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## **Book Reviews**

*Competitiveness in Global Tea Trade*, V.N. Asopa, Oxford & IBH Publishing Company Pvt. Ltd., New Delhi, 2004. Pp. 343. Rs. 795.00.

As the title itself suggests, this is a study on the competitiveness of tea trade in the world. India is the largest consumer and producer of tea, which *per se* would highlight its importance for economists, policy makers and other stakeholders of the tea economy. The book is based on a study undertaken by Centre for Management in Agriculture (CMA), Indian Institute of Management Ahmedabad (IIMA).

Tea is a plantation crop; it is one of the most widely consumed beverages for taste as well as cost considerations. The study seeks to understand the competition and competitiveness in global tea trade in terms of detailed country-specific analysis of issues related to production, exports and imports. It examines the factors associated with creation, determination and sustenance of global competitiveness. The study concludes that competitiveness in the value chain is a prerequisite for sustained competitiveness. The major stages in the value chain are production, processing or manufacturing and marketing. The primary producers, despite having competitive advantage in the production phase, have relatively less share in the value chain. This is because they have little control and are less competitive in the processing and marketing stages. The book illustrates issues with reference to India, which was a market leader in global tea trade a few decades ago but lost its comparative and competitive advantages even to a small country like Kenya, where tea is relatively new and expanded after the Second World War.

The book is organised in four parts and gives detailed statistics of the tea economy in countries across the world. The first part provides an introduction to the tea economy in the global setting and its future; the second part is devoted to the supply side of tea economy, i.e., country-specific analysis of tea production and exports. This is followed by a focus on the demand side of tea economy in the third part; it contains largely country-specific analysis of tea imports. The last part, a case study on India, is a discussion on Indian tea industry and factors related to global competition and market leadership.

Part One of the report provides statistical details about the tea economy across countries and helps appreciate its importance. Tea cultivation and production is concentrated in the tropical countries of Asia, Africa, and Latin America; it has been pivotal in stimulating industrial growth in these countries. From a policy perspective, its importance is due to its potential to earn foreign exchange, generate employment and enhance the fiscal resources for the governments in terms of duties and taxes. The report provides information of the trade profile and its implications. For instance, tea prices at the London auction centre used to be considered as a measure of world

tea prices. It is no longer so now. The trends in world tea prices are examined with reference to prices in all major auction centers. Available evidence provides enough support for the assessment that tea prices across markets co-vary and hence, markets are integrated.

The second part begins with a profile of the major producers of tea in the world. For instance, in 1999 the countries in Asia accounted for about 83 per cent and those in Africa contributed 14 per cent of the total global tea output. This part also provides useful quantitative information for the major producers – India, China, Kenya, Sri Lanka, Indonesia - in terms of region-specific details within the country, types of tea grown and its manufacturing, area sown and its share in world area, yield in various regions, climatic conditions and other factors affecting productivity. Issues related to marketing like value-added exports, tea related organisations and their functioning, direction of exports are also addressed. India, which used to devote less than one-third of its tea production to domestic consumption in the 1950s, retains more than three-fourths of its production to meet its domestic consumption requirements. One important message that emerges from the statistical profile and analysis of area, production, retention and exports of major tea producers is that competitiveness lies in product cost, quantity and quality.

The third part of the study is devoted to countries importing tea. CIS Russia is the largest importer followed by UK, Pakistan, US and Egypt; they account for half of imports. On the basis of per head consumption, Ireland is the leader with 2.78 kg, though at one point of time it was 4.5 kg in UK compared to 2.33 kg. The study brings out that market size by itself may not be a comprehensive indicator; a small market size need not necessarily indicate low levels of per capita tea consumption and vice versa. For example, Qatar, with less than 0.5 per cent share in world tea trade, has per capita consumption of 2.25 kg while the US, which captures 7.5 per cent of world tea imports, has per head consumption of one-third kg. Further, in the country-specific discussion of importers, their consumption, major trade partners, unit value of imports, consumer expectations on product type are discussed. Apart from major importers, import markets of Poland, Japan, Iran, Germany, WANA (West Asia and North Africa) are also discussed with relevant data. Markets in WANA, though not sizable, are important as they have high per head consumption, even more than developed countries and present potential market for future growth.

Many countries, primarily European, re-export tea after processing further and this amounts to quite significant share of their imports. For example, the UK re-exports 16 per cent while Germany re-exports about 36 per cent of its imports. This re-importing, not so much emphasised from the point of view of global competitiveness, is detrimental for exports from developing countries where the tea industry does not have enough resources and technology to carry out any major value addition to tea by modern processing methods. The largest amount of tea blending work is done in UK and this value addition takes different forms. The unit value realisation from re-exporting is four to five times more than its unit cost of imports

and this is an issue which needs further verification to assess its effect on the competitiveness of original exporters.

The final section is a case study of global competition and competitiveness with India as an example. The Indian case is worth discussing, as it is the largest producer and consumer of tea. Tea used to be a major agricultural export item till 1987-88. Its share in value of agricultural exports declined from 21 per cent in 1985-86 to 4 per cent in 1996-97. In short, the industry faces several policy related questions ranging from sustaining domestic consumption, insulating domestic markets in the context of trade liberalisation, promoting exports to retrieving hard currency markets lost on account of lopsided concentration on the Russian Federation. The empirical follow-up, though relevant, is haphazard in approach and presentation.

In sum, this book begins with relevant questions and issues, and hence, raises considerable expectations. Of course, it provides a wealth of statistical information; but they are presented as disjoint sets rendering meaningful comparisons and inferences difficult. The book coming from a premier academic institution, however, falls short of expectations. Successive chapters are abundantly endowed with tables and figures, most of which are not well presented and interpreted. For instance, several tables present the estimates of CV without any note on what CV stands for or without indicating whether such estimates are simple ratios or percentages. Similarly tea consumption estimates are provided without any reference to the unit of time. Interpretations have also tended to be quite casual. Figures 13.3 to 13.5 are used to examine the trends in imports of tea into UK from different countries like Sri Lanka and Argentina. Using information for very short sample periods of a few years, the author concludes that imports are steadily increasing; but as a matter of fact graphs show an inverted v-shaped curve. Sample periods chosen for study of exports and imports are not the same and hence, meaningful and policy relevant inferences could not be drawn. Another limitation which restricts conclusions is that a major portion of the book is devoted to independent discussion of producers and consumers without any attempt to compare results in an integrated framework. The final part on global competition and competitiveness presents useful discussion on India. The book provides a detailed analysis of supply chain of tea industry and is quite lucid in style.

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*Some Aspects of Agricultural Credit in a Developing Economy*, Sarbajit Chaudhuri,  
Serials Publications, New Delhi, 2004. Pp. 183. Rs. 400.00.

The book under review begins by referring to the familiar discourse on the key role played by credit in agriculture in a developing economy and the existence of two distinct sources of credit for agriculturalists in such economies: the informal or traditional source made up of moneylenders, landlords, traders, friends and relatives

and the formal source consisting of various categories of institutions operating under the regulatory framework of the government. The book then goes on to capture the broad contours and infirmities of these two sources of credit.

