified into two groups: problems of unequal political relationship and inadequate administrative capability (although some link between the two is possible). The first problem bears on patron-client relationship between politicians-officials and between slum leaders-slum dwellers. This distorted nature of relationship means that policies will be seen as patronage, grassroots level implementation will smack of cynicism, identification of beneficiaries will be faulty and, as the author points out, the gap between implementors and beneficiaries will lead to only formal attempts at policy implementation. The second problem pertains to planning and implementation skills of administrators and availability of adequate resources. Resultant corruption, low level of

productivity, low recovery, and lack of maintenance will usually overshadow whatever little achievement might have been attained. Bad maintenance, slow pace, and *ad hoc* relocation are due to inadequate resources. The slum clearance board borrows from the state government which in turn demands central aid. This trap inevitably brings into picture the agencies like the World bank which, in turn, insist on giving loans to slum dwellers, instead of subsidies, as well as on loan recovery. Such recovery involves both administrative problems and political constraint for the state government. In sum, unwillingness on the part of the Indian state to pinch the rich for generating more resources means adoption of *ad hoc*, unproductive programmes or acceptance of the World Bank conditionalities.

## IV

Against the backdrop of this general picture, de Wit has studied in depth the attempt and plan to relocate one slum in Madras city. The narrative of relocation of Chitranagar, a slum situated in the centre of the city, constitutes the bulk of this work. This study combines the perspective of a policy analyst with that of a social anthropologist. The author successfully presents a profile of the slum starting with the origin and history of the Chitranagar slum, then goes on to give brief profiles of its leaders and, finally, details the life conditions of the inhabitants. Chitranagar is, in a way, a typical slum where a large number of Dalits live. The slum has two main leaders belonging to the Congress and the DMK, respectively. Sale of arrack and alcoholism dominate the lives of men, and ill-effects of arrack dominate the lives of women. The author insightfully shows how leisure and need to escape from drudgery combine and push the menfolk to alcohol and the women to cinema. Although their escapes are contrasting, both alcohol and cinema express the hopes and helplessness of slum dwellers. Commenting upon the poverty of the inhabitants of Chitranagar, de Wit observes that it is next to impossible to describe how people survive. Survival strategies - if they can be so called - include mainly tolerating hunger, getting used to uncertain incomes, getting indebted and partly relying on community and relatives (who are similarly

placed) for assistance in emergencies. This situation puts much more pressure on women to bear: they have to fight with their husbands, often get beaten, struggle and earn and, in many cases, take the initiative at the family level. Even where hhs are not headed by women slum women constitute the mainstay of their families. In fact, increasing pressure on the female members of the hhs accounts for the survival of many slum families.

The author has studied 89 hhs from the slum. On this basis, he deals with various social, economic and cultural aspects of the lives of Chitranagar inhabitants. He has dealt at length with the issues of alcoholism and gender relations. The author is also aware that within the slum there can be people who are relatively better situated than the rest. Therefore, he discusses the internal stratification among slum dwellers and suggests that this differentiation can become a source of conflict within the slum. At the same time, social-political initiative comes from the better situated. This fact makes the poorer inhabitants dependent upon the less poor. For the very poor, getting access to any official of the government or bank is very problematic.

The narrative of relocation plan deals with a number of issues. The 'story' begins around February 1988 when slum people 'heard' about relocation plans. It might be noted that the slum had by then existed for more than 27 years and was a habitation for about four hundred hutments. Barring a few attempts in the early 1960s, no efforts at relocation had been made over the years. And yet, there was no resistance worth the name when relocation plans got under way. The author explains this mainly in terms of two factors. On the one hand, the inhabitants - their local leaders included - perceived themselves as powerless to resist. On the other hand, coupled with powerlessness was an expectation: expectation of getting a better, a little hygienic habitat - perhaps getting a house 'owned' by oneself. In contrast to the filth and dirt surrounding the Chitranagar huts, the dream of a somewhat 'decent' tenement must have wiped out what little resistance might be there.

In contrast to these expectations and the lack of resistance, the entire narrative shows that the process of planning and relocation was full of inadequacies. In the first place, the relocation plan was conceived, and initially put into effect, during the President's rule. This implies the inability of the normal political process to cope with the problem of slum and urban planning.

Secondly, the process of urban planning is only formally democratic. Public concerns are not taken into consideration. Experts are likely to be (and often actually are) insensitive to popular aspirations. Thus, urban planning gets caught up between insensitive expertise of the bureaucrat and short-sighted populism of the politician.

Thirdly, nobody asks the slum inhabitants about the details of relocation. Such relocation is not seen as the problem of the inhabitants. It is seen as a problem faced by others: the bureaucrat, the non-slum citizens of the city, etc. The implicit logic is that the city belongs to non-slum 'citizens' and slum dwellers are encroachers, but since it is not possible - and perhaps not good too - to just throw them out, cities have to tolerate the cost of relocation. This understanding typical of the urban rich and the middle classes dominates the policy process. Therefore, slum dwellers are seen as 'recipients', not as actors in the process of relocation.

Fourthly, this same approach accounts for *ad hocism*. As the relocation narrative shows, the site of relocation was first arbitrarily decided and then arbitrarily shifted by the 'authorities'. The fact that slum inhabitants work in the inner city or have small businesses dependent on the city was not considered. Also, the pressure likely to be put on the already weak public transport system due to relocation seems to have missed the attention of the planners.

Fifthly, the question whether cash should be handed over to each slum dweller or government should undertake construction is a vexed issue. It is understandable that government need not get entangled into construction activity, but many slum dwellers feared that too much cash in the

hands of the cash-strapped poor would only result into misuse of the money. Although de Wit does not go into details, he seems to be favourably inclined to formations of committees of beneficiaries that may actually handle the money. This leads to another important issue of community participation. While many agencies insist upon community participation, the government generally fails to elicit adequate participation by beneficiaries. We shall briefly comment upon this issue in the concluding section of this review. Besides all these problem, the relocation narrative consists of the usual problems: petty political interference, graft, poor quality of work, administrative delays, attempts by slum dwellers to get more than one tenement, and so on. These only add to the complex issue of relocation. The narrative by de Wit does not conclude, mainly because this book was written before the relocation could actually take place. But in a sense, the incompleteness of the narrative represents the plight of all urban planning and poverty alleviation programmes - they are inconclusive narratives.

v

The chief merit of this book is that de Wit has interwoven the specific 'story' of relocation plan with the general policy on slums and both these to the broader framework of Tamil Nadu politics. Relying heavily on the studies by Washbrook, Hardgrave, Pandian and Sathyamurthy, de Wit has unfolded the canvas of Tamil Nadu (TN) politics from early Congress (and Brahmin) domination to 'Dravid' politics (of Anna-Karunanidhi-MGR). This is further supplemented by studies of Tamil Nadu economy by the Madras Institute of Development Studies (MIDS). With the help of MIDS studies, the author has sought to show that large scale poverty, low caste aspirations and ability of the rich to protect their own interests, produced a political economy dominated by a mix of machine politics (i.e., organised political activity by careerist actors based on purely professional approach to politics) and populism. Such a mix leaves little room for long term pro-poor policy. As a result, the politician has to resort to populist, short term distribution of welfare measures. The emphasis

of TN government's policies regarding slums throughout 1971-88 was on giving money which was not to be recovered; neither was the money to be used for asset creation; there was no effort to develop the infrastructure. This situation has led one scholar (Blomkvist) to observe that Madras has had no housing policy for the poor - there are vague declarations of intent, *ad hoc* decisions and targets to be reached (p. 52). Such a 'policy' cannot eradicate poverty nor can even improve the condition of the poor. Most populist decisions are only token measures.

Tokens do not improve social conditions but they do reflect and represent dreams and expectations of the poor. Many times such token measures are also instrumental in convincing the poor that the state and civil society do care for them. Tokens also have an advantage of not actually disturbing the interests of the rich. What the MIDS concludes for Tamil Nadu may well apply to many other states: Rich and powerful groups cannot avoid drafting pro-poor policies and laws. 'Drafting the laws gives the *appearance* that they (rich) are cooperative and willing; implementing them would be against their own interests' (p. 95, emphasis original). The political process, then, is engaged in producing and perpetrating 'illusions' for the poor instead of 'life chances'.

Can there be community participation in this politics of illusions? In the first place, such politics of illusions avoids and discourages community participation. Secondly, initiative by the poor will directly cut across the interests of the rich. Therefore, there is little scope for initiative in official policy. Participation by the poor is expected only at the level of implementation. More importantly, what kind of community can be expected to exist among the urban poor? The basis of such community can often be only negative: lack of access to power, lack of control over life condition, absence of political skills, etc. It is true that most slums have nuclei of linguistic, religious groups or groups belonging to specific districts, regions, castes, etc.; but such cohabitation is forced by circumstance and does not necessarily express/create community feeling.

These factors require attention in any assessment of self-help initiatives and community participation by the poor.

Finally, de Wit mentions a very important issue, albeit only in passing, in the concluding chapter. Going beyond the issues of relocation or slum improvement, the author refers to the need 'to attack the urban poverty problem in a structural, long term way, including a *fair redistribution of resources and burdens* (p. 253, emphasis added). Without mincing words, de Wit mentions that payment of only subsistence wages to the poor amounts to subsidy for the rich. Subsistence wages mean that the poor will be unable to look after health, education, shelter, etc., on their own. The need for stringent land reforms is also noted by the author. Caste based social structure, material inequalities and populist politics combine to render the poor powerless. Given this constraint, there is only very limited possibility of improvement of the conditions of urban poor through the process of urban planning.

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Carr, Marilyn, Martha Chen and Renana Jhabvala (Eds.), *Speaking Out: Women's Economic Empowerment in South Asia*, Vistaar Publications, New Delhi, 1997, Pp. xiv+238, Price: Rs 250/-.

*Speaking out* is another book in the genre of books telling stories of empowerment of women at the grassroots, but with a difference. It does not talk only about experiences of women, but also deals, to some extent, with the processes of institution building. Thus, it contains not only the success stories but also the stories which educate the reader on the kind of steps that would help replicate the examples of success.

Peeping into the background of the women's movement which gave rise to some women's organisations, one notices that, in the late seventies, the middle class women, who came out

with the feminist slogans belonged to two streams: academic women, on the one hand, and the women active in the left movement with the people's organisations, on the other. The academic feminists, who enjoyed the fruits of freedom and development because of the liberal ethos prevailing immediately after Independence, suddenly noticed the widening gap between them and the poor women in terms of declining sex ratios and participation rates in the work-force. Thus, although feminism was inspired from the personal experiences and interactions within family and with their male colleagues in the organisations they were working in, it was also strengthened because of the contacts with the grassroots women. What especially inspired them was the courage and strength demonstrated by the grassroots women in coping with the challenges involved in the survival activities of subsistence production and their endurance capacity in the long-drawn struggles which they waged along with their men-folks in the people's organisations. The activist women started exploring possibilities of feminist caucuses within the people's organisations. Some of them also started to consolidate informal sector activities of women through formal bank loans and through mutual help groups, by training women to manage their loans themselves. The academic women oriented their research to understanding the patterns of subordination of women's work, leading to policy recommendations.

The last twenty years have seen this newly generated consciousness getting diverted into various activities focussed on different issues. In the cities, women in the organised industries, who lost their jobs due to the rationalisation and technological upgradation, have resorted to home-based work. The need to provide affordable credit to these women, who often fall victims to the moneylenders, was noticed in the early eighties. 'Annapurna' in Mumbai and Self-Employed Women's Association (SEWA) in Ahmedabad are prominent examples of organisations that evolved in this period which successfully organised these women and which, in the process, established that these women and their economic activities are bankable, if loans

with concessional rates of interest are offered to them. The concept of mutual guarantee was evolved wherein the group, as a whole, offers guarantee for the individual members against the defaulting. These asset-less women could operationalise their mutual guarantee only through their faith in their own labour and group pressure which is effective because of the fear of ostracisation and exclusion from community.

