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Book Reviews

Issues of Financial Reforms: Essays in Memory of S.N. Sen, Edited by Amalesh Banerjee, Kanishka Publishers, Distributors, New Delhi, 2003. Pp. xx + 378. Rs. 800.00.

Economic reforms started in 1991 by Government of India were accompanied by reforms in financial sector which included deregulation and technological upgradation in the banking sector, stock market, money market, foreign exchange, insurance and even government finances. Since then, rate of interest has been deregulated, technology in banks has undergone a sea change, transaction time and operational costs have been reduced, government share in banks' capital has been reduced, new insurance and credit products have been introduced and liquidity management has improved through continuous reduction in Cash Reserve and Statutory Liquidity Ratios as well as Liquidity Adjustment Facility of RBI. The country has built up a huge foreign currency reserve of about US $148 billion as a result of all these financial reforms and relaxations in current and capital account convertibility of our currency. Now, the issue of full capital account convertibility of rupee is being intensely debated among planners, academicians and Reserve Bank of India. Some issues like higher level of fiscal deficit of Central and State governments, widening negative balance of trade, decentralisation of bank management, etc., still remain the matter of serious concern.

The book examines the above facets of financial reforms during the period 1991-1999 in 22 papers by different authors. The editor has systematically allotted different papers to minimise repetition in the common theme of the book. Each paper is well structured, indicating the contents of paper in the beginning and conclusions at the end, though, the editor has not classified the papers under sub-themes, perhaps due to some overlapping. The papers are classified under seven broad sub-heads namely, (a) Overview of the reforms with respect to the economy as a whole in five papers, (b) Review of State Finance by Ajit Kumar Chatterjee, (c) Monetary Policy in three papers, (d) Bank reforms in five papers, (e) Capital market reforms in four papers, (f) Reforms in Insurance Sector in two papers and, (g) Reforms in Exchange Rate and External Debt in two papers.

Overview: Anupam Gupta and Rameshwar Tandon bring out in their papers that the rates of growth of gross domestic product (GDP) during the seventh to Ninth Five Year Plans were higher than the previous plans. However, Prabirjit Sarkar and Brototi Bhattacharyya do not find a causal relationship between GDP and index of foreign trade openness during 1992-98. Even the rate of growth of foodgrains and employment did not compare favourably with the needs of population. Gupta does not find evidence of crowding out the private investment due to heavy government borrowings. The overall Gross Fixed Capital Formation as percentage of GDP rose from 20 per cent in 1989-90 to 27 per cent in 1997-98, though the public fixed investment fell by 1.5 per cent of GDP. Tandon argues that reduction in social sector spending without providing primary education and health facility implies increase in inequality in distribution of income. He finds uneven growth in the economy up to 1997 and emphasises on deepening the reforms for attaining 7 to 8 per cent growth rate of GDP and hence reduction in poverty. Gupta says transparency of political system is *sine qua non* for attaining efficiency in administration and communication and hence realising full benefits of financial reforms. Alak Ghosh observes that the Indian capital market has improved in terms of technology, transparency and timeliness since 1991-92. He terms the capital market as a vehicle of economic growth and visualise that the positive path of reforms will continue inspite of pulls and pressures. Most of these predictions have come out true as evident from the developments after the period of analysis i.e., 1991-99.

Monetary Policy: P.R. Brahmananda and G. Nagaraju in their empirical study of quantity theory of Money found that the money supply especially the narrow money (M_1) has direct proportionate effect on price level whereas the real income has negative effect on price level. Price expectation has a positive effect while interest rate has the negative effect on price level. The paper substantiates the relevance of quantity theory of money in Indian economy that can be fine tuned with interest rate to control prices. Subrata Gupta in his paper ‘Transmission of Monetary Policy in India’, discusses that the monetary policy since 1991 has followed targeting of broad money aggregates in a range with feedback on output, prices and exchange rate. Exchange rate and interest rates are found closely related to each other as transferring mechanism in the post-reform phase of monetary policy. The open market operations are becoming effective instruments of monetary policy and interest rate has acquired added importance to boost investments. In the context of liberalised and globally integrated financial structure, Amalesh Banerjee advocates restructuring of RBI as a federal body like Federal Reserve System of U.S.A. He suggests that RBI may deal with monetary policy only in consultation with Central Government, IDBI to deal with corporate sector, NABARD to deal with rural financial sector and EXIM Bank as the fourth RBI for external sector. The present Board of Directors of RBI should be replaced by a Reserve Bank Co-ordinating Committee consisting of four directors from the above four wings with suitable representation of Central Government. A separate supervisory authority with legal status is also advocated which has been established in later years as a Board of Supervision.