It is asserted that the existence of interlinked markets forms almost an inalienable part of the informal credit activities. An interlinked relationship is characterised by simultaneous occurrence of two or more interdependent exchanges. The backdrop to these relationships in a developing economy is provided by fragmented markets operating more often than not in non-competitive conditions where different parties in a given market or even a sub-market have unequal access to the other markets (or sub-markets).

No perceptive observer of the rural scene in a developing economy can fail to notice the existence of interlinkages within the rural sector. Interlockings have been observed to exist between credit and product markets, credit and land tenurial arrangements, credit and labour markets and, last but not least, formal and informal segments of the credit market.

A common feature in all these manifestations of intertwined relationships between two or more markets is that the comparatively more dominant party discharges more than one function and exploits the weaker side. This common element notwithstanding, the circumstances which give rise to these interlinkages are different. Also the way the different kinds of interlinked arrangements operate on the ground are significantly at variance with each other. No wonder, one rarely comes across coverage of more than one category of interrelationship in a single treatise.

Also one does not find many works which would focus with equal emphasis on (a) the factors which engender the emergence of an interlocked relationship and (b) the effects which such a relationship bears on the parties concerned, with particular reference to the small and marginal farmers. Studies relating to interlinked markets are usually in-depth exercises, but are rarely not unifocal.

The third major limitation identified in the literature on interlinked relationships between two or more markets is that most such works end up as sophisticated econometric studies, which are often narrow in approach and specific in focus, making universal application of their findings difficult and at times impossible.

The book under review is refreshingly different from the usual literature on interlinkages in rural sector inasmuch as it appears to have transcended the three limitations cited above. It has covered almost all possible kinds of intra-rural sector relationships which characterise a developing economy like India. It also analyses the genesis of these interlocked arrangements and at the same time discusses their effects on the parties concerned in the context of the rural credit scenario. The author has taken recourse to econometric models rather extensively, probably to place his points under sharper focus. Yet his analysis has been such that the findings of these analyses can be applied generically. A point in hand is the author's attempt at evolving a new theory of interest rate determination in the informal rural credit

market based on delay in disbursement in the formal market, which it will be agreed, has its application in most developing countries including India.

The informal sources of credit, characterised as they are by interlockings of markets, have been generally expensive and exploitative. These sources also could not supply adequate amount of credit for meeting the production and consumption requirements of the farmer households. It is in this background that the policy makers in India have adopted a multi-agency approach for addressing the credit needs emanating from the rural sector. Conscious measures have also been taken to institutionalise the rural credit delivery mechanism. As a result of these efforts, the share of the formal sector in the total flow of credit into the countryside increased significantly from a barely 7 per cent in 1950-51 to over 60 per cent by 1990-91. However, the formal sector of the credit delivery system has not yet been able to address the host of problems which afflict the sector and the rural households. The book has endeavoured to capture these problems with theoretical analyses appended to the exercise. Some of the issues identified in this respect are as under:

(i) limited access of small and marginal farmers to institutional credit because of (a) asset-based lending policies of the formal institutions and (b) generally higher level of transaction cost involved in small loans; (ii) delay in disbursement arising out of “bureaucratic and procedural formalities required, patronage, arbitrariness and corrupt practices especially in the co-operatives”; (iii) high real cost of credit because of untimely delivery and the consequent emergence of opportunity cost of the time spent (by the borrowers) in accessing credit and also because of the incidence of corruption; and (iv) problem of high level of overdues.

Because of these problems the book concludes that the basic objective of the government’s policy of credit subsidisation is yet to be achieved. Against this backdrop, the author has attempted to evolve an appropriate approach to the rural credit system for a developing economy like India. In this context, reference has been made to the vertical integration of formal and informal sector institutions on the lines of the model since adopted in Philippines. The limitations witnessed in the above approach have also been studied. It is for instance pointed out that the Philippines model may fail to secure favourable borrowing terms to the small borrowers in conditions of asymmetric information. It is further stated that in a few situations of symmetric information also, loan recovery may become difficult because of the entry of a large number of informal sector lenders, which in turn could eventually raise the interest rates charged to the borrowers. Referring to certain analyses available in the literature, the book states that with increased flow of finance from the formal to the informal sector, in the context of symmetric information regime, the lenders in the informal sector may begin to collude among themselves leading to significantly tortuous terms for the borrowers in the informal credit market.

Having found the Philippines model not free from criticism, the author then points to the alternative approach of designing credit institutions at the micro level on the lines of the Bangladesh Grameen Bank pattern. Even while alluding to the

'inventive and distinguishing' features of the Grameen model like encouragement to women to do the borrowing, ensuring compulsory savings and insurance, rescheduling of repayment in the event of disaster and emphasis on peer monitoring and joint liability for ensuring repayment of loans, etc., he has rightly argued that such experiments to be really effective will have to look for a wider base of outreach and credit portfolios with higher emphasis on growth-oriented ventures rather than consumption-based loan schemes only.

One, however, does appreciate that no single policy intervention can be prescribed for all developing countries. It is generally recognised that an optimal approach in this regard will depend on the specific objective of the policy intervention and on factors like the socio-economic ambience and the demographic details of the target groups in any given country.

The book is a brilliant exercise in the theoretical analysis of the existing features of the formal and informal segments of the rural credit system in a developing economy. It will therefore, be of immense value to academicians and scholars given to study the dynamics of rural credit system in backward agricultural economies. The book will however, not be found a useful aid by policy makers, as it has not really pointed to any conclusive road map for addressing the various issues affecting the credit delivery system in countries like India, most of which have been identified and analysed in the book with the deft competence of an astute researcher.

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*The Forgotten Sector: Non-Farm Employment and Enterprises in Rural India,*  
Thomas Fisher and Vijay Mahajan with Ashok Singha, Intermediate Technology  
Publications, London, U.K., 1997. Pp xix+274. Price not mentioned.

The non-farm sector constitutes an important segment of the Indian economy. It provides employment to an estimated 40-50 million workers and contributes 25 to 35 per cent of the rural incomes. However, the sector has remained neglected till recently. Its potential as a source of employment and livelihood to large masses is gradually being realised. The present book, written by experts with long field experience, explores the issue how the rural non-farm sector (RNFS) can contribute to achievement of full employment and equitable growth in India. The study is based on in depth analytical surveys of rural enterprises in eight states of India conducted in the mid-nineties. It uses a neo-institutional approach to examine the issues related to functioning of the RNFS.

The results are presented in eight chapters. Chapter 1 deals with the concept of RNFS and elaborates the framework of analysis. Chapter 2 presents an overview of the growth and structure of RNFS at the all India and state levels using the secondary data available in Census reports, NSS reports, Economic Census, etc. Various

dimensions of the sector are well highlighted. However, the data refer mostly to the situation prevalent in the eighties and the early nineties. Though somewhat dated the analysis remains highly relevant even now.

Chapter 3 presents the analysis of selected sub-sectors using the theory of competitive advantage developed by Michael Porter. The strengths and weaknesses of sub-sectors are analysed in terms of factor conditions, demand conditions, related and supported industries and firm strategy, structure and rivalry. The different sub-sectors have been classified into high share, high growth and emergent sectors based on the conditions characterising the sectors. The authors highlight the technological dualism prevailing in many of the sub-sectors leading to enormous gap between large modern units and the vast majority of tiny enterprises. They plead for an introduction of intermediate technology to enhance the productivity of rural producers and closer links between small producers and large corporate entities. The analysis leads to the conclusion that for many emergent sub-sectors factor conditions and supporting environment are unfavourable. In most of the sub-sectors demand is the key. In the absence of favourable demand conditions the promotional policies are likely to fail.