The women in the rural sector remained neglected for a long time. Gradually the Non-Governmental Organisations (NGOs) who started working with farmers began noticing needs of these women. In the early stages of the poverty alleviation programmes, women were not considered as worthy beneficiaries, except in the employment guarantee scheme, because they did not have any assets in their name to offer as a guarantee. Also, there was an implicit assumption that it was difficult for women to produce for market and create surplus to return the loans because their productive efforts are devoted primarily to producing use values for consumption at home. However, the awakening has dawned now that after the initial consumption loans, women do get ready for production for local markets.

This change in perception has been prompted by two developments at the global level. First, some successful efforts, such as the Grameen Bank in Bangladesh, demonstrated that women could be mobilised in credit groups and that they could find their own niche in the market. Second, and more important, it was realised by the World Bank and other international agencies that dismantling of the industries and informalisation of work due to globalisation of competition are going to be a wider phenomenon. It became the official policy of the World Bank to sponsor credit to women's self-help groups in both urban slums and rural areas, which would have a pacifying effect on the brewing discontent due to the rising unemployment. This is the context for the rise of the self-help groups and the ongoing institution-building efforts at several places and the support



they receive from the World Bank and other organisations, who are eager to sponsor and evolve some successful models.

In the old left parlance, these programmes are criticised as 'constructive programmes' which do not bring revolution closer, but contribute to dissipating the revolutionary energies into temporary bandage-providing activities. It weans people away from critical consciousness against the system. However, a new understanding is emerging among the activists and the development workers in the light of many significant events of this century, such as the collapse of socialism and failure of mixed economies. According to this new understanding, healthy and progressive social change may not be expected out of tremendous upheaval anymore, but only through constant struggles. Further, these constant struggles need to be consolidated through building of new institutions, around which production relations need to be systematised by developing capacities and skills for management and administration. Within this perspective, it becomes possible to hope that the constructive activity would transform the asset-less people into entrepreneurs who would demand radical reforms in future.

It seems that the editors of the book under review, except Renana Jhabvala, do not have the background of the movement and hence their initial statement on poverty situation in India and possible solutions lacks the context described above. They cite two reasons for poverty: traditional structures and unequal land distribution; and the editors immediately zero in on the processes of empowerment. The book offers strategies for empowerment for asset-less groups, but do not try to articulate therein long term implications and to extrapolate them into strategies for restructuring of economy which is possible through extending these efforts to include large masses of poor people. If the World Bank decides to divert a larger portion of its resources to these groups all over the world, the bargaining power of these women would increase tremendously, and it may not become possible for the organised industrial sector to get supply of cheap

labour. This prompts the question whether it would be feasible. At present, these efforts remain at the level of model building and demonstration and, hence, they do not result in building up of a movement of poor people who would demand access to natural resources for livelihood activities. All these credit programmes show that, in the first few years, a majority of credit goes to consumption loans and slowly the asset development picks up. It means that a lot of money will be required to levelise the ground, before the bargaining capabilities of poor women are developed. Would any government be ready to take up this kind of programme on a massive scale which would provide radical results?

#### *The Composition of the Book*

The composition of book is interesting. It contains the case studies of eight organisations, preceded by an introductory chapter and followed by a very valuable concluding chapter called 'Lessons Learned'. The introductory chapter specifies the research questions and methodology. The purpose of research spelled out is three-pronged. First, at a practical level, it is aimed at providing a backdrop in the form of case-studies presented in the book for NGOs and women's organisations (WOs) to reflect upon their own experiences. Second, it is aimed at looking at the changing relationship between the parent NGOs and the grassroots women's organisations. And, finally, the research examines the linkages between economic and political empowerment and the overall empowerment of women. The last chapter is the most significant chapter in which the editors present their findings systematically referring to the above-mentioned issues.

I must say that the editors have done their job successfully within the framework they have laid down for themselves. The last chapter has become really very enriching because rarely these kind of case studies are reflected upon and also because common thread is systematically culled out and woven into findings. The first purpose of providing a rich backdrop is served through a simple narrative in which many details are meticulously

woven, without sounding too complicated. The other two purposes are served through analysis presented in the chapter 'Lessons Learned', where the linkages and relationships are examined in detail. On the whole, it is a very good material for anybody interested in the practical aspects of achieving empowerment of women in rural areas as well as for those who are curious to study empowerment as a phenomenon.

The case studies are divided into four categories according to the main feature of the organisations studied: i) Village and Community Organisations; ii) Cooperatives; iii) Women's Banks; and iv) Unions. All these organisations are helping women in their productive activities not only at the primary level but also at the tertiary level, through their attempts to federate their activities, which seem to be a major factor contributing to their success. Although the systems of organisation and support differ from place to place, it needs to be highlighted that all the case studies deal with the productive activities which are land-based. It is important to note this point because, at present, the focus of activities of most of the self-help groups (SHG) is either on trading or manufacturing activities which require lot of marketing support, or on training activities aimed at skill development.)

Aga Khan Rural Support Programme (AKRSP) active in Northern Pakistan, Bangladesh Rural Advancement Committee working in Bangladesh, and Self Employed Women's Association (SEWA)/Banaskantha Women's Association operating in western India, all have saving and loan programmes which are either for activities directly linked to land, such as vegetable growing, potato growing, fodder development, etc., or for related activities such as paddy husking, poultry development, etc. In Sri Lanka, the Women's Development Federation (WDF), which runs women's bank, distributes 61 per cent of its loan for cultivation purposes including buying or renting land and purchasing agricultural inputs. In Sri Lanka, women wage labourers have upgraded both, their income and status, by leasing in paddy land for their families, which relieves them from uncertainty of wage labour. The impact

of these loans is visible on not only the families themselves but also the wage-labour system itself. Wages for both men and women have risen as the number of individuals engaged in wage labour has declined (p. 132). The importance of the land-based activities is that it hits the mainstream and helps it restructure itself and also provides food security to the families, even though marketing failures occur. This is not the case with the non-land-based activities which are taken up through the savings and credit groups at present in many parts of India.

### *Economic Empowerment is the Way to Overall Empowerment*

The main focus of all the strategies for mobilisation employed by the organisations is economic empowerment, leading to individual empowerment to deal with husband's dominance within family or the dominance of the men in general within community. The specific economic strategies designed by these organisations can be divided into five categories:

- (i) financial interventions (increased access to credit),
- (ii) enterprise development (increased access to skills/ management/ training),
- (iii) marketing strategies (increased access to markets),
- (iv) bargaining (for higher wages/better working conditions), and
- (v) socio-political strategies.

The common feature seems to be providing credit and giving support for institution building at both levels, at the primary group level as well as at the federation level mainly for tertiary activities as well as banking activities. A lot of inputs are given for building a collective. The methods employed in the initial phase at the primary level are participatory; participation seems to have helped build confidence, contributed to the evolution of norms and statutes to run the group. Federating efforts are done normally by the NGOs which mobilise these groups.

As far as individual empowerment is concerned, many personal stories are cited where women proudly tell anecdotes, reflecting their changed status within family and the confidence rested in the collective.

### *Summary of Findings*

For understanding the importance of the book, it will be helpful to present a summary of the findings which are meticulously listed in the chapter 'Lessons Learned'.

Here the editors present the important points that emerged from their analysis of these organisations. The growth of all these organisations have been very rapid. Bangladesh Rural Advancement Committee (BRAC) and Proshika in Bangladesh have one million and half a million women members, respectively, at the end of ten year period. AKRSP in Pakistan has organised 29,000 women in 857 groups in the last eleven years. In Andhra Pradesh, Cooperative Development Foundation (CDF) has assisted 12,500 women to form 253 thrift and credit groups in a five year period. SEWA's 220,000 members are consolidated into 362 producer groups and 72 co-operatives at the primary level, and into seven federations at the secondary level, and one national union at tertiary level. The WDF's membership in Sri Lanka has gone up to 25,900, which belongs to 466 rural women's development societies, which are consolidated at the secondary level into 67 rural banks, and at the tertiary level into Women's Development Federation. It is noted that the structures of many of these organisations are at once very complex as well as highly participatory.

The performance of these organisations in material terms is quite impressive. Women received 75 per cent of loans distributed by BRAC up to 1995 (total US\$ 115,312,500) and account for a major share of the total savings of all members, US\$ 15,600,000. SEWA Bank has 55,000 women depositors with a total savings and share of US\$ 3 million. In Proshika's case, women have received 52 per cent of all loans disbursed which amounts to US\$ 12,950,000 (p. 186).

Another important aspect pointed out by these editors was that many organisations did not start with women since they do not own land, but later amended their constitution after realising that women responded to them very eagerly and proved much more reliable. The CDF, AKRSP and BRAC all started with men and decided to start separate programmes for women after 1989. Unionisation efforts of women too emerged much more forceful after 1980, among construction workers in Tamil Nadu (which is the only example of an activity in the book which is not land-based) and also among tobacco processing workers in Gujarat. The shift of focus to women around the 1980s proves the point that women's movement has made an impact to make women visible in the economic sphere.

It also needs to be remembered that women's movement all over the world began with the demand for recognition of women's work. Women's work is mostly not marketed, neither as a labour power nor in the form of products, since women's work is largely devoted to consumption at home. The need to include this 'invisible work' in the gross domestic product is emphasised by making time disposition studies for different categories of women to give this work some measurability. The first time Indian government accepted this demand, to some extent, and included the category of 'expanded work', was in the last Census conducted in 1991. Today, the same kind of work has been used to extend loans to women and is considered as producing surplus which contributes to capital accumulation process. The editors do highlight the fact that ultimately women received recognition as workers.

The editors also analyse the significance of the fact that most of the organisations have tried to bring women into the mainstream economic activity and have not resorted to provide supplementary income through marginal activities. The AKRSP's efforts are exemplary where they provided inputs to such a level that relatively immobile women of northern Pakistan could get linked with merchants, marketing co-operatives, truck drivers and could negotiate with them directly.

The editors highlight the advocacy efforts which have been an important component of most of the organisations. For example, the CDF in Andhra Pradesh resorted to advocacy for changes in co-operative laws which improved the environment for co-operative activity. The lesson the editors draw is that there is a strong argument for the need to work at both the micro and macro levels, if significant and sustained change is to be realised.

The support in economic activity also created opportunities for employment in the service sector. Barefoot veterinary doctors, barefoot lawyers, health care and day care providers, and master trainers for training technology are examples which are illustrated in case studies of these organisations. These jobs are particularly useful for single women, and widowed, deserted or divorced women.

#### *Sources of Women's Disempowerment*

While developing the strategies for women's empowerment, the editors feel that experience gained through these efforts can be useful in analysing the sources of disempowerment. The assumption here is that women have inherent potential/power which needs to be restored. The editors have divided these sources into two categories which they call 'women-intensive' and 'women-exclusive'. The first category is based on their location as a member of a certain class or a group, i.e., low income household, and the second category is based on their gender location or because of gender stratification. The main point made here is that 'the lack of power of low-income women in South Asia arises from a conjunction of two primary systems of stratification - class and gender - which interact with, and mutually reinforce, one another through local, social, political and economic institutions' (Pp. 191-92). Taking this situation into account, the success of these organisations, can be attributed to the fact that they allowed women to determine the direction and set the pace of change. This is also a reason why different types of organisations got

promoted for different types of activities. However, the editors feel that despite the diversity in focus of primary activities, the common thread running through these organisations and for women who belong to them is to fight against unequal power relations in their families, communities and the local markets.