State Finance: Ajit Kumar Chatterjee in his paper on reforming the State finance brings out that the fiscal deficit, especially the revenue deficit, has increased in the late nineties due to more spending by states on social welfare schemes in both rural and urban areas. The interest payment as percentage of revenue expenditure increased from 13.6 in the early nineties to 16.8 in 1999-2000, varying from the minimum 14.9 per cent for Karnataka to the maximum 21.5 per cent for Punjab. He argues that more flow of loans from the Centre to States has provided impetus to the higher revenue expenditure. Central loans account for 50 per cent of fiscal deficit followed by 30 per cent from other sources and 20 per cent from market borrowings. States' own revenue as percentage of aggregate expenditure during 1995-98 was less than that of 1990-95 especially in the states like Andhra Pradesh, Maharashtra and West Bengal. The share of development expenditure in the total expenditure in all states decreased from 66 per cent in 1993-94 to 41 per cent in 1998-99 and this decrease was relatively higher in Maharashtra (11 per cent), Tamil Nadu (9 per cent), Punjab (6 per cent) and Orissa (6 per cent). The provision of liberal grant-in-aid and loans and advances on one hand and limited financial mobilisations by the States on the other has an adverse effect on initiating some hard policies for rationalisation of their revenue and expenditure. The growing dependence of states on the Centre makes them less and less responsible. This may even cause persistent demand for smaller states. The author suggests granting financial autonomy to the States under the true federal finance principle.

Banking Reforms: R. Arunachalam finds that since 1991, especially from 1986, there is a sudden jump in finance ratio, financial interrelations ratio, net issues ratio, that indicate financial deepening in the economy. The recommendations of the Narasimham Committee (1991) introduced the concept of capital adequacy, prudential norms and non-performing assets (NPA). All banks have geared up over time for upgradation of technology, improvement in customer services, quality of loan assets, house keeping and maximisation of profits. He advocates diversification in commercial banks (CBs) for project counselling, portfolio management, and tax consultancy, etc. and entrusting task of rural credit to RRBs in co-ordination with NABARD. He also suggests closer supervision of non-banking financial intermediaries (NBFIs) by RBI and make them capable to compete with CBs. B.M. Mukherjee feels that larger banks would be visionaries as compared to smaller smart ones. He emphasises that the internet-based strategy would improve time management, if implemented with well-defined goals and objectives. Manab Sen finds that the outreach of rural credit structure has become fairly extensive. Bank credit as percentage of capital formation in agriculture and allied sector has increased from 23 in 1980-81 to 40 around 1990-91 but it has declined thereafter. The growth rate in agricultural credit was the highest at 8.4 per cent during 1986-94 which has declined in the later years especially due to decrease in public sector investment. Short-term (ST) credit as percentage of value of input used (at 1980-81 prices) has increased slightly from 34.3 per cent in 1983-84 to 35.8 per cent in 1994-95. The growth rate in yield of foodgrains was 3.35 per cent during 1980-91 and 2.24 per cent during 1990-97, indicating a weak relationship with growth rate of ST credit.

Integrated Rural Development Programme (IRDP) and micro finance have been highlighted as major programmes in the flow of rural credit especially to the weaker sections. The author expresses his concern about increasing overdues and decreasing financial margins in rural lending. He suggests for integrating the informal sector with formal institutional system in the next stage.