Chapter 4 provides a trenchant critique of the regulatory policies of the government and the way they are implemented. Many of these policies, in the opinion of the authors, have not only failed to achieve their objectives but also distorted and hindered the development of the RNFS. The regulations have been used by regulators to extract rent and powerful interests to further their own ends. The authors do not take the position that the regulations should be done away with as they are needed. But the regulatory framework needs to be simplified and then enforced effectively. They argue for openness and transparency in the implementation of laws. The state should reduce its control and place greater emphasis on supporting market mechanisms, balancing countervailing interests, guaranteeing quality and protecting rights.

The promotional policies have been dissected in Chapter 5. It is argued that the government failed to see the RNFS as a critical growth area having potential for generating employment and promoting equity. There are, however, a number of policies in place which aim at protecting the particular sub-sectors like *khadi* and village industries. The focus of these policies has been more on protection of employment rather than on increasing productivity. Consequently, many traditional industries have retained the backward technology and continue to be characterised by low productivity and wages. Employment in many of these sub-sectors has stagnated or declined. The main reasons for the lack of success of the promotional policies identified by the authors are: emphasis on protection rather than development, focus on intervention rather than facilitation, inadequate or inappropriate focus, inadequate attention to the links between the primary sector and the RNFS, inadequate attention to infrastructure and neglect of human development. While the failures have been many, there are some success stories as well. They recommend that promotional policies should be targeted at sub-sectors with potential for future growth and should



not waste resources on sub-sectors that are likely to remain stagnant or decline. There should be closer collaboration between public and private arenas. State should concentrate more on developing infrastructure and create an enabling environment, while producers' associations should be strengthened to take up the promotional activities.

Rural credit policies have been examined in Chapter 6. The authors conclude that in spite of a massive expansion of bank branches in rural areas many producers in the rural areas rely on their own funds or on the informal financial sector to meet their credit needs. They pin their hope on alternative channels of rural credit of which there have been many successful examples in other countries as well as in India.

Various types of organisations have been involved in the promotion of the RNFS including government organisations, producers' associations, trade unions, co-operatives and NGOs. The role of these organisations has been discussed in Chapter 7. These organisations had a limited impact and suffered from excessive interference and control by the government in their functioning. But there are a few success stories as well, e.g., The Tirupur Exporters' Association, Tamil Nadu. Enabling strong associations, co-operatives and other groups to develop by reducing the involvement of the state and creating a conducive environment for their functioning will provide alternative more responsive and dynamic channels for promoting sub-sectors within the RNFS.

In the concluding chapter the authors look at the growth potential of RNFS and outline strategies for the same. The central and state governments will continue to play an important role by giving high priority to the RNFS and creating a suitable policy environment for them. The state should involve the producers' organisations in undertaking the promotional activities and reduce its direct involvement. The authors also outline the preconditions for a dynamic RNFS. Rapid agricultural growth and development of social and economic infrastructure will be needed to promote the RNFS. The promotional policies should have a sub-sectoral focus. The sub-sectors which have favourable demand conditions should be selected and helped by removing the constraints on their growth and providing the inputs and support services including credit. The strategy should also focus on selected clusters of the sub-sectors, where these activities are concentrated. The organisations providing support services need reorientation and strengthening. Such a strategy of development of the RNFS will convert the forgotten sector to become the source of hope for the sector during the twenty-first century in India.

The book makes a very valuable contribution for re-orienting the priorities and policies towards the RNFS in order to realise its full potential. The authors provide a trenchant criticism of the past policies, identify their shortcomings and suggest a fresh and convincing strategy for its development. The refreshing and analytical approach of the authors sets this book apart from the plethora of stereotype thinking and policies advocated in the past, which have failed to deliver the goods. It must be

read by all policy makers and others interested in rural development issues in general and the promotion of the RNFS in particular.

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*India's Economy: A Journey in Time and Space*, Edited by Raj Kapila and Uma Kapila, Academic Foundation, New Delhi, 2006. Pp. 390. Price: not mentioned.

Ever since India became Independent on 15th August, 1947, but more particularly after the introduction of economic reforms in India in 1991-1992 by our present Prime Minister Dr. Manmohan Singh in his capacity as Finance Minister in the Union Cabinet of Shri P.V. Narasimha Rao, the then Prime Minister of India, the Indian economy has been analysed, discussed and commented upon by professional economists, researchers, economic journalists and serious students of economics from time to time and suggested policy responses expected from the Government policy makers in the country. The Academic Foundation, New Delhi, has been doing a signal service to the students of economics, banking and finance by publishing books on a regular basis by distinguished economists and research scholars in India. This Foundation has now come out with this useful publication. This book is significantly useful because of three reasons. Firstly, is the centenary volume of its extremely popular publication - "*Economic Developments in India*" started in 1998. Secondly, the list of contributors includes, as Dr. Manmohan Singh says in his message, some of our most distinguished and eminent economists who have contributed immensely to the analysis of India's economic problems and to policy formulation in their respective areas of expertise and competence. The theoretical and empirical work of the authors in this publication has been internationally recognised as having contributed to the development of the discipline of economics. Thirdly, as Dr. C. Rangarajan, Former, Governor, Reserve Bank of India comments, the publication "*The Economic Developments in India*" is extremely useful as it contains analytical articles, by professional economists and policy makers and it provides the latest reports, documents and discussion papers. More importantly, this publication widens and broadens our understanding of India's economic problems and their implications for the economy.

The book under review is divided into three sections dealing with (i) Growth, Poverty and Reforms (2) Globalisation and (3) Sectoral Development: Agriculture, Industry, Financial and External Sector. The book contains in all 20 articles selected from over 500 articles published since its inception in 1998 upto December 2005, contributed by most distinguished economists and policy makers in India.

When one talks of a journey in time and space, one thinks in terms of the past, the present and the future developments in the economy.

When India became independent in 1947, the economy was marked by stark poverty (which continues even now), shortages of goods and services essential for survival and inflationary pressures following the consequences of the second world war and distortions in the economy caused by the partition of our country. The Government of India was quick to realise the magnitude of the problem and the need to adopt and follow appropriate economic policies to promote rapid growth and development with stability. The Government accepted and adopted economic planning as an instrument to promote growth and development with stability. In other words, the Government adopted socialistic policies which led, ultimately, to slow down economic growth, foreign exchange crisis, balance of payments difficulties with the economy growing on an average at the rate of 3.5 per cent per annum – which was described as the Hindu rate of growth by Dr. Raj Krishna. It was only in the decade of 1980s that the economy started growing at the rate of 5 per cent per annum. This led to introduction of economic reforms in India by Dr. Manmohan Singh as Finance Minister to tide over the economic crisis leading almost to bankruptcy as we found it difficult to pay our external debt. Now the economy is growing at 7 to 8 per cent per annum and emerging as an economic power.