One of the major achievements of these organisations, noted by the editors, is that most of these organisations are on their way to autonomy and sustainability. They have defined this in three ways: financial, managerial, and in terms of linkages to markets, government services, and infrastructural support. The editors note that as the women's organisations take on greater responsibility for the day-to-day activities, their relationship with NGOs changes, and this allows NGOs to concentrate on macro-economic issues.

The last point examined is whether the power achieved by women is individual power or collective power. Usually, this is the way alternative possibilities are posed by many researchers. Similarly, the dilemma between economic approach versus political approach is emphasised. The editors opine that these are wrong ways of posing alternatives. Women need both personal power and collective power. They point out that the available literature indicates that empowerment is essentially an interactive and mutually-reinforcing process, which shifts from acts of individual resistance to acts of collective resistance to occasional public protests, and back again.

The book ends with an annotated bibliography 'Selected Studies on Women's Empowerment' prepared by Sophia Lam. This further increases the usefulness and worth of the book as a reference tool for all those who are concerned with the issue of empowerment of women from low-income group.

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Zachariah K.C. and S. Irudaya Rajan (Eds.), *Kerala's Demographic Transition: Determinants and Consequences*, Sage Publications, New Delhi, 1997, Pp. 367, Price: Rs. 450/-.

Any book on the demographic transition in Kerala is bound to attract attention at the moment, since the situation in Kerala is such as (could be described) 'dream came True' - a dream India is entertaining during the last 45 years. Kerala has attained demographic transition with a birth rate, death rate and infant mortality rate, comparable to those of the advanced countries of the world. One wonders what the reasons are behind this achievement, and whether it could be possible for other states of the country to take lessons from it so that the demographic transition in them is accelerated. The problem of population growth in India has become disastrous. The book under review is a great solace.

Various questions that arise in the case of Kerala are: Is it the exceptional attainment in female literacy that is at the back of this achievement? Or is it the high age of the female at marriage? Or could it be the matriarchal system that prevailed in the past in Kerala? Or could it be poverty-induced, since Kerala has been the poorest of the states of the country and has had the densest population? Even the migration from Kerala to Gulf countries could be responsible for demographic transition. All these questions have been answered in the book under review very ably so that the picture of transition is very clear to the common eye. One is not surprised that the state is often mentioned as a good example of lives of people being transformed through public action, especially through Government policies and programmes. Family Planning programme, adult literacy programme, maternal and child health programme and universal immunization programme in Kerala have definitely led the way for other states to follow.

The success in transition in Kerala has occurred at a time when Kerala had a dismal record in industrial and agricultural production and in employment generation. Earlier, it was believed

that demographic transition was economic development-induced. But Kerala's case seems to be contradicting this.

The present book is a collection of papers submitted at the conference in Thiruvananthapuram organised by the International Congress on Kerala Studies. Kerala which had the highest rate of fertility and the lowest rate of mortality by the mid-sixties suffered from the highest rate of population growth. It was only after the mid-sixties that the state started on the road to a decline in fertility so that the birthrate of above 40 in 1965 declined to 35 by 1970. It came down below 30 in 1980 and below 20 by 1990. By that time Net Reproduction Rate (NRR) was nearing one. But by 1993, birth rate came down to 17 and total fertility rate to 1.7 (p. 18). Thus, at the moment, the growth rate of population in Kerala is below replacement level. One has to bear in mind that the infant mortality rate in Kerala is about 13. In other words, Kerala has had the right sequence of fall in infant mortality followed by fall in birth rate since the mid-sixties. Without economic development, sheer catalytic role of literacy and female education has helped in effective implementation of family planning and maternal and child health (MCH) programmes in Kerala (p. 108).

The book is divided into four parts covering A - demographic transition, B - determinants of demographic change, C - consequences of demographic change, and D - migration.

In demographic transition one has to bear in mind that the density of Kerala is exceptional, i.e., double that of India in 1981 or the present density of India was in Kerala in 1926. Similarly, the sex-ratio in Kerala is favourable to females - a fact quite contrary to that in the rest of India. The main reason for this seems to be the higher longevity of females in Kerala compared to men from the very beginning of this century.

As for migration, until 1941, Travancore Cochin which mainly constituted the present Kerala attracted population. But later, there was outmigration, which peaked in 1971-81 when two

and a half lakhs of people left for the middle-east. This migration has continued in the later decade but the return migration has also increased (Pp. 341-43). During 1971-81, there was higher natural increase in India compared to Kerala. It could have been either due to higher decline in death rate in India or decline in birth rate in Kerala. But the other evidences show that Kerala had lower birth rate. This continued till 1988 or so when Kerala had a rate of 1.36 and India had 2.04 per cent. Death rates in Kerala fell more for those below the age of 10 than for those above 10. Similarly, death rates among females fell more sharply than among males. This happened particularly between ages 25-59. The reasons for this were suspected to be increase in death rates of males due to smoking and alcohol consumption, and decline in death rates among females due to less strain of child bearing and fall in maternal mortality. Per capita consumption of alcohol, which was 0.34 litre in 1971-72, increased to 0.69 litre in 1983-84.

The question arises: why is mortality in Kerala lower than in India, in spite of its lower economic progress? Firstly, in 1981, 71 per cent females of the age 15+ were literate while in India only 26 per cent were literate. In an enormous number of studies, the fall in birth rate due to education - even just literacy - has been observed. Though not mentioned in the present book, all the Census data since 1951 have brought out this relationship between education and fertility.

Besides, there is also the effect of the presence of educated society on the efficiency of the delivery system of the health services, which helps even the illiterate in such a society. Moreover, the health facilities, such as number of beds per 100,000 population in Kerala and India was 259 and 77, respectively, and conditions were worse in rural areas of India. Another factor that helps Kerala in providing such facilities, is the transport availability. In Kerala every village is within two kilometres of bus-stop while in India 60 per cent of villages have no such facility. In my view, this factor is a great handicap in India which is rarely discussed in academic circles and totally neglected by the administrators. The

average size of the village in Kerala is much above 16,000 while in the rest of India it is much smaller, a large number of villages being of size below 200 or 500. This makes it difficult to provide social services such as education and health and, consequently, social development is hindered in India. But this problem of small villages can probably be solved only by much better transportation, communication and good roads, which is a very costly affair to handle. Moreover, the per capita expenditure on health and education is the highest in Kerala than in other Indian states. Further, the private sector can afford to provide health services much better in Kerala due to the density of population than elsewhere, especially in rural areas.

Another reason pointed out by K.C. Zacharia for low mortality in Kerala is the more equitable distribution of income achieved through land reforms, public work programmes, expansion of agricultural labour unions and pension schemes (Pp. 99-100). However, unemployment is equally pronounced more recently and the effect on reduced inequality is not that marked or convincing. Contraceptive practice or high age at marriage also do not contribute much to lowering infant mortality, as shown by multivariate studies (Pp. 88-95).

About differential fertility, though fertility has fallen in all sections, certain categories have slightly higher fertility. For instance, non-working women or Muslim women have slightly higher fertility and it will certainly fall so that, on the whole, it will reach a level much below replacement level. For, the need for children as support in old age is lowered as a result of the development of formal institutions for investment, insurance and support in old age. The cost of rearing children with need of education has gone up. Another way of looking at fertility is that of diffusion of information regarding new technologies which affect only some groups initially causing differentials in fertility. But gradually the information spreads to the whole society nullifying the differentials.

One has also to note that the matriarchal society in Kerala has helped the female in Kerala to be more free to accept small family norm.

The question arises: How far is the demographic transition in Kerala, attained through social development, going to help economic transformation? It is said that enormous amounts are spent in spreading education, and unemployment, especially among women, is increasing. Urgent need is felt to generate employment. Though at the moment the problem of the aged is not felt so significantly, thirty to forty years hence it is going to be a serious problem (Pp. 222-36). But in my view, it is education which will help Kerala to solve its problems in due course. The current problems are a temporary phase which education alone can overcome. If density of population has helped Kerala in social development, it is much more helped by female literacy. India has lagged behind Kerala in female literacy by 40 or more years. India has to quicken the process of diffusing female education to attain Kerala levels. It is the female education, and there too adult female literacy, which has made the most contribution to demographic transition in Kerala. Even the neighbouring districts of Karnataka and Tamil Nadu have similar findings. In Kerala, the promotion of education by earlier monarchies as well as the present governments, the presence of substantial Christian population, and high density of population have helped this exceptional spread of literacy.

The surprise regarding Kerala's success is universal. In the course of just one generation Kerala's growth rate of population came down from 2.2 to under one per cent. Its population which could double in 30 years will take now 70 years to double. Crude birth rate has come down from 45 to less than 18. Women producing 6 children in their life time produce less than two children now. Two-thirds of the couples are protected from child-bearing through contraception. Only one thing that needs improvement is wider use of temporary contraception and less dependence on sterilisation. But this will need more participation from voluntary organisations and the expectation is that Kerala will in future

depend less on government machinery and more on voluntary organisations which could help the masses much better in the use of temporary methods. Maybe, Kerala will prove to be a pioneer in that aspect too in India.

Birth/Death ratio could be used as a crude measure of natural increase to study the base of transition of Kerala, especially in the past, considering ratio of baptisms to burials. Similarly, to check the birth/marriage ratio one could use the ratio of baptisms to nuptials. The idea in examining the ratios was to study fertility and mortality rates or study transitions in them, if any, in the past (Pp. 112-20).

The *National Family and Health Survey of 1992-93* showed that Muslims in Kerala used contraception to the extent of 38 per cent, Hindus 73 per cent and Christians 72 per cent. Preference for sons was certainly not strong but its presence was seen in couples using contraception the least when they had no son. 36 per cent started contraception when they had fewer than two children. While 9 per cent initiated the use when they had four or more children. Among the currently married women, 6.7 per cent used pill, 9.7 per cent intra-Uterine Device (IUD), 17.7 condoms, 41.8 female sterilisation, 6.5 male sterilisation, 31.2 traditional methods (Pp. 121-40). Traditional methods were more common among Christians. The Scheduled Castes and Tribes mostly depended on sterilisation method and did not practise any spacing methods. The mean age at sterilisation of women was 26.5 years and had not changed during the previous ten years.

Occasionally, there was a suspicion that fertility transition could be poverty-induced. So two districts in Kerala were closely studied by K.S. James to see any signs of poverty-induced contraception. They were rice-producing districts depending on agriculture. But it was found in these two districts that there was conscious decision among all classes of people having awareness of their priorities (p. 154).

Determinants of age at marriage, as a factor affecting fertility, calls attention, since it is higher uniquely in Kerala than in other states of the country (except in Goa). It is female literacy that explains this higher age at marriage. Work participation also affects this age. It is believed that, if age at marriage goes high up in all sections of the society, zero rate of population growth can be easily achieved in Kerala even by 2020.

To analyse the effect of education on fertility two states were examined by D.R. Radha Devi. These were Kerala and Madhya Pradesh. Kerala had the lowest fertility and mortality (19 birth rate and 5.9 death rate) and Madhya Pradesh (MP) had the highest (36.9 birth rate and 12.5 death rate), according to Sample Registration Scheme, 1992 (p. 169).