N.A. Mujumdar in his paper on ‘Banking Sector Reforms: Second Coming’, argues that the Narasimham Committee (1998) on banking sector reforms (BSR) is just a reiteration of his earlier recommendations like higher capital to risks-assets ratio (CRAR), reduction in share of Government holding from 51 per cent to 33 per cent income recognition, provisioning, etc., given by the Committee on Financial System (CFS). The BSR report has not diagnosed the core problems like causes of higher NPA, extent of political meddling and high level of Government borrowings. The report recommended privatisation as a panacea instead of emphasising on the decentralised recruitment, incentive-linked pay structure, industrial relations, etc. Investment in Government securities even above stipulated SLR requirement (around 1998-99) is crowding out requirement of productive sectors. Granting of autonomy to individual banks, reduction on government representation in the management of PSBs, improvement in work ethics and motivation of staff should be components of the reform package, according to Mujumdar.

Insurance Sector: B.M. Jani in his paper on insurance sector in India emphasises it as supplementary to financial sector reforms for realising their full benefits. The insurance industry of India should control cost, minimise claims and frauds by making use of the latest technology of countries like Japan and U.S.A. Malhotra Committee (1994) recommendations have resulted in setting up of Insurance Regulatory and Development Agency, reduction in the share of nationalised insurance companies for improving efficiency and product lines through competition. Foreign companies have set up joint ventures with TATA, ICICI, HDFC, SBI, Kotak Mahindra which are also causing efficiency in nationalised insurance companies. M.C. Gupta also discusses these developments in his paper on reforms in insurance sector. Insurance sector should also hedge the risk of banking business, foreign exchange market, consumer protection business and social security of people according to B.M. Jani.

Stock Market Reforms: B.M. Misra in his paper on, ‘Millennial Challenges for India’s Capital Market’, describes the capital market reforms in terms of computerisation of Stock Exchange, online trading and dematerialising of scrips and reduction in settlement periods. Setting up of NSE in 1992,National Security Clearing Corporation Ltd. in 1997 and National Securities Depository Ltd. (NSDL) (1996)and Central Depository Services Ltd. (1999) depositories have eliminated problems like loss, theft, misutilisation, forgery and delay in settlement. Y.H. Malegam Committee (July 1995) substantially improved disclosure requirement which has been further increased with the introduction of red herring prospectus in recent years. The paper predicts that the capital market in future will be internet based trading, rolling settlement and derivative trading. Global listing will increase and transaction cost will be drastically reduced. Foreign funds and relaxation in current convertibility will put the Indian bourses in direct competition with exchanges of other developed countries. Smriti Mukherji in the paper on 'Liquidity Asset Price Volatility and Indian Stock Market' found empirical evidence about increase in the market capitalisation ratio from 0.129 in 1990 to 0.344 in 1996 indicating increase in the number of listed companies and amount involved. Liquidity in terms of ratio of total value traded and GDP or the turn over ratio shows lot of variation and decline in the early nineties due to market crash in 1991 and the subsequent continual at low levels. The author explains it as an equilibrium adjustment period and even there was absence of integration between India and other Asian stocks at that time. However, during 1997-98 the author has found the Indian stock market linked with exchange rate and contagion effect of the crisis in East Asian Countries (EACs). He predicts that with relaxations for foreign investment, market integration will increase and hence market volatility will increase due to transmission or contagion effect.