The articles included in this book are so analytical, erudite and based on research it is difficult to review them fully and adequately because of paucity of space available for review. However, it is suggested that those who are interested in understanding the basic issues covered in this book must read very carefully the introduction to this book by the editors, Raj Kapila and Uma Kapila. They have summarised briefly but beautifully the basic contents of each and every article. The introduction is very comprehensive, erudite and clear in expression and presentation.

However, an attempt may be made here to briefly convey the viewpoints of the authors of the papers included in this book.

The articles by Jagdish Bhagwati, Mujumdar and Vaidyanathan discuss the issues of poverty and reforms. They all agree that if we want to remove poverty, we must promote growth and improve primary education, health care and literacy. Dr. Mujumdar who is a distinguished economist with specialisation in agricultural economics has influenced the formulation of appropriate credit policies through reduction in the rates of interest on loans to farmers. Dr. Mujumdar pleads for redefining the approach to poverty reduction and development. If China can reduce poverty, why cannot India. Dr. Vaidyanathan addresses the major issues of economic poverty and development. He very broadly agrees with Dr. Mujumdar on major points and policies for reduction of poverty.

Montek Singh Ahluwalia, Rakesh Mohan, Dr. Bimal Jalan and Sankar Acharya deal with the issues and problems relating to globalisation and explain the role of India in a globalised world and its policies in the global setting. While globalisation has come to stay in the world, one has to guard against the evil effects of globalisation. One must not follow mal-hearted policies in the name of globalisation.

V.S. Vyas, Per Pinstup–Anderson, C.H. Hanumantha Rao, M.S. Swaminathan, Bibek Debroy, R. Nagraj deal with the issues relating to the problems in the agricultural and industrial sector and they recognise that agriculture is key to India's economic development and therefore we must follow policies to promote sustained growth in agriculture and industry must contribute to higher growth in the economy.

One must read, first before going to any other article, an article by Ashok V. Desai on "Fifty Years of India - A Journey in Time". He brilliantly pinpoints the developments in the Indian economy over a period of years since Independence.

The students of banking and finance will benefit considerably by reading the articles of C. Rangarajan, S.S. Tarapore and Y.V. Reddy. They deal with the issues relating to the financial and external sector. Dr. Rangarajan, former Governor, Reserve Bank of India, S.S. Tarapore, former Dy. Governor, Reserve Bank of India and Y.V. Reddy, Governor, Reserve Bank of India are key policy-makers in the financial and external sectors of the economy. In fact Dr. C. Rangarajan, as Deputy Governor, introduced several reforms and innovations in the financial and external sectors of the economy. He is considered to be one of the top five economic reformers in the country. Dr. Reddy, as present Governor, RBI is playing a vital role in pushing economic reforms in the financial sector of the economy. Dr. Rangarajan discusses some analytical issues relating to financial stability. Dr. Tarapore dissects the emerging configuration in the financial sector. Dr. Y.V. Reddy winds up the discussion on the financial and external sectors of the economy. Dr. Reddy discusses how to manage India's external sector by overcoming the challenges in a globalising economy. The issues are well presented and discussed with analytical rigour and clarity of thought and expression.

It is sad that stark poverty continues to exist in our country after 50 years of Independence. India has not experienced sustained and sustainable economic growth. Though the fundamentals of the economy are considered to be sound, the fiscal deficit and the revenue deficit continue to haunt us. Inflation raises its ugly head from time to time and one does not know when it would present a serious problem. We should not be carried away by the false notion of becoming an economic power in a globalised world and setting. We have to pay attention to agriculture and investment in infrastructure if we are to grow fast with stability. We are now living in an inter-dependent world and therefore what happens in U.S.A., Europe and even China affects and influence our economy. We should therefore pay attention to the areas of concern in the economy. Growth must continue to be equitable and should not create wide disparities in income and wealth. Distribution of income is more important it should be equitable.

The Editors deserve to be congratulated on bringing out such a useful publication at an appropriate time.

*Baroda.*

R.D. Pandya

*Poverty Reduction in an Elite-Driven Democracy: The Case of India*, V.M. Rao, Institute for Human Development, Daanish Books, New Delhi, 2005. Pp.xxiii+328. Rs.595.00.

The book under review is a collection of recent papers of the author that focus on the changing poverty scenario in the society. Poverty is facing many challenges without any clear indication of how it is faring. Considering the plunging Head Count Ratio (HCR) of poverty, it may be tempting to assume that the problems of the poor can now be put on back burner. It is evident that the poor in the last rung may not be in a race to get their fate re-built up. The message that appears in the book is that this would be a grave error and the emerging phase has ominous implications, which need to be taken note of in time and acted upon swiftly. Further, it is realised that eradication of poverty needs basic systematic changes and reforms, which have been assiduously avoided so far.

The volume is divided into three parts: 'Beyond Relief Measures'; 'Poverty Generating Process' and 'Perspective for the Future'. The main proposition emerging out of researches reported in this book is that in an elite-driven democracy like India the policies and programmes to support the poor do not go beyond providing a modest measure of relief, mostly in the form of doles – visible or concealed. There is a wide gap in this respect between what an elite-driven democracy does – giving doles – and what it promises to the poor in its plans and policy documents – assets, skills, education, health, nutrition and empowerment culminating in a society based on social justice and equity. Such programmes though announced with fanfare are either not implemented or they do not reach the poor or the poor fail to absorb the benefits of such programmes owing to constraints internal to them.

Part I of the book – Beyond Relief Measures – contains four chapters dealing with this theme. Chapter I describes a three-phase sequence of policies to help the poor to move from the position of dole-receivers to empowerment via human development and institutional changes. The emphasis has to be on employment and food security and secure access to land in the first phase to reduce the vulnerability of the poor and to weaken their distress-induced dependency relationship with the landlord, trader and moneylender. While in India these policies have had some success, the poor can hardly be regarded as having reached the threshold of security at which stage they can take the initiatives to gain benefits from human development and empowerment policies. As a result policies belonging to the second and third phases remain ineffective. Chapter 2 documents the low human development status of India and the situation in this respect in selected states in India, some of which find themselves in the company of countries at the rock bottom of the ranking by Human Development Index. The chapter contains a detailed analysis of data for Karnataka on the Human Development Index and its components to demonstrate that policies to raise human development levels need to be based on a comprehensive societal perspective covering the historical, social and economic factors influencing human

development. Chapter 3 presents an illustration of how the procedures for selecting beneficiaries for the programmes for the poor can be simplified to enable ground level PRIs to tackle this task and to further improve the selection procedure in the light of experiences gained in the course of using the simplified procedures. Once the errors of exclusion and inclusion affect the beneficiary selection, the programmes lose their thrust and the subsequent steps taken often fail to undo the damage. Chapter 4 analyses the development status of poor communities in the southern states – Andhra Pradesh, Karnataka, Kerala and Tamil Nadu using three complementary sets of indicators. The principal message of Part I of the book is that pushing poverty reduction policies beyond relief measures needs decentralisation and transfer of development tasks to ground level PRIs. Without this step, the policies to support the poor will continue to stagnate as the stage of relief measures, which by their very nature, can only relieve the distress of the poor and not eliminate their poverty.