The two states have a different social make-up, quite differing age at marriage, differential level of education and the fertility in the educational groups, and variant size of farm holdings, MP having a much bigger size of holding. The work participation was quite high in agriculture of men as well as women of MP, and still a much lower income compared to that of Kerala. MP was much less developed and, even for higher levels of education, the fertility was high in rural as well as urban women. Kerala had about 21 per cent Muslim as well as the same percentage of Christian population while MP was mostly Hindu, with sizeable proportion of Scheduled Castes and Scheduled Tribes.

Even in 1986-87, the drop-out rate in primary school in the age group 6-11 was more than 42 per cent in MP while Kerala had it 0.4 per cent. Kerala's infrastructural facilities, including power, irrigation, roads, railways, post-offices, education, health and banking, were far superior to those of MP. But, even graduate women in MP were backward, more fertile than women of Kerala. It seemed that the fertility performance of women was the outcome of myriad cultural, social, economic and demographic factors acting and reacting on each other. In MP the local culture

could not bring even the highly educated, such as graduate women, on par with those of Kerala (Pp. 168-89).

By applying the life-table techniques, the labour force of Kerala was scrutinised by S. Saluja and N.B. Sureshkumar. It was observed that, with increase in longevity and less burden of children on women, both men and women were wanting to join the labour force. But without economic activity, they were left unoccupied. Thus, without economic development, if there is demographic transition as in Kerala, extensive care has to be taken to plan productive employment for people. In other words, that is the dilemma Kerala has to face at the moment (Pp. 193-204).

With the demographic transition, close observation is possible even with the infant mortality trends which raise hopes for further decline in infant mortality in Kerala which is as low as 17 in the mid-nineties (p. 206). It is universally found that in controlling infant mortality rate, more success is easily possible in the latter part of the first year of age. In Kerala with its present low rate of infant mortality, it is observed that the deaths in the first week of life are not easily controlled. So is the case with still-births. These deaths depend more on the physique of the mother which can improve with better levels of living and better economic development. This latter is not achieved in Kerala which is one of the poorer states of the country. Further, the interval between births is small, due to dependence on sterilisation for contraception. Still, one is not very certain whether mere shifting to other temporary methods of contraception will solve any of the concerned problems. This is to be seen.

The article by R.S. Kurup in this book (Pp. Pp. 212-21) deals with low birth weight and need for nutritional care for pregnant women. It seems that the study was not completed when the article was written. Moreover, information on many of the items relevant for the subject was not available in the hospital records and follow-up of recorded cases in the hospital was not easy. It has been



pointed out in this article that the women from low-income groups had low birth weight babies because of the mothers' undernutrition.

Actually this subject needs careful handling in Kerala where social development has successfully brought about the demographic transition with birth rates and infant mortality rates as low as those in the advanced countries of the world. But will social development based only on high level of female literacy help to bring forth healthy children? C. Gopalan, the famous nutrition expert, has brought out the effects of undernutrition or malnutrition in Kerala. Can these be faced by Kerala with the instrument of high female literacy? This is a very interesting question that needs to be answered. But the article under review has not done enough justice to this question.

Ageing of population is a consequence of fertility control. Fall in mortality does not affect much the age structure. But fall in fertility affects the age structure significantly and the problems of ageing of population arise. In India, Kerala, being the first state to experience fall in birth rate, is going to face the problem of the old. Proportion of the aged which was 8.8 in 1991 is going to increase to 18.4 by 2026 (p. 223). Moreover, the old population grows much faster than the total population.

There are also other features of the elderly which differ from those of the general population. Irudaya Rajan and Mishra discuss the following: Because females live longer than the males, the sex ratio changes much more in favour of females.

Besides the vital rates, migration also affects the age structure in Kerala due to return migration of the elderly and migration outside the state in working ages. However, it is to be borne in mind that it is the fall in birth rate that affects the age structure the most.

Widowhood is a factor that generates heterogeneity among the elderly. The number of widows per 100 widowers (in 60+ age group) was 457 in

1961, 595 in 1971 and 649 in 1981. The ratio is expected to increase to 800 by the turn of the century (p. 227).

In Kerala, with fast increasing longevity, the elderly are increasing and children on whom they expect to depend are decreasing in number. So ways will have to be found to support the elderly by the state. On the whole, at the moment they depend on family support, on charity or on pensions they have earned. In a study on the subject, reportedly 70 per cent depended on their children. About 60 per cent earned their subsistence partly or fully from current work. One-fourth of the elderly got help from outmigrating children, and one-fifth reported that they lived on their savings or pensions (p. 231).

One has to bear in mind that Kerala has a number of pension schemes, including those for agricultural workers, destitutes and widows and pensions to craftsmen, sportsmen and freedom fighters. There are welfare funds for cashew workers, handloom workers, coir workers, Khadi workers, construction workers, fishermen and many such categories.

There is also another aspect to which one can look for help of the elderly. For instance, the school buildings which are needed no more could be converted to old age homes. They could also be used as day care centres for the elderly. The resources that were spent on bringing up a large number children could be partly diverted to giving pensions to the elderly.

While discussing the demographic transition of Kerala, one has also to discuss the role of migration that has played its part in the transition (Part D). Migration has been a feature of the Kerala region from the late nineteenth century and the early decades of the twentieth century. The important characteristic of this migration, highlighted by K.V. Joseph (Pp. 249-68) was the peasantry moving from one region to the other, to take advantage of the differing land prices or to get over the oppressive conditions in one region to a more congenial environment. This showed that even peasantry could be adventurous and

could cross the barriers of distance and administrative boundaries. Such was the migration of Syrian Christians: from Travancore to Malabar region of Kerala which was formerly a part of Madras presidency in the British days. This spirit of changing the habitat among migrants (mainly Christians) demonstrated their ability to change their make-up to suit the environment. That certainly helped even present demographic transition. It is, of course, to be noted that such shift of habitat was achieved due to the Kerala Land Reforms Act of 1963 and its subsequent amendments (p. 264). Emigrants from Kerala in earlier days went to Burma, Sri Lanka or Malaya as well as Gulf countries.

As for outmigration to Gulf countries after the mid-seventies, one has to bear in mind that there was emigration to these lands even before. But only in thousands. The new emigration was different in the sense that it included lower middle class and skilled labour, and involved lakhs of people. Similarly, the remittances they made involved enormous sums which could have phenomenal impact on the economy of Kerala. The present observations here (Pp. 269-309) are based on a number of surveys conducted with regard to the emigrants.

The unemployment rate in Kerala was very high and due to its educational level there was no disguised unemployment. A matriculate - by 1976 - had to wait for 181 months to get a job according to one study. But because of education, people could migrate even to regions outside the country.

After 1973 the emigration to Gulf countries increased to high levels, such as 50,000 people outflowing per annum during the seventies and a lakh to one and a half lakh between 1979 and 1985. Of course, these figures are of outflows from India. For emigration from the state of Kerala, there are no reliable sources of data which could be tapped. Moreover, there was, due to decline in oil prices a lot of return migration to India and the demand for Indian labour shrank due to the South East Asian countries providing labour to the Gulf countries after the second oil price hike in 1979. There is also a policy in the

Gulf countries not to depend on outside labour much. However, due to shifts in policy after Iraq war, there was a hope for increase in permitting migrants from the South Asia. It is usually believed that 40 to 50 per cent of outmigrants from India are from Kerala state. At the moment, 5 to 8 lakh of people from Kerala seem to have outmigrated to the Gulf countries. In 1981, the migrants from Kerala constituted 2 to 2.5 per cent of its labour force and, in 1991, 5 to 8 per cent of its labour force (p. 282). Without this migration, the unemployment situation in Kerala would have been explosive. Moreover, this migration created shortage of skilled personnel in the construction business and the wage rates in Kerala went up. There was sympathetic increase in the wage rates in other sectors including agriculture.

The question arises: How much remittance was received by Kerala due to this migration to Gulf countries? Or how was the received money invested? Did it contribute to the industrial development of Kerala? Or did it help to improve agriculture in the state? Or, besides the families that directly received remittances, was there any effect on the other non-migrant section of the society?

In Kerala, it was not the agriculture that was backward. Its labour absorption capacity was exhausted. In fact, output per net cultivated acre in Kerala was Rs 360 against an all-India average of Rs 125 in 1960-61. Agriculture was commercialised. It was the backwardness of Kerala's non-agricultural sector that weighed down on its per capita income. Though the state domestic product increased at a faster rate than the national income, much of the expansion was claimed by the rapidly increasing population and Kerala's relative economic backwardness persisted. What happened to the new remittances from Gulf countries?

Remittances to Kerala compared to state domestic product started increasing, especially after 1975, and constantly increased from 3 per cent to about 16 per cent by 1983, though decreased thereafter to 9 per cent or so. Net capital inflows in deposit schemes, compared to state

domestic product, also increased to 2.6 by 1990-91, starting from 1.4 per cent in 1977-78 (p. 287). It is pointed out by Thomas Isaac that these remittances and inflows were understated, since they did not include remittances in kind or cash by hand. Similarly, inflows by informal channels are also ignored though they could be substantial. However, compared to the mid-eighties, the earnings per migrant worker had declined for various reasons (Pp. 288-89).

What was the impact of remittances on savings and consumption in Kerala? The effect of remittances was seen in the dramatic improvement of the consumption levels in Kerala. There were posh houses in rural Kerala (Pp. 290-300). The consumption level, which was far below the average in India, received a tremendous boost. The consumer expenditure in rural Kerala increased, so that it was higher by 20 to 30 per cent than the average in India but urban areas had only a differential of 5 per cent. Thus, rural urban differences narrowed down. The rank of Kerala which ranked tenth in 1970-71 among the major states of India rose to second in the eighties. The traditional food basket of Kerala was noted for its cheap but relatively balanced diet - carbohydrates from tubers and protein from sea fish. This was now replaced with cereal, milk, meat, vegetables and processed foods.

Consumer durables, housing construction, and phenomenal expansion of financial savings by households in Kerala marked the change after migration to Gulf countries. The per capita bank deposit in Kerala which was far below the national average rose to 37 per cent higher than the national average by 1994 (p. 293). The migrants, if classified as (i) educated Christian middle class, professionals, etc., (ii) school-educated skilled workers, and (iii) uneducated Muslim unskilled labourers, the first group spent less on households or land, since they already had them before migration. But they saved and accumulated a lot of money. The latter two classes spent much more on housing and land. Similarly, they made donations to temples or religious institutions and gave gifts to a number of near relatives.

The impact of migration on domestic production showed that there was no growth of agriculture and rice cultivation was changed to tree-crop plantation extensively agriculture. The land was divided into small holdings without any effort to consolidate the land holdings. Area under oil-seeds increased, so did the land under rubber plantations. Due to tree-crop agriculture which needs a longer gestation period to yield agricultural for production seemed to stagnate. It could be just temporary. Gulf returnees were not a burden on the state economy. Their foreign experience, skill and finance could be utilised for accelerating development of the state.

The international migration had not increased the inequality in the state. The population below poverty line declined sharply by 1986-87. But, despite the favourable circumstances, there seemed no growth of economic development, since poor migrant workers could not be entrepreneurs. The growth of small scale industry has been handicapped due to higher wages in Kerala, where the workers are well organised while in other states they are not to that extent. All these conditions raise an uncomfortable question, the relationship of social development (which is very high in Kerala) to economic development. Similarly, there seems a growth of religious fundamentalism. *Purda* and dowry have become more common.