Exchange Rate: In the wake of serious balance of payment (BOP) crisis in 1991, the banking and capital market were evolved to attract greater flow of foreign capital and foster conditions for its investment with assured positive rate of return. Stability of exchange rate of Indian rupee was a crucial variable in this process. The foreign investment, commercial borrowings and NRI deposits became the main sources to finance our deficit current account in BOP. R. Mukherjee in his paper on 'Exchange Rate Management: Constraints in India,' brings out that the major determinants of the exchange rate of Indian rupee are balance of trade, ratio of invisible to total foreign exchange earnings, relative internal price rise and foreign exchange reserves of India. Management of exchange rate has been a challenge with relaxation in capital account convertibility (CAC). On the issue of full CAC, the author finds that the negative balances of trade, high external debt and the high fiscal deficit are the main impediments to go ahead. Sitesh Mitra in the paper on 'Reform and External Debt', finds that China has achieved the highest growth rate after opening its economy to foreign investment whereas Mexico, Latin America and EACs have experienced the adverse effect of heavy external debt. External funds with reforms in investment and banking can give the best results, if implemented with pragmatic controls like China. Mukherjee and Ghosh opine that India should manage the foreign exchange with liberal relaxation in CAC to avoid high volatility as experienced earlier by EACs and Russia. The book is quite exhaustive in its coverage of all finance related reforms. The issues brought are based upon logical arguments which hold even after a lot of further reforms in financial aspects since 2000. The book covers the critical transition period (1991-99) of India's economic reforms. Hence, it will serve as a useful reference document for the policy makers, planners and practitioners in finance related sectors.

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Rural Livelihoods and Poverty Reduction Policies, Edited by Frank Ellis and H. Ade Freeman, Routledge, London and New York, 2005. Pp. xxiv + 408. £85.00.

Inspite of a large body of literature on strategies and experience of reducing poverty, there is still further scope for more insights and better understanding. The book under review exploits this scope eminently well, and its contribution is bound to be widely noted. At least I wish so, notwithstanding its rather unaffordable price for poor countries!

The book offers fresh insights both for donors and the recipients of aid to reduce poverty, more so to the latter, as countries with large populations of the poor are ultimately the ones who have to reduce poverty. Based on case studies in four sub-Saharan African Countries – Uganda, Kenya, Tanzania and Malawi – the book connects micro level realities of gaining livelihood in rural areas with macro level policies and realities. There is a case study of Andhra Pradesh in India too, which may superficially appear as an outlier, but blends well with the picture of poverty in sub-Saharan Africa. The book transcends mere presentation of case studies and derives general insights about what blocks poverty reduction. Apart from its findings, methodologically also, the book amounts to a valuable contribution in that just as the general perspective is derived from the case studies, the case studies too are presented in a manner that the general perspective and the issues are always kept in mind. Though this is how case studies should normally be done, it is not always that they succeed. But the book is an eminent example of success in this.

The central theme of the book is that a thorough knowledge of how rural livelihoods are made in all their variety should be connected with both the macro-level understanding of the economy/society/polity with all its institutional complexity and with overall strategies for poverty reduction. A poverty reduction strategy which is not so related or integrated is bound to fail, and may even aggravate poverty!

It is through improving the quality of rural livelihoods, making them viable and sustainable, that any credible reduction in poverty is achieved. The success of livelihoods depends on the access of the households to (i) human capital (skills, education, health), (ii) physical capital (produced investment goods), (iii) financial capital, (iv) natural capital (land, water, trees etc), and (v) social capital (networks, associations, institutional environment) (p.4). Rural households have several strategies to improve their livelihood and coping with risk – diversification, migration and gaining access to any or more of the capitals or assets listed above. The path to improving livelihoods is, however, never smooth, and for the poor, it has many more obstacles and ditches - often insurmountable - than for the non-poor. That is why it has been so difficult to eradicate poverty.

What is ironical is that the very policies which were touted as solutions to the problem of rural poverty aggravated it, at least in the short run. But the long run is yet to come! For example, economic liberalisation tended to push out rural households from reliance on farming, by making agricultural input and output markets more unstable and added to production risks. The process of 'deagrarianisation' that occurred was more a result of this pushing out, rather than attraction to non-agricultural sectors. In agriculture itself, the instability of markets led many peasants back into subsistence rather than to increased market orientation. It is the better off who could take advantage of economies of scale and specialisation, while the poor tried to reduce their vulnerability through diversification which did not necessarily promote their economic growth.