An intriguing aspect of India's anti-poverty strategy is that while its policies to support the poor stagnate at the level of relief measures, little attention is being paid to processes generating poverty, which are operating without any checks. The chapters in Part II present the outcomes of these processes in some detail. Chapter 5 deals with the marginalisation process in agriculture reflected in the secular growth in the number of small and marginal farmers and in their proportion to the total number of farmers. This has serious implications for sustained agricultural growth and reduction in rural poverty. Chapter 6 draws on some recent studies focusing on the precarious livelihood situation of the poor in selected backward districts in Maharashtra. A detailed and careful evaluation of potentialities for creating agro-based and other productive livelihoods in these districts reveals substantial scope which remains unutilised and which, very likely, will continue to remain so until the initiative to utilise this potential passes down to the rural people mobilised through PRIs. Chapter 6 has an Appendix on Ralegaon Siddhi, a village in a backward area of Maharashtra that is an excellent example of what indigenous leadership can achieve in economic and social development using the resources and expertise made available by government programmes. It is indeed true that such instances cannot be replicated on a large scale. However, when PRIs are activated to their full extent as per the provisions of relevant constitutional amendments, it would be reasonable to hope that eventually there will be a growing number of Ralegaon Siddhis.

The enterprising farmers are the mainspring of sustained and broad-based agricultural growth, which is an essential condition for reduction in rural poverty. Farmer suicides, which have been in the news, indicate the depressing environment in which the enterprising farmers operate. Chapter 7 takes a look at the enterprising farmers in Karnataka who are let down by policy makers and get the reward of bankruptcy – or worse – for their contribution to growth in the face of a hostile nature. Chapter 8 takes this analysis a step further with the proposition that what appears as hostile nature is, in reality, a result of faulty irrigation policies and neglect of watershed and land development. This chapter presents investment and

productivity data for selected drought-prone states in India including Karnataka. These data bring out the persistence of backwardness in these States owing to weaknesses in policies and lack of concern about their development at the highest policy making levels. Sadly, there are districts in these states which hardly show any improvement in land and labour productivity over the recent decades of stepped up agricultural growth in the country. Chapter 9 investigates how far Bangalore – a city applauded as a growth magnet over the post-Independence decades – transmits its growth impulses to the rural poor in its vicinity. The evidence is negative, indicating that the rural people, including the rural poor, benefit little from these impulses. They are recipients of populist schemes but find that education does not get them secure jobs or livelihood nor, apparently, have they an opportunity to acquire skills relevant for earning livelihood in a growing metropolitan centres located at their door step. Chapter 10, the final chapter in Part II, provides an insight into the chambers of policy makers to discover how biases and distortions divert policy benefits from their intended beneficiaries to only the better-off sections among them. This chapter reviews the reports of the Commission for Agricultural Costs and Prices (CACP) since its inception in the mid-1960s pointing out how the support price policy which began as a measure to protect the farmers has ended up benefiting protection. An interesting feature of our anti-poverty policies is that they by covering the more visible and vocal groups of poor who, in turn, become powerful lobbies hindering the progress of policies to cover the less visible and less vocal sections among the poor.

It may seem a contradiction at first sight that while we find powerful poverty generation processes operating in post-Independent India, official statistics show a drastic reduction in the population falling below the poverty line. The explanation lies in the minimalist nature of the poverty line according to which anybody having adequate access to calories, even a casual unskilled labourer with adequate employment and access to PDS, could be deemed to be above the official poverty line. However, he would still be poor by the more relevant norms of human development and empowerment. As seen in Chapter 2, India's scores by the norms of human development are very poor. This has an interesting implication for the behaviour of the poor in the emerging phase. Unlike the poor below the poverty line, those above the poverty line are likely to be more receptive to political mobilisation and more willing to agitate against their deprivations and against the biases and distortions in policies.

Regarding the future, the policies to support the poor as reflected from the book would need continuity with the past as well as a break from it. Expanding the coverage of relief measures and increasing their effectiveness by handing them over the PRIs needs continuity with the past to learn from its success and failures. A break with the past is needed for looking beyond relief measures.

Politicisation of the poor is the only force which can counter the grip of the elites and of the middle classes on resources and policy making, make the Indian democracy more broad-based and bring about changes in the systemic features of the

elite-driven democracy which India is. The present change agents – government, NGOs, civil society groups and activists and community-based organisations (CBOs) are too weak to bring about such changes. These external change agents intervening in rural communities for poverty reduction play an important role in the first two phases of relief measures and human development but no progress towards empowerment of the poor will be possible unless the poor are in a position to exert enough political pressure on the elite and the middle classes for this purpose.

Chapter 11 in Part III draws on the insights provided by IGIDR studies on micro – finance and on political mobilisation of the poor in Bihar and West Bengal. Much more research needs to be done to give policy makers an adequate perspective and understanding of the changes going on in the areas of micro-finance and political mobilisation of the poor. Particularly valuable are insights from the Bihar and West Bengal studies which shows that expecting the political mobilisation of the poor to become a force to reckon within the not-too-distant future would no more be wishful thinking.

The final chapter in Part III – Chapter 12 – dwells on the role that the international community – UN and its development agencies, developed countries and developing countries – can play in adding a thrust to national strategies for poverty reduction in developing countries including in India. With the lengthening lag in achieving the very modest Millennium Development Goals of the UN, it is legitimate to feel apprehensive about the prospects for poverty reduction in developing countries. Many of them simultaneously face crises on the other fronts and could find it very difficult to achieve progress in poverty reduction.

The author of this book, one of the leading development economists, presents a balanced view towards the poverty reduction strategy, the poor and the pitfalls by which the poor are still way behind the race of gains from the development and social equity in the society. The scope and clarity of the book make it accessible to a wide readership. Its messages should be an essential component for the policy makers, implementing agencies, development practitioners, NGOs and governments, academics, trainers and teachers seeking to understand the intervention policy for poverty reduction. The book is of utmost use in general as well as for the researchers and students.

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*Tribal Development in India: The Contemporary Debate*, Edited by Govinda Chandra Rath, Sage Publications India Pvt. Ltd., New Delhi, 2006. Pp. 340. Rs. 450.00.

The volume is a collection of essays that presents a diverse view of tribal development in contemporary India. It argues that the mainstream development



model has limited impact on the people living on the periphery. Although the tribal situation is not as distressing as it was at the time of Independence, however, the bureaucratic systems, lack of adjustment on the part of tribes to adapt to new situations and the processes of globalisation have placed obstacles in the path of their development. A great deal depends on the collective performance of the state, market, civil society and the tribes to make development a success. The papers in the volume further argue that the equity aspect of the development outcomes is also suspect. There is increasing resistance among tribes to the violation of their rights to commons, access to political power, education, food and health. The resistance gained ground in areas and among tribes that have remained outside the development process. Within these parameters, the thirteen essays bring contrasting impact of the development on tribal life. The essays are organised in four sections. The first section reviews approaches to the tribal development both at macro and micro levels. The next two sections contain essays that analyse the resistance to development first for tribal authority and then for rights to commons. The fourth section outlines the approaches adopted in search of social opportunities for the tribals.