A separate article is devoted in this book (Pp. 310-45) to the effect of international migration on the women of Kerala and their family living. More than ninety two per cent of the migrants were men. Women workers formed only 7.5 per cent. Among the total migrants, majority (62.2 per cent) had schooling less than secondary, 29 per cent had upto secondary but below graduation and 9 per cent were graduates, in 1987 (p. 316). Problems of residence of migrants' wives, or of their illiteracy, their dealings with the bank, their exposure to handle singly the child-care, their schooling and health, planning the family, and communication with the migrants exposed the women folk to the outside world and that led to their sharpened social development. In fact, the international migration and its consequent effect

on women played an important role in the demographic transition of Kerala. Because of migration of men folk, the responsibilities of women folk included management of large sums of money, repayment of loans, release of pawned jewelry from money-lenders, investment of money not immediately required, supervision of building repairs and construction. No doubt this led to development of women left behind by migrants.

On the whole, the demographic transition of Kerala, which supplies us with an in-depth analysis into its causes and consequences, envisions India to a future ten years hence. If cleverly handled, Kerala's problems and solutions will help India a lot in facing the future.

The book edited by Zachariah and S. Irudaya Rajan is, no doubt, a must reading for all those interested in the development of India.

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Bhambhri C.P., *The Indian State: Fifty Years*,  
Shipra Publications, New Delhi, 1997, Pp. 280,  
Price Rs 160/-.

This is not a history book, but one on political science. It does not narrate individual events as they occur and does not comment on the motives, successes and failures of individual actors. There is also no reference in the book to the two great issues which are the subject of contemporary writings - the issue of personalisation of power and the issue of corruption at the highest level represented by the alleged giving and taking of suitcases full of money. In this book 'an attempt has been made to analyse the Indian State on the basis of its class-essence and its handling of the cultural issues raised by the forces of religious communalism' (Preface).

The author accepts the classical Marxist theory that the society and its dominant ideas, political views and institutions depend on the mode of production (p. 23). He has examined the Indian situation from that viewpoint. The core of his delineation of the Indian situation is simple and is as follows:

India is in the process of transition from a pre-capitalistic economy to a capitalist one. The capitalist mode of production however did not originate within the country; it was introduced by the British colonizers, who operated that system to their advantage, impoverishing India and making the development of Indian capitalism difficult. What developed in India was a subordinate capitalism, which later became eager to become free of foreign domination and allied itself with the national struggle for Independence. When Independence came, it was the Indian capitalist class and the other propertied classes which came to power, operated the state system for appropriating to themselves the surplus values arising in the economy and left large sections of the people bereft of any portion of the fruits of development. This has led to strife. The other factors producing strife are: religious communalism, a divisive force which is getting stronger day by day, and other divisive forces based on caste, region and language.

The dominant classes as well as the exploited classes being so divided, there is no cohesion in the Indian state, rather there are states within a state (p. 264). The national state is weak and it has to use coercive and authoritarian methods to manage the strife-situations. 'This is the authoritarianism of a weak state' (p. 153).

Bhambhri thus sees authoritarianism as a product of the specific context of the Indian situation rather than one of the subjective motives or styles of individual actors. In his analysis of the Indian situation, class interests and the historical social structures have such a dominant part that corruption seems to be a peripheral issue. Bhambhri has, naturally, ignored it.

Bhambhri has interwoven this simple narrative with a good deal of Marxist theory and some 'new perspectives' (p. 4). He has in doing so managed to repeat himself and also to de-focus his main argument at so many places that it becomes difficult to derive pleasure from reading the book. An example of repetition is the reference to the historical context in the form of British colonialism, made on pages 29-30, 35-36, 65, 85, 107, 140, 155, 157, 184 and 222. An example of defocusing is in the discussion of a view, expressed in the western academia, that the present state system in the western countries is basically sound, that no change *of* system is required; only some change *in* the system would be needed from time to time. (p. 20). Bhambhri says that 'many movements are afoot for the destruction of the existing social order and its replacement by a new system' (p. 21); but there being no substantive discussion in this book of what this new order is and who is propagating it, the reader is left wondering as to what hypothesis is being attempted. Bhambhri cannot be unaware that the Marxists in India have accepted working within the existing state-system and also that the efforts of Jay Prakash Narayan to bring in a new social order became a non-starter. The present state system in India looks to be well entrenched. Bhambhri has referred to the weakening of the institutions of this state system because of the waywardness of powerful leaders (p. 129 and p. 57). This goes contrary to his emphasis on contexts. He could have taken a cue from the findings of sociologists Weber and Hobhouse on the stages through which any society develops. As stated by Ronald Fletcher, 'Weber particularly noted that in periods which were 'stereotyped' by tradition, charisma was the greatest revolutionary force to arise. This, of course is an extremely important point for the explanation of social change in traditional societies before the full onset of the modern transformation to the industrialized rational-legal type of order began' [Fletcher, 1994, Vol. II, p. 452]. Fletcher also tells us that according to Hobhouse, during such a change-over, a centralised despotic power emerges in these societies [Fletcher, 1994, Vol. II, p. 177]. We can see in India today various political parties trying to find a charismatic personality to lead

them. The emergence of personal power in India has something to do with these findings of sociologists.

Bhambhri has also discussed the solutions to India's difficulties. On the economic front, he is against the New Economic Policy (NEP) including globalisation. His argument is that these policies have not benefited the masses and that, therefore, in their eyes the state has lost its legitimacy, making it more powerless. He commends the Nehruvian model of state-led economic development. Also, in his view, 'unless purchasing power is created (among the masses) by involving the labour classes in the productive process of India, the Indian state will remain externally and internally vulnerable ....(and).... India can resolve its multi-dimensional crises if it can tackle "demand constraint" by deepening and broadening the Indian market. (Again), (t)he Indian state is in the danger of losing its sovereignty to global capitalism if it does not address itself to the problems of rural India and the deprivations of the working classes' (p. 58). Well, who is to do the job? Bhambhri says that 'the future of the Indian state would be resolved in the manner in which revolutionary parties of the working classes grapple with the situation' (p. 45). This solution is surely a non-starter, inasmuch as the organised industrial working class in India is too small to throw up a powerful revolutionary party and the peasantry is, in Bhambhri's own estimation, fragmented and therefore 'cannot be the vanguard of secularisation and democratisation of the Indian Society' (p. 77).

As regards secularism, Bhambhri has outlined the communalisation of Indian politics from the time of the British rule. He has noted the 'dominance of religious ethos' in all sections of Indian society and how the state has been powerless in dealing with matters impinging on religious loyalties (Pp. 74-75). His reply to his own question, 'will India become a Hindu State?' (p. 121), is negative. The reason is that 'the forces of Hegemony are confronted by powerful social and cultural forces of anti-Hegemony and a large number of low castes think differently from the

high castes' (p. 121). Bhambhri says that the state has however to bring social equality at the centre of the democratic agenda if the communal forces are to be successfully countered (p. 122).

Bhambhri goes beyond the classical Marxist theory when he accepts multiple foci around which the Indian state is formed and functions. One is the class essence, recognised by the Marxist theory. Another, not recognised by that theory is religious communalism. A third determinant is British colonialism, which is now a part of history. Bhambhri also seems to be aware, but has not specifically dealt with one more determinant of a state, the spontaneous growth of new ideologies or cultural values, side by side with the growth in the knowledge and wealth of the society. To borrow from a book reviewed earlier in this Journal [Vol. 8, No. 1, p. 193], in the case of Pakistan, in the opinion of the author, 'we see Islamic ideology as social consciousness, pervading a wider space than class, though it may originate with particular classes or strata' [Allen, 1993, p. 121]. The same applies to India. Whether it is religious communalism or the secular-democratic ideas, those are values which acquire an autonomy of their own and then play a prominent role in shaping the society, including its state system. Like the Islamic ideology elsewhere, the ideologies of Hinduism or of democracy-secularism in India are not restricted to any class. These have become mass ideologies. In fact, the pressure of the voters on the dominant classes has been recognised by Bhambhri himself (p. 38).

To sum up, Bhambhri's attempt to explain the entire expanse of Indian politics through a Marxist perspective has not turned out to be a convincing one. The democratic and communal aspects of the Indian politics are clearly outside the scope of Marxist theory. Bhambhri's treatment of the economic policy of the state and the suggested solutions are more theoretical than contextual. While examining a fuller book on India's New Economic Policy this reviewer had pointed out that (i) the opponents of this policy have not been able to suggest an alternative to the NEP for the creation of investible surpluses; and

(ii) globalisation had to be accepted because we must remain a partner in international trade for earning foreign exchange to finance our essential imports [Patankar, 1996].

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B.P. Patankar.

Vohra, Ranbir, *The Making of India: A Historical Survey*, M.E. Sharpe, New York, 1997, Pp. x+331, Price \$ 22.95.

Ranbir Vohra, a specialist in the history and politics of China, Japan and India has written this book for the American public. One of Vohra's objects was, as mentioned in the Introduction, to enable the reader to 'comprehend the complex form that communalism, secularism, and democracy have assumed in India, and also gain a proper perspective on the character of the Bharatiya Janata Party and the reasons for its emergence as a major political force'.

Vohra has described the Indian social order as a socioreligious order in contrast to China's sociopolitical order. The socioreligious order in India is said to have had three effects. Because of the various cults and deities thrown up by various races and regions of the country, the society got broken up into parcels, with no political unification, the loyalty of the people remained attached to the *social order* and not to the *state* and, lastly, while a spirit of tolerance was achieved, it was on the basis of ghettoization, each caste confined to its own limits of social space and governed by its own codes. (Pp. 11-36).

Vohra has dealt with the Muslim period of Indian history very briefly only to show that even under the Muslim rule, except for a brief period under the Mughals, India continued to be divided into small kingdoms, continuously at warfare, ruining the country under the burden of heavy taxation. As regards Hindu-Muslim relations,

'from the first raids by Mahmud of Ghazni when the invaders displayed unbounded enthusiasm for destroying and plundering Hindu temples ..... to the harsh and cruel religious policy of Aurangzeb, the subcontinent saw the rise of religious animosity and the hardening of feelings of mutual antagonism and suspicion between Muslims and Hindus' (Pp. 41-42).

To continue Vohra's narrative, the Mughal power disintegrated after the death of Aurangzeb, and the Marathas, who had the opportunity to rule over a unified India lost that opportunity. 'The conclusion that one is forced to reach is that in the absence of any political ideal of a genuinely unified state - an ideal which Hinduism had failed to develop - the Marathas found it convenient to function within the military-feudal structure established by the Mughals' (p. 57).

Vohra has depicted in detail how the British gradually spread their hold over the whole of India, unifying the country and how they introduced modern education leading to national aspirations and the freedom struggle. The main theme of Vohra's book is again reflected in his description of the period 1858-1908 as 'The Making of a Communal Polity'. During this period, the Hindus got ahead with English education while the Muslims went back into more fundamentalist attitudes. The nationalist movement was dominated by the Hindus who spoke in the Hindu idiom. Later, 'the reluctance to part with power also led the British to seek succour from divide-and-rule policies ....' (p. 89).

The description of the religion-based divide must be said to be a special feature of this book. The final assessment is that '(a) society held together by the interdependence of caste and religious ghettos could not be reshaped without consideration to religion', a fact that fractured the national movement (p. 125).

That led to partition. Vohra has not, unlike the 'revisionists', blamed the Congress for it. During the war years the Congress leaders were in jail and Jinnah rose to the position of the sole representatives of the Muslims. He refused to accept

an all-inclusive national constitution and embarked on a direct action involving violence and bloodshed. 'Not many any longer believed that independence was possible without some kind of partition...' (p. 185).