The book shows that 'the scope for rural households to construct their own pathways out of poverty is heavily dependent on the institutional environment' (p.369). But the institutional environment is heavily dominated by 'those in positions of power and authority tending to interpret their roles as blockers and gatekeepers rather than facilitators' (*ibid*), since such a role brings more revenue into their pockets and further enhances their power. It is tragic that even democratic decentralisation, which was supposed to empower the poor, tended to 'exacerbate rather than ameliorate predatory behaviour of local officials' (*ibid*). Freeman and Ellis explain that this is because 'in the typical patrimonial state where authority, power and wealth originate from loyalty and patronage rather than effectiveness at achieving stated government goals, decentralisation merely serves to recreate patronage politics at local levels' (*ibid*).

Economic liberalisation also is shown to have failed in reducing state patronage and poverty, because, as Freeman and Ellis explain, "the state never really 'let go' its involvement in markets, and policy reversals are in progress that seek to recapture markets that private traders were successful in taking out of the state umbrella" (p.370). The book has rather an ambivalent message on economic liberalisation for poor countries. On the one hand liberalisation is found to have made markets for agricultural inputs and output unstable. On the other hand, retaining some state control and intervention in the interest of stability contributed to continuing state patronage and corruption.

Extension services of the state are not tuned to understanding the way rural livelihoods are made and improving them. The 'semi-moribund' extension services comprise of officials trained years ago in single crops and particular crop systems, and are unable to provide useful advice in marketing, particularly export marketing.

It is hard to come out with policy implications to get out of this self-aggravating and dark scenario, but the book does offer some. The most important policy recommendation is that poverty reduction strategies should be based on a good knowledge of how rural households construct their livelihoods and blockages they encounter in doing this. Despite a general pessimism that dominates the book, it ends on a positive note. The hope lies in the poor rural people themselves, as they have an amazing ingenuity in securing viable livelihoods in difficult circumstances. The simple task which is required is that of harnessing this ingenuity and activism.

A book like this hopefully should open the eyes of all concerned or supposed to be concerned with poverty reduction, though the rural poor know these things pretty well enough.

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Common Property Resource Management: Reflections on Theory and the Indian Experience, Gopal K. Kadekodi, Oxford University Press, New Delhi, 2004. Pp. xxi +293. Rs.595.00.

During the last three decades a large number of researchers from various disciplines, policy makers, managers, community mobilisers and NGOs have been working to document the status, contribution, causes of erosion and process of decline of common property resources (CPRs), and, to design appropriate institutional arrangements and property rights regimes for efficient, equitable and sustainable management of CPRs (see case studies documented in Marothia, 2002). To promote teaching and research in natural and environmental resource economics in general and common property resources in particular, a few attempts have been made by natural and environmental resource economists to produce books, with a balance combination of theoretical and empirical approaches, and material for short term training programmes in the Indian context with largely Indian examples (Singh, 1994; Kerr *et al.*, 1997; IIMA, 1999).The book under review is a valuable contribution to the existing literature in CPRs management as it explores peculiar characteristics of CPRs, both in theory and practice. Theoretical expositions and case studies from various parts of India are developed keeping the requirements of undergraduate students in view. The book is also designed to expose planners and action researchers involved in practical issues and to look for policy oriented solutions in the management of CPR.