Three essays in Section I focus on the causes of crises that Indian development model has been witnessing. Juxtaposing development approaches of Nehru and Elwin, Govinda Rath provides a critical view of the flawed side of tribal development. Rath argues that while Nehru's integrating approach pointed towards elimination of class-based differentiation between rich and the poor, Elwin's isolationist approach stressed on ending the gap between savage and the civilised. R.K. Barik in a similar vein identifies the ignored social side of tribal development that led to unrest. The model of putting tribes of remote areas of Koraput (Orissa) into constant contact with the advanced non-tribal resettlers resulted in tribal land alienation and depletion of forest sources of the area. This process eventually resulted in violent tribal protests and unrest. Walter Fernandes has traced the effects of displacement of tribals due to development interventions over time and space, and concludes that most tribal communities suffer negative consequences because of development than the others. Even among tribals, women suffer more; yet policy makers pay little attention to their problems.

Section II of the book analyses the variations in the meaning of development as perceived by tribes and practiced by the state. Sajal Basu argues that outsider *di-ku* still control the economy of Jharkhand and the tribal self-esteem is undermined, their social identity devalued and the path of their development restricted even after Jharkhand attained statehood. I. Sarkar argues that alienations from the development process and reduction of tribal to periphery of mainstream society are roots of Kamatapur (North-East) movement. Raising issues of changing social identity within the bonds of *sanskritisation*, the Rajbanshi tribe initially strived for *Kshatriya* status but under opposition from upper-caste *Hindus*, the tribe shifted its focus from social mobility to political one by staking a claim for a separate state. The rationale for

such a shift was that the new state would be able to mitigate their economic distress caused by outsiders.

Four essays of Section III deal with the tribal struggles against land alienation. Kripa Shankar refers to inertia of *Kol* tribe against land alienation. Their land alienation started under the local king during the colonial period and culminated in abolition of the *zamindari* system after independence. Although the tribe received some land from *Panchayat* under the land reform programme, they faced increasing harassment by lower level bureaucracy and the landlords. Jos Chathukulam and M.S. John argue that state acted as an oppressor and agency of tribal land alienation in Kerala. Although the non-violent protests after 2001 by the tribes were brutally crushed by state, this seems to have remained the only alternative with the tribals. The movement has exposed the failings of a mode of politics that is based on pressure and bargaining rather than on principles. While this may appear the strength of the movement, opposition from the political parties remains strong. The movement is now trying for broader coalition, capable of taking up issues of gender, environment and dalit in addition to the tribal cause. Arun Kumar identifies civil society as an agency for restoring rights of tribes to their land. Discussing the role played by SAKTI, in West Godawari district, in empowering the tribals, Kumar concludes that innovative methods of SAKTI for mobilisation through folklore and games made the tribes aware of their property rights. But as SAKTI and the state are at the loggerheads, no-win situation still exists. The last paper in this section by Velayutham Saravanan focuses on tribal economy between 1947 and 2000. Saravanan argues that an autonomous and internally subsistent tribal economy has been under threat after colonial and non-tribal influx. The development programmes after Independence failed to bring any positive transformation of tribal society; in fact, the position of tribes as cultivators got degraded into that of agricultural labourers.

Section IV discusses the opportunities of education, health and development in tribal regions of Orissa, Uttaranchal and Car Nicobar. Indu Sahai *et al.*, analyse the socio-economic transformation of a transhumance living *Bhotia* tribe of Uttaranchal. Traders in pre-1962 period, *Bhotia* had strong trade links with China. They were economically well-off. But the Chinese war of 1962 adversely affected their trade. As the trade was banned, the tribe started taking advantage of education and other development programmes of the state. The decline of their traditional crafts and trade also provided impetus to their interest in education, both elementary as well as higher education. Government jobs have now replaced their traditional crafts and trade. This is a case of a positive intervention of the state. The second paper by P.K. Sahoo and B.C. Das highlights the negative side of state supported education in a backward southern tribal district of Orissa. Their analyses conclude that a large number of schools in the tribal areas have still not received essential teaching aids and where these are available, teachers do not use them. They argue that fragile educational supply needs to be clinically treated with integrated and planned operations that

maintain economic transparency, sincerity and community participation in management. Motilal Mahamallik *et al.*, argue that the condition of being underweight for children is high between (a) January and March, when tribal children remain in the field with their parents, therefore are deprived of the mid-day meals provided by state, and (b) September and November, when the households face severe food deficit. Authors relate poor food consumption with their low income, low production, lack of purchasing power and access failure to commons. They argue that the bills of serious illness are mostly met by informal credit, as the state, as a health provider, is absent. The last essay in the section, by Keya Pandey and Shashi Bhatia examines the impact of development on Car-Nicobarese, a primitive tribe of the area. While the tribe was exploited in colonial period, in independent India agricultural technology transfer has resulted in bringing positive changes in their approach to livelihood. But only Nicobaries were able to take advantage of state intervention, the other five tribes - Shompen, Great Andamanese, Onge, Jarawa and Sentinelese - remained as traditional as they were before Independence. Production and marketing of cash crops and marketing channels for their craft-produce has resulted in traditional tribal economy being exposed to market economy. This has resulted in improving the level of their education and their political participation. However, introduction to modern education and new employment opportunities have weakened the traditional gender equality that existed earlier.

Professor Jean Dreze, in his foreword to *Tribal Development in India*, writes: "The collection of studies presented in this book is a major contribution towards this much-needed reappraisal of tribal development. It brings out the diversity of tribal experiences in India, and also gives a glimpse of the ability of tribal communities to shape their own future. After reading this book I feel a little less ignorant, and more hopeful." Do I feel the same way as Professor Dreze feels about the book? Yes and No. Yes because the book convincingly re-established that the diversity in the tribal areas demands not only better understanding but also more enlightened approach towards development. The editor of the book aptly constructs an in-depth understanding of tribal situation in the introduction. The book also appraises the readers of the varying forms of resistance cutting across tribes and geographical locations in contemporary India. The work does shed new light on resistance to development and is a good companion to the literature especially by S.K. Singh (1998 and 2002). All these make a reader feel better informed. But, the readers' disappointment may be situated somewhere else; disappointment may emerge by the very fact that the book fails to reconstruct the causes of lack of tribal development.

Developing a preamble to understand why poverty policies have by-passed tribal areas, it has been argued (Sah and Bhatt, 2004) that economic policies are not made in vacuum; serious investigations have guided the policy makers in formulating appropriate interventions. Poverty policies are also influenced by writings of social scientists. In fact, in the last forty years, three important conclusions were instrumental in shaping Indian poverty-alleviation policies. It was Ahluwalia (1978)

whose seminal work repositioned Indian poverty-debate from estimating poverty to explaining it. Ahluwalia tried to establish that the years when growth in agricultural production slowed down were also the years when rural poverty worsened. Saith (1981) and Narain (1985), independently brought another important explanatory aspect in this debate - agricultural prices. They tried to provide support to the thesis that years when agricultural prices are high, other things remaining same, are the years when incidence of poverty increases. These researchers argued that as a large section of rural population, including producers, are net purchasers of foodgrains, an increase in the prices of agricultural commodities reduces their purchasing power and shrinks their consumption basket, thus, pushing people into poverty. Taking a clue from these findings, the Indian planners developed a two-pronged strategy for poverty alleviation: providing a favourable environment for rapid growth in agricultural production and creating low and stable prices of foodgrains. The strategy, during the 1980s and early 1990s, saw no significant departure, till Sen (1996) tried to impel the hypothesis that apart from these two factors, state investment in social sector weakens forces that accentuate poverty. Thus, the three major planks of Indian poverty reducing interventions remained around rapid growth in agricultural sector, stable price environment for rural consumer and social sector investment. The strategy did significantly influence the Indian rural poverty; the poverty ratio reduced from around 57 per cent in 1970-71 to 26 per cent in 2000-01.