Vohra has devoted only 120 pages to the post-Independence period and has tried to cover all aspects of this period, including foreign policy, economic stagnation, etc. Considering the limited space available to him, it would have been better if he had limited himself to the questions of secularism, communalism and democracy, which would have enabled him to better substantiate his assessments. In trying to cover a large area, he has presented, without critical analysis, the popular and journalistic views about the post-Nehru regimes.

Vohra gives credit to Nehru for trying to bring social and political cohesion to India (p. 195) but shows that many obstacles stood in his way. One was, ironically, the 'Gandhian tactic of civil disobedience', employing which, every political party, when in opposition, 'continue(d) to indulge in the politics of strikes, riots, and violence, and to ignore the rule of law' (p. 195). Another major obstacle was of course communalism, which had got strengthened because of many things - Partition, the support which the Indian Muslims had given to it, the bloodshed, bitterness and the refugee problem engendered by it, the refusal of the Muslim-ruled Hyderabad State to join the Indian Union, the dispute on Kashmir with Pakistan and the separatist movements of the Sikhs and the Nagas. Vohra has committed a slight inaccuracy when he says that the illegal immigration of Bangladeshi Muslims into India began after 1971 (p. 196). In fact, that immigration has been continuing since the beginning of the twentieth century, and the efforts of the Government of India in 1962 to throw out some illegal immigrants led to the issue going to the UN, and some bilateral talks between the Home Ministers of India and Pakistan. Vohra also seems to be inconsistent in holding, on the one hand, that Nehru, however unwittingly, did harm the cause of secularism by allowing Islam to abridge fundamental rights (p. 223) and, on the other hand,

that he (Nehru) was also wrong in thinking that India's past, which was an obstacle in the path of the country's modernisation, could be willed away (p. 223). Vohra makes an important observation about what Nehru did to the Congress Party. He says that the Congress was divided into three powerful factions having disparate ideologies and that Nehru, finding it difficult to get his policies approved democratically by his contentious colleagues, chose to make the Congress a subservient, pliable body (Pp. 210-211).

If these two observations, one regarding the impossibility of willing away the past and the other regarding making the Congress pliable, are applied to the Indira Gandhi and Rajiv Gandhi eras, we will have to look at the much-discussed de-institutionalisation and the non-secular steps taken during their eras in a different light. Vohra has uncritically accepted the assessment of the post-Nehru regimes put forward by what he has at one place (p. 246) called, the middle-class intelligentsia. Let us see how he has treated the regimes of Indira Gandhi, Janata Dal, Rajiv Gandhi and Narasimha Rao.

In his Introduction itself, Vohra has called the Congress Party 'so corrupt and undemocratic', one which tried to 'tenaciously hold on to power at the centre, using every crooked means possible - even perverting the powers of the Parliament, the judiciary and the bureaucracy' (p. 7). At almost the beginning of the chapter on Indira Gandhi, he tells us that '(Nehru's) daughter and grandson, lacking his self-discipline and his vision for India, turned democracy into a patrimonial system...' (p. 227). He believes and repeats to us that 'suitcases full of currency notes' were being sent to the prime minister's house by various persons interested in receiving favours from Indira Gandhi' (p. 237), that she 'turned her factional dispute with the Congress leaders into a populist ideological crusade for socialism' (p. 232), that, during the Emergency, ten million persons were forcibly sterilised (p. 242), and so on.

One must remember that while after her Emergency rule, Indira Gandhi was thrown out of power, she was, as Vohra himself has noted, returned to power in 1980 with an emphatic majority, with Sanjay Gandhi getting 150 of his followers elected and that 'the most important group among those that had voted against her was the middle class intelligentsia' (p. 246). It is obvious that this class was out of tune with the perception of the general masses.

In assessing the term of Rajiv Gandhi, Vohra continues in the same tone. After recording some positive achievements of his first year in office, he says:

.... the Congress under Indira Gandhi and Rajiv Gandhi had confused nation building with state building and identified themselves with the state. .... they reduced the sovereignty of the Parliament and the autonomy of the judiciary, made a mockery of the federal system by reducing state chief ministers to a position of servility, undermined the institutions of law and order, and corrupted the bureaucratic system. Worse still, in the name of national unity they did not hesitate to use the state's power to suppress all opposition, resorting even to state violence. As a consequence, instead of fostering a civic political culture and a sense of national unity in India, Indira and Rajiv Gandhi inspired the rise of militant Sikh nationalism in Punjab and militant Muslim nationalism in Kashmir (p. 268).

Dealing with 'India under Prime Minister Narasimha Rao', Vohra says that 'However harshly historians may condemn Rao for the handling of the other crises, they must laud him for the boldness with which he introduced (economic) reforms' (p. 277). Vohra finds that these reforms have succeeded. He has detailed all the initiatives taken up by the Rao government but has faulted him for his 'predilection for postponing decisions, .... his manipulation of the party to preserve his position, and his tacit acceptance of corruption' (p. 280). As an instance of the first fault, Vohra has cited the Ramjanmabhoomi-Babri Masjid (RBM) case. Vohra shows his ignorance in this matter by saying that in this case, 'Rao managed to get a bill through Parliament that



sought to return both places of worship to the status quo of August 15, 1947' (p. 280). The bill, he speaks about, freezes the status of all other places of worship except the RBM, which itself does not consist of two places of worship but only one. For the American public for whom this book is written this inaccuracy does not make much difference but the statement that Rao should have dismissed the state government or sent central forces to occupy the premises of RBM (Pp. 281-82) is an uncritical assessment of a situation which was full of constitutional difficulties.

As regards the wider question of secularism, Vohra says that Nehru's 'unrealistic notion of secularity died with him, not much effort has been made to understand the issue of nation building in a socioreligious society' (p. 282), that in India 'there is a national ethos associated with Hinduism' which the BJP has managed to exploit (p. 283) but which it has also misunderstood so that 'its attempt to build a national identity around this ethos is flawed. India's socioreligious tradition, which divides society into so many autonomous parts, is too strong to be reshaped by a top-down approach' (Pp. 307-08). Vohra does not say what would be the correct policy.

Vohra sees the results of the 1996 elections as a silent revolution in that the self-correcting mechanism of Indian democracy has brought back balance to the structure. As to the future prospects, Vohra believes that the BJP, whose programmes are, in spite of its rhetoric, secular, 'may actually be the catalyst India needs to reinvigorate its political system. Even if a revitalised Congress comes back to power, the BJP can be expected to act as a worthy opponent who will watch out for the interests of the nation' (p. 312).

This narration can hardly be called a serious historical work. The book may get good sales in the United States. Indians are not likely to be interested in re-reading what they have already read in the newspapers and magazines.

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Kurien, Varghese, *An Unfinished Dream*, Tata McGraw-Hill Publishing Company, New Delhi, 1997, Pp. 598, Rs 500/-.

The success story of *Operation Flood*, on which Kurien's name is indelibly engraved, is well-known and has been the subject of many books. This book contains the speeches of Kurien publicly delivered over a span of forty years (1955-94) when he was closely associated with that programme. They are divided into three sections: I: A Dream (1957-79); II: Defending the Dream (1980-88); III: A Dream Renewed (1989-94), almost chronologically arranged. Kurien's lifework and his thoughts are reflected in this collection. And they are valuable.

Kurien's dream is a dream of India's future: a just nation in which rural citizens have as much access to fruits of progress as do their urban sisters and brothers. The key to achieving this dream is the thought that 'only when those who are directly concerned with the results of development have control over its ends, and the means to these ends, will true development occur' (p. 3). This principle, now accepted in breath all round but not in practice, is crucial for the development of poor societies, further, or therefore, handicapped by unsuspected depths of age-old social and economic inequality and stratification, because the economists' familiar approach of relying on the market mechanism to solve the problem completely fails here. Kurien draws attention to the fallacies inherent in a commitment to market-driven economy and argues that the market does not allocate resources to the disadvantaged, the poor, the weak, the ill and the uneducated. There follows a delightful commentary on the present-day economics that needs to be a compulsory reading for all students of economics, at least in India.

'Take the westernizing economist's approach to rural productivity, for example. He takes my proposal for *Operation Flood* and asks me whether it "optimises in its allocations of scarce resources!". I submit that he is asking me the wrong question. What he should be asking me is:

"Will *Operation Flood's* benefits go to the small holders with poor land?" I know - and the economist should know - that returns on investments in poor land will not be as high as returns on investment in good land. But we also know that the best land is monopolised by the rich farmers. So the very question that the westernized economists ask are irrelevant to the task of dismantling traditional rural systems of exploitation. If you ask the wrong questions you get the wrong answers' (p. 164).

There is an instructive and enjoyable piece on subsidies. The gist of it is: 'At an early stage after our independence, subsidies were seen as a way to accelerate development... Regrettably, there seems to be an unhappy rule of human behaviour: if something becomes available at less than the market price, those with power and influence will corner it and then turn around to earn a profit by selling it at the market price. This is the sad story of much of our subsidisation of agriculture' (p. 565).

Kurien met with some disappointments and failures. An integrated policy on oilseeds and edible oil which Kurien undertook failed when the government, under increasing pressure from international financial institutions and vested interests within the country, began to dismantle the very policies that had brought the country to the brink of self-reliance.

Another battle lost was over de-licensing the dairy sector. This was because of bureaucratic intransigence and fierce opposition from multinationals, business houses and international financial institutions.

This collection is rewarding reading especially, as already observed before, to students of economics in India.

N.V. Sovani

Sarma, Atul, Gerrit Faber and Pradeep Kumar Mehta, *Meeting the Challenges of the European Union - Prospects of Indian Exports*, *Indo-Dutch Studies on Development Alternatives Series*, No. 20, Sage Publications, New Delhi, 1997, Pp. 346, Price Rs 475/-.

The book is a product of Indian and Dutch scholarly collaboration. Based on primary and secondary data it addresses itself to the evolution of the export performance of India since 1991 in one of the major export markets, the European Union (EU). The context of the study is the sweeping policy changes in India and the rapid transformation of the trading environment in the EU. The study is divided into three parts: one, Changing Policy Environment (Chapters I and II); two, Exports to EU: Performance and Prospects (Chapters III, IV and V); three, Barriers to Export Growth (Chapters VI, VII and VIII).

Part II examines India's export performance in terms of growth, composition, market share and other indicators of performance. A comparative analysis of EU imports from India with EU imports from other sources identifies the commodity categories which were dominant and those that revealed potential in EU imports from India.

Part III examines the barriers that the dominant Indian exports face in the trading environment of the EU. It proceeds to understand the export potential on the basis of perception of Indian exports as well as those of European importers of Indian commodities. This is based on the feedback from operators directly involved in that trade.

The major findings are: Indian exports are largely confined to two members of the EU, UK and Germany. Indian exports to EU also relate to the sectors in which EU global imports grow the least. There is also a high degree of concentration into three commodity categories, viz., textiles, leathers and pearls (largely diamonds) accounting for 60 per cent of the total exports to EU. There is, however, a discernible tendency to move to new categories like chemicals, base metals,

vehicles, machinery and plastics. These attract the least tariff barriers in EU and need to be strengthened. Among the Indian exports a few commodity groups are important in the EU market: two groups in the leather category, six groups within the textile category and one under the pearl category. Notable exceptions in this pattern are iron and steel, and plastics. In regard to most of these commodities, a better understanding of demand and supply situations would help in realising their potential.

But there are severe bottlenecks to realising these potentials. First and foremost is the mind-set of the exporters themselves which has developed under a long protective shelter. The limitations arise because the present trade practices between Indian exporters and European importers do not allow for adequate and timely feedback regarding the European consumers' choice and preferences. A large number of commodities traded in the EU are price elastic. Indian goods need to be price competitive and market responsive. This depends upon proper feedback mechanism for knowing the preferences of customers in the latest product designs.