The book is divided into eleven chapters that are grouped into three parts. Part One consists of four chapters that deal with the definitions, database, conceptualisation of CPRs (Chapter 1 to 3) and a simple theory of property rights regimes (Chapter 4). Using many case studies, linkages between different common and private property resources in relation to contribution of community labour, livelihood, intergenerational equity and carrying capacity, are analysed, compared, and contrasted in this part (Chapter 4). The principles, propositions, and general framework presented in Part One can be applied to a wide range of CPR management situations. In the Part Two theories of collective action for CPR management, attributes of evolutionary model, formulation of an analytical model depicting evolution of CPR institution, using an example of Chakriya Vikas Pranali in which private land resources are pooled and managed under common property regime (Chapter 5), and, an inventory of existing CPR institutions in India along with their functional parameters (Chapter 6) are presented, elaborated, and commented on. Among the broad categories of existing institutions to manage the CPRs, a macro view of joint forest management (partnership between state department of forest and local communities), watershed management (distributed governance structure among the technical departments, between governments, NGOs and village communities), and sacred groves (management bylocal/village communities without any involvement of government) is presented in Chapter 6. A comprehensive account of the investment pattern, and design of management and legal strategies for revival of CPR programmes, within framework of political economy, is presented in Chapter 7. It is documented clearly in this chapter, using examples of wastelands development, that there are a number of essential design requirements before instituting any participatory CPR management. Various legal structures to protect, preserve and manage CPRs within domestic norms and in relation to international regulations are discussed in this chapter. The potential role of Panchayat Raj Institutions in managing CPRs is also discussed in brief in the context of changing political power sharing arrangements. Part Three of the book presents four selected case studies on CPR management representing four different location specific situations and three different categories of CPRs. All the four case studies covering grassland, forest, and water are analysed within four different institutional framework and also using, to some extent, different methods of evaluating these resources. These case studies are discussed in Chapters 8 to 11 in part three of the book. Using the case of National Tree Growers Cooperative Federation (NTGCF) it is documented in Chapter 8 that village level institutions, particularly co-operative societies, can be catalytic in the sustainable management of natural resources and regeneration of wastelands. Apart from providing some basic information about genesis and growth, and institutional building process of Tree Growers Co-operative Societies (TGCS), the lessons drawn from two specific case studies (Mallenahally Village TGCS of Karnataka and Sarnal TGCS of Gujarat) are discussed in Chapter 8.The findings of Mallenahally Village TGCS clearly indicate that the plantation is a socio-economically beneficial activity and these benefits can form a rationale for initiating plantation programmes even in a market-driven economy. Further, the study revealed that despite apprehensions about benefits not reaching the poor, there was no caste, ethnic or income group that had a strong or adverse impact on the performance of the TGCS (p.226). The results of the Sarnal TGCS indicate that members as well as non-members derived financial and economic benefits due to collective management of CPRs. The institutional mechanism adopted by the NTGCF for managing revenue lands can be replicated in different agro-climatic conditions of the country to reverse the land degradation cycle through attributes of collective action and participatory system inbuilt in NTGCF methods. A frequently cited successful story of Sukhomajri watershed development is documented in Chapter 9. The case of Chakriya Vikas Pranali (CVP) -a community based institution evolved in several villages of Palamau district of Jharkhand to pool private lands to develop as CPR is presented in Chapter 10. Basic features of CVP, micro- level analysis using performance indicators, investment and income flows and cost benefit analysis of CVP are interpreted within the framework of the analytical model developed in Chapter 5. Preconditions for replication of CVP model are also briefly mentioned in the end of this chapter. Some of the preconditions for replication of local level community institutions are extensively analysed in the Chapter 5 and also reflected herein. However, to conceptualise CVP as a replicable model in different agro-climatic, socio-economic and cultural settings, the author suggests that economic incentives to pool resources, long term stability of institutions, transparent sharing rules, and existence of leadership are some of the prerequisites. Some of these attributes are also referred in Chapter 7 in a set of design principles for CPRs management. Chapter 11 summarises two case studies of two different type of irrigation systems in Tamil Nadu, case of Pani Panchayat to manage water at community level in Maharashtra, and traditional Johar system of Rajasthan. The outcomes of all these case studies suggest that *in-situ* management of water by the community themselves can effectively resolve most of the typical problems of water governance at the interface of CPR-open access regimes. The author explores, through these case studies, the experience of introducing participatory methods for planning and implementation of CPRs in Chapters 8 to 11 and takes a direct look on voluntary collective action to demonstrate how processes can be designed to produce trust amongst stakeholders (Murty, 1994 also made an important observation on the incentive structure and government interest under shared resource management of CPRs). Extensive literature and applied research outputs have been cited throughout the book and referred in the references. The author and subject index is also provided for quick and effortless search.