Still poverty in tribal areas remained significantly higher compared to the rest of rural India. While in the country as a whole, only one out of four people live in poverty, in these tribal areas two out of three persons live in abject poverty. The answers to as why the strategy, which worked quite well in reducing poverty in larger part of rural India, has failed in doing so in tribal areas could be found in the processes that cause poverty in the tribal areas.

It has also been argued (Sah and Bhatt, 2004) that the causes of poverty in tribal areas are significantly different from the identified processes that cause poverty elsewhere. The cause of the tribal poverty is the outcome of complex interactions among social, political and economic forces that affect individuals, households, as well as groups. Poverty alleviation in tribal areas needs to be seen beyond narrow income poverty, for the complexities there have defied solutions that were initiated for alleviating income poverty. Tribal poverty is not a product of economic forces alone; it manifests through social processes created by shocks or resourcelessness. The livelihood struggles end up creating a vicious circle of multidimensional Unfreedom; livelihood struggles under shocks prompt a social process of mortgage and asset losses, borrowing and inability to service debt, hunger and migration. This livelihood mechanism does provide sustenance but at the cost of freedom, in multiple ways, to the households. Their lack of freedom lies in their access failure to land and natural capital. But their livelihood struggles force Unfreedom on their family members; they live in inhuman conditions at the destination, their access to education severed, their opportunity to develop skills adversely affected and health services and

sanitation made poor by any standard; above all, they often have to face abuses. Cumulatively, all these affect adversely their self-esteem. Disturbing it may appear but the process is difficult to break without massive drive to create new opportunities in the economy. Conceptually, as the representative democracy fails to prevent the creation of such opportunities, whereby the macro processes subsume the micro-variability of the economy; most likely the participatory democracy is a feasible option to safeguard their interests. The participatory democracy has capabilities to convert cumulative Unfreedom to distributive Unfreedom; households may remain economically poor but the political and decision-making power still rests, in the process, with them. The newly acquired political power has a potential to create situations that may prevent further concentration of Unfreedom. Prerequisite for this process to succeed is closer interactions between civil society, community and the state. This interaction may not directly influence individuals' access to capital; it nonetheless brings attitudinal changes in the bureaucracy and elected representatives on the one hand, and developing better understanding of the community's rights on the other. This engenders confidence and self-esteem among the marginalised, paving a way for improving the quality as well as their access to political, social and economic infrastructure. Unfortunately tribal development interventions have been attempted without taking note of the causes of tribal poverty.

Thus, the first step to help the marginalised is to replicate successful water harvesting interventions in remote rural areas to make agriculture sustainable. The second step is to strengthen the borrowing capacity of the masses through group financing for ground water exploitation, creating production-oriented as well as consumption supporting self-help groups that augment institutional finance. The third task is to facilitate process of seasonal migration by reducing the cost of transaction and strengthening support that is traditionally provided by middlemen, like where to go, type of work, wage negotiations etc. And lastly, providing support to migrants at the destination in terms of childcare, educational facilities, healthcare, drinking water and sanitation, living conditions and subsidised food supply would make the migrants' life less stressful. If these are the few important tasks that are obvious in remote tribal areas to strengthen the coping mechanism of the tribals, evidences show that the state is ill equipped to undertake them. The role of civil society to facilitate the migration as well as restricting it, therefore, cannot be over-emphasised (see, for details, Sah and Bhatt, 2004).

The study has not explored these issues. Despite an insightful introduction by the editor, I felt a little uneasy to find run-of-the-mill answers to the question why development has not touched the tribals. But tribal reality is not one. In fact there is no *a reality*. We have perceptions of this reality. Reconstruction of causes of tribal underdevelopment by Rath is as reflective as any other perspective, including the critique developed here. Readers would give a patience reading to the book despite this reviewer had shown that, though interlinked, *poverty* and *development* are two different issues that need to be addressed simultaneously. Notwithstanding the

critique developed here, the essays in the volume provide comprehensive understanding of tribal experiences of development. Those who are interested in marginalisation within Indian development paradigm will find this volume extremely useful.

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*Determinants of Adoption of HYV Rice in West Bengal*, Anamitra Saha, K.P. Bagchi and Company, Kolkata, 2004. Pp.200. Rs. 300.00.

The evidence all over the world has established the fact that it is possible to increase yield as well as return per unit of land to a significant extent through appropriate use of new technological package relative to the traditional method of cultivation. It is perhaps one of the main reasons for India being converted into a food surplus economy from the food shortage one.

Although the effect of green revolution in West Bengal was not significant during the mid-sixties, it did witness an institutional change in rural Bengal during the last two and half decades. In the rural sector the State has set an example for other states in regard to the implementation of land reform, and institution of panchayati raj well in advance of the 73rd and 74th constitutional amendment which could enable the State to regain its pre-eminent position by taking advantage of a boost from the domestic farm sector. In fact, the State of West Bengal has moved from a situation of stagnancy to one of the highest growth performances among the States of India. After a period of relative stagnation, agricultural output grew at an impressive rate of 6.4 per cent during 1981-90 as against merely 2.8 per cent during 1965-80. To a large extent this growth fuelled by the growth in rice production, mainly aman rice

production, which registered a growth of 4.7 per cent in 1981-90 as against a meager 0.7 per cent in 1965-80. While 4.3 per cent of this growth came from an increase in productivity the rest being because of increase in cultivated area. At the end of 1990, rice productivity in West Bengal was much below the leading agricultural States of Punjab and Tamil Nadu. The low level of adoption of the high-yielding variety (HYV) technology in West Bengal is widely believed to be the cause of large productivity gap. Given that HYV technology is financially rewarding to the farmers, what are the factors that explain the low level of its adoption in the State?

The book is an attempt to understand these factors by taking a close look at the pattern of adoption of HYV technology in *aman* rice production. The thesis draws on well-developed theoretical models that view the adoption behaviour of farmers as a rational response to the emerging opportunities in a given agrarian setting. The specific issues examined in this book include understanding the process of diffusion of new technology, the role of risk in production, the relevance of farm size for modernisation and most importantly, the impact of liquidity and credit constraints on the adoption of new technology. The detailed empirical analysis of this book pertains to the late 1980s and early 1990s and is set in the context of the adoption of high-yielding varieties of rice in *aman* season.

The book has nine chapters. At the outset, it raises the issue of distribution and welfare aspects of green revolution. It has raised a more pertinent question on technological development – why the diffusion of HYV technology has remained limited, despite its proven superiority, in a large number of backward agricultural regions a long period after their introduction. The author argues that although explanations are plenty in the literature, one common feature shared by many on the problem of incomplete adoption is that they view the process of decision-making by individual agents or farmers. The author argued that decisions taken by the farmers are affected by the factors like farmer's access to funds, inputs, preference, learning, etc.