The present incentive structure in India ignores the fact that the bulk of Indian exports are produced in the small-scale sector which suffers from shortage of funds for technological upgradation and modernisation.

Apart from these, there is the wide divergence between policy intentions and their actual implementation. Those responsible for policy implementation are yet to demonstrate the commitment and enthusiasm shown by the policy makers.

Indian export expansion in the EU market is handicapped by poor marketing (including timely delivery). Indian embassies and trade missions in the EU 'could not even provide us the updated list of importers, let alone promoting Indian exports by way of continuous evaluation of market potential and establishing contact between importers and Indian exporters. The present

missions in their orientation as well as professionalism seem to be ill-equipped to play the role required of them. In the changing international trading environment, there is urgent need for economic diplomacy rather than the traditional one' (p. 327).

N.V. Sovani  
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Gokhale Institute of Politics and Economics,  
Pune.

Wallerstein, Immanuel, et al., *Open The Social Sciences: Report of the Gulbenkian Commission on the Restructuring of the Social Sciences*, Vistaar Publications, New Delhi, 1997, Pp. 105, Price Rs 125/-.

The Calouste Gulbenkian Foundation, Lisbon, brought together, in 1993, an international group of scholars - six from the social sciences, two from the natural sciences and two from the humanities - to reflect on the restructuring of the social sciences. They were drawn from the USA (2), Europe (4), Asia (1), Africa (2) and the West Indies (1). After three plenary meetings over two years under the chairmanship of Immanuel Wallerstein, President of the International Sociological Association, the group wrote its Report which is presented in this book. Divided into four sections, the book deals with the historical construction of the Social Sciences from the eighteenth century to 1945, debates within the social sciences from 1945, the nature and problems of building social sciences in the new contemporary context, and finally, the possible ways of restructuring these sciences.

Tracing the evolution of the social sciences until the end of the Second World War, the Report emphasises the role of the natural sciences in showing the way to the establishment of independent disciplines without the trappings of theological approval or hagiographic conformity. The objectivity of the natural sciences had also impressed the builders of the new disciplines in the sphere of society. However the attempt to build the new social disciplines in the image of the natural sciences led to the assumption of a universality for their propositions, which was far from true. It required the emergence of a colonial

empire (or several of them) to sustain that assumption, just as the establishment of separate departments in universities and colleges became necessary for the independent existence of disciplines like history, economics, political science, sociology, anthropology, psychology, etc. By 1945, the social sciences were clearly distinguished from the natural sciences, which studied non-human systems, and from the humanities which studied the cultural, mental and spiritual production of 'civilised' human societies. But the growth of these sciences had become largely 'Eurocentric' and the universality claimed for them was bound to come under challenge in the post-colonial world.

The Western bias of the social sciences was, in fact, seen as extremely parochial. Feminists challenged its masculine orientation, others its Eurocentrism and still others the premises built around the biases. The debates within the social sciences reflected these trends in the post-war period. The old lines of demarcation between these sciences were also seen to be arbitrary and out of accord with the requirements of the contemporary world. The growth of 'Area Studies' and multidisciplinary studies constituted a denial of their rigid separation. The universalism claimed for them is questioned on the ground that all such claims are contingent on historical circumstances. Can the social sciences be based on a 'pluralistic universalism, on the analogy of the Indian pantheon, wherein a single god has many *avatars*?' (p. 59). It is further suggested that '(o)nly a pluralistic universalism will permit us to grasp the richness of the social realities in which we live and have lived' (p. 60). The question before us is how to open the social sciences so that they may respond adequately and fully to the legitimate objections to parochialism and thereby justify the claim to universal relevance or applicability or validity.

Changes in the development of natural science have also affected the social sciences no less than the emphasis on cultural studies by scholars in the humanities. While natural science is hoping to make 'the idea of laws of nature compatible with the idea of events, of novelty, and creativity', cultural studies are concerned with affirming the importance and significance of the 'local' as against 'world wide' areas of study. The

increasing attention paid to ecological studies has made inroads into economic and political spheres and brought a discussion of values to centre stage. As a result of all these factors, the tripartite division between the natural sciences, the social sciences and the humanities is no longer as self-evident as it once seemed.

Having thus traced in a succinct manner the evolution of the academic study of the social sciences, the Report proceeds to deal with the problems of building up the social sciences in the contemporary situation. In this, it takes note of the blurring of the dividing lines between different disciplines, the growth of institutes of advanced studies and other organisations which are not primarily concerned with teaching, increase in the number of colloquia not confined to rigid lines of demarcation between various studies, and small continuing structures of physically separated scholars through the use of electronic media. On account of all such comparatively recent developments, doubts have been raised about the continuing importance of the university structures for the furtherance of research activity in this field. The concept of the 'neutral scientist' put forward by 'positive' social science also offers an impossible solution to the laudable objective of freeing scholarship from arbitrary orthodoxy. This is because of the increasingly widespread realisation that no scientist can ever be extracted from his/her physical and social context. The belief in such a neutrality appears to be itself a major obstacle in increasing the 'truth value' of the findings of scientists. This poses a great problem even for the natural scientist. One can imagine how it constitutes a much greater problem for social scientists.

The second issue is 'how to reinsert time and space as internal variables constitutive of our analyses, and not merely unchanging physical realities within which the social universe exists' (p. 76). Similarly we have yet to overcome the long accepted but basically artificial separations erected in the nineteenth century between supposedly autonomous realms of the political, the economic and the social disciplines. Once that happens and new formulations begin to take root, the intellectual bases for the restructuring of the disciplines may become clear. If the concept of 'neutrality' is abandoned, the task of restructuring

of the social sciences must be one which results from the interaction of scholars coming from every clime and bringing with them their own different perspectives.

The current emphasis on globalisation also has a vital bearing on the process of restructuring. The state no longer limits the horizon of the social analyst. Complex social structures that exist at the global level were largely neglected so far. So also were the complex structures that exist at the more local, i.e., sub-state levels. This was perhaps inevitable in a 'state-centric' system of operation in various fields. Regional studies that have been undertaken so far have also pointed in the same direction.

Taking within its grasp the 'universal' as well as the 'particular' with the same ease and authenticity, social science has necessarily to be more multicultural or intercultural. Its universalism must be recognised to be always historically contingent. It, therefore, needs to include increasingly larger segments of the world's historical experiences and it should be a search for a renewed, expanded and meaningful 'pluralistic universalism'. Such a concept appears to be somewhat contradictory to the notion of objectivity. However, in the light of the criticisms of the past practices, there is no escape from the acceptance of such a concept aiming at an understanding of the pluralism which goes along with the universalism of the social sciences.

The restructuring of the social sciences in the light of the preceding discussion has already started in the form of the multiplication of interdisciplinary programmes of training and research all over the world. The USA with its larger resources, has undertaken by far the greatest measure of experimentation in such studies. But other areas of the world are not mere silent spectators. New trends are visible in Europe in the form pan-European projects of study. Non-European countries like those in Africa, East Asia and Latin America, though faced with paucity of resources, are also slowly coming up with newer research institutions. The boundaries between natural and social sciences are also breaking down.

The Report emphasises four kinds of structural developments which could encourage the building of useful paths towards intellectual clarification and eventual fuller reconstruction of the social sciences. They are: (a) expansion of institutions which could bring together scholars for a year's work around specific themes of importance and urgency; (b) the establishment of integrated research programmes within university structures that cut across traditional lines; (c) compulsory joint appointment of Professors in two departments - one in which he has specialised and a different one in which he has shown interest or done relevant work; and (d) joint work by graduate students by insisting on doing some research work in a department different from the one in which they are working for their doctorate. This will result in a variety of combinations which may transform the present and the future.

While the Report makes these four recommendations, it is careful to indicate their lack of finality by saying that 'what is most important is that the underlying issues be debated - clearly, openly, intelligently and urgently' (p. 105). That indeed should be done by the academic community engaged in teaching and research in the social sciences. Though they appear to be a somewhat tame conclusion to the challenging title of the Report, one must remember that being an international and inter-disciplinary committee's conclusions, they had to be stated in a subdued manner in order to maintain unanimity in their expression. A Report like this has to be accommodative to various approaches while maintaining the objectivity of its analysis. It can only be indicative in its prescriptions and therefore tentative in character. With all such limitations, it has succeeded in focussing the attention of social scientists on the urgent problems of their methodology in the globalised context of today. For this service the members of the group deserve our gratitude.

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## BOOKS RECEIVED

Currently, a large number of books are being published on Indian economic political and social problems and developments. We give below a list of books we have received with a request for a review. For want of editorial resources, it is not possible to review all of them though many deserve a critical review. Interested readers are requested to write to the editor indicating which of the following books he would like to review or write a full review article on. We shall be glad to do the needful. Readers are also welcome to review books recently published, but not appearing in the following list. As the contributors to this Journal are aware, all contributions published here are adequately remunerated.

Aziz, Abdul and Sudhir Krishna (Eds.), *Land Reforms in India*, Vol. 4 - *Karnataka: Promises Kept and Missed*, Sage Publications, New Delhi, 1996.

This is the fourth volume in the series *Land Reforms in India*, brought out under the aegis of Lal Bahadur Shastri National Academy of Administration, Mussoorie. It comprises 14 volumes and each volume assesses the current status of land reforms in one state. For this purpose, village level primary data is collected, by interviewing landowners, tenants, allottees of surplus lands, and tribals. It is supplemented with land records and other official documents. The volumes are the outcome of the analysis of this material as well as the state-specific workshops held for administrators, academics, activists and legal experts.

The present volume contains 16 papers of the sixth such workshop held in Bangalore and address to such aspects of land reforms in Karnataka as land ceiling and tenancy reform laws and their implementation, the ecological costs and social benefits of distributive land reforms, common property resources and their management, tribal rights and forest laws, land records, their maintenance and computerisation, etc. Additionally, the future of land reforms is discussed, particularly the options - whether to maintain the status quo, or to amend and implement the land reform legislation with

greater vigour, or to give up the traditional concept of land reforms and accept the liberalisation of land reform laws as a part of the new economic policy.

The book is of interest to those working in agrarian studies, development studies, peasant studies, and policy studies.

Bhattarai, Krishna Prasad, Chairman, *Meeting the Challenge (Report of the Independent South Asian Commission on Poverty Alleviation)*, SAARC, 1992, Reprinted by Centre for Youth and Social Development, Bhubaneswar, 1997.

This report on eradication of poverty in South Asia is the achievement and failure audit of state interventions for development in the SAARC countries. This appraisal, undertaken by the Independent South Asian Commission, appointed at the SAARC Summit in Colombo in 1991, explores the inadequacies of the interventions in the past, in order to diagnose the reasons for the same. Further, the report analyses in-depth several participatory processes to confirm that savings and investment can be increased and assets created cost-effectively, through social mobilisation and participation of the poor. Finally, the report articulates the elements that should inform the poverty alleviation policies, plans and programmes and draws the agenda for action.

The report is of use to administrators, development planners, and policy framers.

Custers, Peter, *Capital Accumulation and Women's Labour in Asian Economies*, Vistaar Publications, New Delhi, 1997.

This Ph.D. dissertation attempts to scrutinize the ongoing process of capital accumulation in Asian countries. It focuses on three major factual themes comprising decisive parts of that process, namely, (i) the nature of production relations in the readymade garment's sector which plays a vital role in the majority of South and South East Asian countries, (ii) agricultural modernisation and its socio-economic and environmental effects, and (iii) the labour management strategies applied by Japanese corporations to achieve maximum control of their workforce. This investigation shows that the process of capital accumulation in Asia has progressed up to the point where Marxist concepts and theories, like the labour theory of value, have become decisively relevant for interpretation and analysis of developments in Asian economies. However, concentrate as they on the 'public economy', they overlook the 'domestic economy', its transformation along with the growth of capitalist relations, and the mutual influence of changes in both these economies. Marxist theories are thus inadequate for the review of women's labour, that is, the variety of productive tasks undertaken by women (in Bangladesh, West Bengal, India and Japan). Hence, four distinct currents in feminist theories are used as tools of analysis in this study; they are developmental feminism, ecofeminism, the German feminist school and socialist feminism. In the light of these feminist concepts, the book seeks to visualize women's labour and concludes that women are a convenient target for exploitation, in particular in the initial processes of industrialisation. Apart from the introductory chapter, the rest of the book is divided into four parts: Part 1 places women's labour in historical perspective, Part 2 in industrial settings while Part 3 in agricultural, and Part 4 is devoted to Japanization and women's labour. The concluding chapter in Part 4 presents the conclusions.

Desai, Bhupat M., Ed., *Agricultural Development Paradigm for the Ninth Plan under New Economic Environment*, Oxford and IBH Publishing Co. Pvt. Ltd., New Delhi, 1997.

This is a compilation of papers and proceedings of the National Seminar on Agricultural Development Perspective for the Ninth Five Year Plan held at the Indian Institute of Management, Ahmedabad. The seminar mode was conceived to synergize agricultural sector related research for arriving at a consensus on many vexed problems of agriculture. Accordingly, the seminar was organised into nine sessions. So is this volume divided into nine parts, devoted to the following themes: contribution of agricultural development to national goals, demand-supply analysis for agricultural commodities, technological factors responsible for agricultural development like evolution and transfer of seed, resource-centred agricultural knowledge and the role of market purchased inputs, institutional factors influencing agricultural development like decentralised planning, land reforms and poverty programmes, agricultural credit, and agro-marketing and processing, and, finally, economic factors effectuating agricultural development, like the role of product prices, terms of trade and foreign trade, role of public and private investments, and subsidies and taxes.

The report is of relevance to agricultural economists, agrarian and development planners, and agricultural policy makers.

Joseph, K.J., *Industry under Economic Liberalization: The Case of Indian Electronics*, Sage Publications, New Delhi, 1997.

This study, a revised version of a Ph.D. thesis, is an attempt to evaluate the implications of policy liberalisation initiated in electronics industry, pursuant on the ongoing process of structural adjustment. The impact on product structure of the industry is analysed in an input-output framework, and issues, such as the impact of

investment decisions on output, interdependence among product groups within the electronics industry, patterns of linkages, etc., are addressed. Whereas the impact (of policy liberalisation) on market structure of the industry is expounded in the three phase framework of the structure-conduct-performance (S-C-P) paradigm. Consequences of removal of institutional entry barriers, behaviour of the agents involved, market segmentation, etc., are also analysed. Envisioning technological change in a developing country as a function of both, technology transfer and local Research and Development efforts, the study reviews the technological behaviour of firms in the industry under the liberalised policy regime. The growth trends of three major product groups - consumer, capital and intermediary goods - are assessed with reference to employment, regional industrial dispersal and export earning. The last chapter (seventh) sums up the results of analysis and raises certain queries.

Kabra, Kamal Nayan, *Development Planning in India: Exploring an Alternative Approach*, Sage Publications, New Delhi, 1997.

This collection contains, besides introduction and epilogue, eight essays which examine some select aspects concerning the methodology, machinery and process of planning and its dynamic interaction with the substance and strategy of development in India in the last fifty years. The aspects of development planning appraised include: theoretical bases and implications of planning, the choice of agency for undertaking planning, mode of production in post-Independence India also impact of the informal, the 'black' and the state sectors, plan implementation, district planning, planning and liberalisation, and the need of an integrated social science approach to planning. The two premises taken as given for this inquiry are: 'Planning can and does work beautifully with markets, price mechanism and private enterprise' (p. 227); and hence, 'the question is not whether to plan, but how to plan' (p. 12).

Mathew, E.T., *Employment and Unemployment in Kerala: Some Neglected Aspects*, Sage Publications, New Delhi, 1997.

This volume is devoted to a complete, critical analysis of the problem of unemployment in Kerala, in the light of the apparent paradox of its high physical quality of life and low per capita state domestic product. The low economic base in Kerala is traced as the root of its having the highest rate of unemployment among the states in India, whatever may be the criterion for measuring unemployment. The study draws its data mostly from the reports of the quinquennial surveys on employment and unemployment conducted by the National Sample Survey Organisation (NSSO) since 1972-73. Hence, Chapter 2 explains the definitions, concepts and methodology used in these surveys by the NSSO. Chapter 3 discusses the changes since 1972-73 in the employment situation in terms of level, status and pattern. Chapter 4 is divided into three parts which review direct and indirect measures of underemployment, variations over time in the incidence and rates of unemployment, and incidence of unemployment by age groups and levels of education. Chapter 5 evaluates the problem of educated unemployment. Chapter 6, on the basis of the author's own sample survey, attempts to examine the job preferences of the unemployed and the employment perspectives of the self-employed with a view to providing an empirical basis for the arguments in Chapter 5. A summary of the text, findings and conclusions are presented in the last (seventh) chapter.

Mohapatra, P.M. and Mohapatro, P.C. (Eds.), *Forest Management in Tribal Areas: Forest Policy and People's Participation* (Proceedings of the Seminar, *Forest Policy and Tribal Development*, during 15-16 February 1994 at Koraput), Concept Publishing Company, New Delhi, 1997.

In addition to foreword, preface and the final chapter on conclusions and recommendations, the 16 papers in this volume discuss diverse aspects of the forest policies. Particularly stressed are the Government of India's New Forest Policy Resolution of 1988, the lack of people-oriented



welfare approach of the policies and their impact on the local tribals' rights to forest resources. Other areas of concern covered include: Orissa's steadily deteriorating forest economy and along with it the tribals' conditions, due to declining forest area and cover on the one hand and growing population on the other, ecological hazards of shifting cultivation, joint management of forests and equal partnership between the forest department and the local communities, conservation of 89 medicinal plants used by tribals in Koraput district, etc.

Pillai, P. Mohanan and N. Shanta, *Industrialisation in Kerala: Status of Current Research and Future Issues*, in *Kerala Studies Series*, Centre for Development Studies, Thiruvananthapuram, 1997.

This is an inquiry into the research on industrialisation in Kerala. The state's strengths and weaknesses *vis-a-vis* industrialisation are assessed sector-wise through a review of all major published works on Kerala's industrial sector. Historical studies as well as current research reports, particularly those pertinent in the context of Kerala's lop-sided development, are analysed. Apprehension is expressed that there is greater possibility of its being marginalised in the new economic policy regime of liberalisation, in view of its present industrially backward status and the state's financial inability to directly undertake development of industries.

Robinson, Eva Cheung, *Greening at Grassroots: Alternative Forestry Strategies in India*, Sage Publications, New Delhi, 1998.

The book traces the history of Indian forestry from the colonial period to the present and highlights the confrontation between modern and traditional knowledge about scientific forestry. The former emphasises requirements of the market while the latter, usefulness to the rural and tribal economy. It is asserted that traditional subsistence forestry which is embedded in social and cultural values and mores is no less scientific than the modern forestry, with its stress on individuals, that the post-Independence industrial

forestry is, in fact, anti-social forestry, and that the confrontation is discernible not only in knowledge but also in the organisational culture of the agencies concerned with social forestry. These pronouncements are substantiated with the illustration of Andhra Pradesh. The performance of the Andhra Pradesh Forest Department as well as that of voluntary agencies is evaluated and the former's bureaucratic rigidity in working is highlighted. Three case studies of the voluntary agencies pertaining to the period 1989-92 are included to determine whether there is any difference between their public postures (being non-bureaucratic) and actual practices. The conclusion reached is that their alternative organisational culture has contributed to the emergence of subsistence forestry based on rural people's knowledge and necessitated the re-definition of trees, not commercial commodities but organisms providing the base for the community's continuation.

Rose, Roger, Carolyn Tanner and Margot A. Bellamy (Eds.), *Issues in Agricultural Competitiveness: Markets and Policies*, IAAE Occasional Paper Series, No. 7, International Association of Agricultural Economists (IAAE), Dartmouth Publishing Company, Aldershot, England, 1997.

The book contains 45 contributions presented at the 22nd International Conference of Agricultural Economists, held at Harare, Zimbabwe, in August 1994. Each paper is followed by an opening statement on its theme and a summary of general discussion on it. Additionally, 119 papers presented at the poster programme in the Conference are abstracted in the last chapter. The issues addressed in the contributions cover a wide range of aspects of agriculture in several countries: landed property rights, land reforms, sustainability of land under demographic pressure, conservation investments, measurement of technical and allocative efficiency, growth rates of agricultural productivity, agricultural credit markets, agricultural policies and political economy, stability of agricultural prices and incomes,

export competitiveness of agricultural products, international agricultural trade policy, structural adjustment and agricultural export response, trade balance, devaluation and household welfare, food security, linkages between human capital and the environment, depletion of ground water, and so on. Not merely for the interpretation of results but analytically also, the papers make a desirable reading because of the techniques applied for analysing the empirical data.

Sen, Amartya, *Health, Inequality and Welfare Economics* : B.G. Kumar Endowment Lecture, 1995, Centre for Development Studies, Thiruvananthapuram, 1996.

This lecture seeks to answer the question: how economic theory can help formulate public policy on poverty alleviation. It rejects the traditional utility-based welfare economics because, in principle, utility may be defined in terms of individual well-being and happiness and yet, in practice, it is grounded on the use of commodity valuations - the amounts of money that people are willing to pay for goods and services. A broader approach to welfare economics, which focuses more on levels of living and quality of life than on mental characteristics of utility or the physical magnitude of commodities, is recommended. This approach, it is argued, pays attention not merely to the aggregate attainments but also to equitable distribution of opportunities and accomplishments. Its distinctive aspect - preference for direct assessment of levels of living through non-income data, such as achievements and inequalities in health, survival, education, etc., to their indirect appraisal through income-based indicators - is illustrated in the light of

Kerala's achievement in the health sector. Second, the crucial need of not losing sight of equity while making use of data and statistics in taking policy decisions is stressed. Resource allocation based on the *Disability-Adjusted Life Years* (DALY) indicator developed by the World Bank for the *World Development Report 1993*, is cited as an example.

Shah, Ghanshyam, *Public Health and Urban Development: The Plague in Surat*, Sage Publications, New Delhi, 1997.

This monograph is an immediate response to the outbreak of plague epidemic in Surat in 1994 and of plague panic in India, in fact the whole world, because no communicable disease can remain localized today, the world being a global village with disease being as homogenized as modern communication, migration patterns, interdependency and market economy. The study, a political-anthropological one, treats the plague in Surat as a symptom of a socio-political disease related to our value system, of the lopsided urban development, of the crisis of confidence in the functioning of the government, and of a fragile and fragmented civil society. It traces the growth of Surat; investigates the state of the public health system in urban areas in general and Surat in particular; surveys the socio-economic conditions of the victims; examines the perceptions and the responses of the various strata of society to the plague, and to the management of this crisis by the local authority and the state government; and finally, delves into such wider issues as lack of clear-cut urban policy, environmental degradation contributing to the increasing incidence of infectious diseases, and the need of emphasising preventive, rather than curative medical facilities, which are generally appropriated by the rich.

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FORM IV

(See rule 8)

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