The following chapter discusses the progress in the adoption of HYV seeds and related inputs over the eighties. The study found that there is a clear diversification to the progress of HYV cultivation in the *aman* cultivation due to diversified agro-climatic features across the regions. It showed that although some progress in developing suitable seed types for agroclimatically unfavourable zones has been made, the influence of agroclimatic factors remained dominant in the process of diffusion of HYV cultivation in *aman* season during the eighties. The author argues that favourable agro-climatic factors with irrigation facility do encourage farmers to adopt HYV cultivation, but the farm-specific barriers need to be studied in order to understand the adoption process.

Incomplete adoption of a superior technology has various alternative explanations which have been surveyed in the third chapter. It is argued that uncertainty associated with cultivation of HYV seed has been the major explanation for incomplete adoption. After reviewing some major studies in the area it has examined

the issue of relationship between the degree and intensity of adoption on the one hand and farm size on the other. In India, there has been much empirical work on various aspects of farmer's adoption behaviour which have been evaluated in the section.

The author argues that the activities and experience of the neighbouring farmers often have a decisive influence on the choice of agricultural technology and practices followed by individual farmers. There has been a growing interest in recent years in understanding the process of social learning. The fourth chapter attempts to examine the importance of social learning on the input and land allocation decisions under new rice technology in West Bengal as also to identify the barriers to social learning.

In the following chapter, the study established by using generalised stochastic production function that most of the inputs are risk neutral and farmer-specific characteristics and agro-climatic specificities including weather are found to be more important than input use in explaining yield risks in all three crop season types of rice in West Bengal.

A model of farmers' adoption behaviour under output uncertainty which is based on the earlier models with slight modifications has been developed in the study. The model has been extended to examine the influence of a binding liquidity constraint on a farmers' acreage and input allocation decisions. It has shown that the cultivation of HYV seeds requires timely operations, greater supervision and care relative to traditional seeds. On this count, the author shows, smaller farms with more family labour force has more advantage than the larger farms.

In a large number of developing economies limited access to working capital is often considered as one of the major deterrents to speedy and optimum diffusion on new technology since the latter requires greater application of purchased inputs. In order to examine the impact of binding liquidity constraint on a farmer's decision relating to adoption, it was felt necessary to identify the farmers who faced the binding liquidity problems. For doing so the author has used a switching regression method with endogenous switch. The estimated coefficients of the two regimes indicated that greater availability of liquidity or funds had positive impact on the utilisation of funds for productive purposes per unit of land while greater requirement for consumption of food grains reduced with expenditure. For the unconstrained farmer, on the other hand, expenditure per unit of land was influenced by factors such as the degree of adoption, agro-climatic environment and wage rate.

The study has developed a unified empirical methodology to examine the factors that influenced farmers' decisions relating to allocation of land and other inputs between the traditional and HYV rice. Since a farmer's decision relating to allocation of land and inputs under HYV cultivation are interlinked a simultaneous equation system with the degree and intensity of adoption as the endogenous variables was estimated. The estimation of simultaneous equation system suggested that all of the three explanations of incomplete adoption of HYV technology, viz., risk aversion, liquidation and incomplete social learning were relevant in explaining the observed pattern of use of land and other inputs in HYV and traditional *aman* rice cultivation.



Further, empirical analysis of the degree and intensity of adoption of HYV cultivation in the book sheds some light on the issue of technological leadership in rice cultivation during the late 1980s. The results showed that there was no significant impact of farm size on the intensity of fertiliser use. The impact of farm size on the degree of adoption was found to be weakly significant and negative in direction. Taken together, these results suggested that during the period of the study (late 1980s and early 1990s) large farmers did not act as technological leaders in *aman* season. The study also revealed that small farmers were not lagging in the adoption of technology in agriculture during the late 1980s. The author argued that the small farmers have been benefited by the state policy of 'Operation Barga' and redistribution of land. Further, land reform policy discouraged absentee landlordism and promoted self-cultivation. However, at the same time the author has argued that large farmers were not given special incentives that would have driven their leadership on the technological front.

The study has nicely explained the reasons of slow progress of HYV cultivation in West Bengal during the 1980s and brought the issue of the State policy in comparison with the states of Haryana and Punjab. In explaining the slow progress, the author brilliantly opines that the West Bengal Government did not have well-defined agenda in respect of new agricultural technology. He also argues that slow progress of HYV cultivation was more due to the failure of public policy to circumvent agro-climatic barriers of adoption. However, at the same time the author has also made two more factors, viz., problems in irrigation development and water control, responsible for slow progress in this regard.

The present study, in addition to the above, highlighted two other crucial determinants of diffusion of HYV rice – namely, institutional mechanisms for farm level dissemination of new seeds and availability of working capital. The author has given emphasis on the process of farm level dissemination of new seeds and learning in the diffusion of HYV technology in view of the fact that the agricultural technology as embodied in the new seeds, is developed largely in public research institutions, far away from farmer's daily experience. The author argues that failure of institutional set up to disseminate new seeds and related practices in farmers' appropriate neighbourhood can adversely affect the technological progress. In fact, the study showed, extension services in West Bengal suffer from serious problem of undermanning, which has been compounded by the absence of accountability and lack of incentives for the extension workers.

The author concludes that although the agrarian policy of the state government in West Bengal has succeeded in realignment of rural power structure, from which the small and marginal farmers, tenants and landless labourers have largely benefited, the policy failed to mobilise greater financial resources from institutional sources for productive purposes. The study further argues that the only discernible effect of agrarian policy on the credit front has been a relative increase in access to funds for the erstwhile disadvantaged section of the farmers. It is further argued that although

the distribution of credit within this section has become more equitable than the earlier period, increasing the size of the pie should constitute the major thrust of the future agrarian policy in West Bengal.

In a nutshell, the book is an exposition of standard quality empirical work supported by theoretical models and micro level data. Although the study covers the period of late 1980s and early 1990s, the analysis of the study is still relevant today since it has examined farm-level decision-making processes and behaviour among liquidity-constrained cultivators. The insights from the research, such as importance of expansion of rural credit and agricultural extension, are indeed more important than when the study was done. However, since the book has focused on a specific issue, i.e., adoption of HYV rice in West Bengal it may vary across crops with varying agro-climatic conditions and states with different socio-political conditions. Further, effective land reform in West Bengal has definitely changed the land-holding pattern in the state. However, at the same time, this has led to the problem of non-viability of land, which is now a major concern. Because of this reason, it is noticed that after getting the land rights through the reform policy tenants give it to the large farmers for cultivation and get a small proportion as per the agreement. The author has rightly pointed out that the large farmers are not encouraged to adopt HYV seeds. This shows that in West Bengal subsistence farming is still predominant. What is needed is an integrated approach ensuring availability of storage/marketing, improved technical, economic and infrastructural services which could help to increase productivity. This needs more attention along with bridging the gap of institutional credit to the farmers. However, above all, the book is a high quality research work which may help the researchers and policy makers as well.

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