The author of this book, one of the India’s leading resource and environmental economists, presents a balanced and accessible treatment of CPR governance while applying the theoretical framework to the Indian case studies from a range of different ecosystems and socio-economic and cultural settings. Drawing on extensive case studies, the author presents innovative approaches for establishing and sustaining participation and collective decision-making, good practice for research, and challenges for future development in the management of CPRs. The scope and clarity of this book make it accessible to a wide readership. Its messages should be an essential component for the students of economics of common pool resources. It is a valuable text for policy makers, development practitioners, civil societies, NGOs and governments, donors, researchers, academics, trainers and teachers seeking to understand CPRs management in a complex rural context. The reader will be well rewarded for the time spent with this splendid book.

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Border Risk and Unemployment Dynamics, Baldev Singh, Sukhwinder Singh and Jaswinder Singh Brar, Publications Bureau, Punjabi University, Patiala, 2004. Pp.204. Rs.230.00.

Border areas of a country, especially if they lie on the troubled frontier, are subject to additional risk apart from the general risk economic decision making faced everywhere in general. This is likely to affect the nature and scale of economic activities in the border region and dampens the entrepreneurial spirits, which may lead to lower incomes and higher unemployment rates. The book under review examines this hypothesis in the context of the three border districts of the Punjab state, namely, Amritsar, Gurdaspur and Ferozepur, which share their boundaries with Pakistan, which has been at loggerheads with India since the time of Independence. The focus of the study is on unemployment dynamics in the region, which is analysed with the help of secondary data as well as a primary survey of 434 rural households from 30 villages of Ferozepur district. The sample has been drawn systematically, taking distance from the border as a factor in drawing the sample, with a view to draw appropriate conclusions about the border risk on economic activity and unemployment.

The book is divided into eight chapters. The introductory chapter draws attention to the high unemployment rates prevalent in Punjab and gives the scope and objectives of the study and its theoretical underpinnings. According to the authors border risk creates a risky/uncertain economic environment that acts as depressant on the entrepreneur's expectations, particularly among farmers and manufacturers, which in turn, may slow down the build up of the individual resource base, i.e., capital formation in the region. Chapter 2 discusses the research design and methodology of the study and gives the background of the study region.

Chapter 3 deals with the employment and unemployment dynamics in Punjab. The state witnessed high economic growth in the post green revolution period. However, the process of structural shift of the labour force has been slow. Of late, Punjab's agrarian sector has been facing an unprecedented crisis and has turned away from the path of sustainable growth and employment. The economy has failed to generate employment at the required level. According to an official study there were 14.72 lakh unemployed persons in Punjab in 1998, majority of whom were educated. During 1997-2002 employment grew in Punjab at an annual rate of only 0.73 per cent per annum against the labour force growth of 2.27 per cent per annum. According to NSS estimates, unemployment rate in rural Punjab was 2.6 per cent as per usual status and 3.7 per cent as per current daily status. Among the educated the usual status unemployment rate goes up to 6 per cent. Such a bleak unemployment situation calls for urgent policy intervention by the government.

In Chapter 4, the authors analyse the impact of border risk on income, infrastructure and employment with the help of secondary data. The situation prevailing in border districts is compared with that of the non-border districts. It is found that per capita income levels are lower by about 10 per cent in the border districts. The contribution of secondary sector output to total output of the border districts is also found to be markedly lower than for the non-border districts, particularly in case of the registered manufacturing. However, in terms of the rural infrastructure the border districts are placed in a relatively better position, reflecting the role of the state policy. But it has not helped generate higher growth or employment in the region. The proportion of self employed seeking employment was found to be much higher in the border areas. The issue of unemployment is further probed in Chapter 5 with the help of the household data collected through primary survey. It is found that there is an unemployed person in every second household surveyed. Nearly one-fifth of the work force was found to be unemployed in the border districts. A high proportion of the unemployed were illiterate showing a deplorable state of human capital formation in the area.

Chapter 6 analyses the impact of border risk on rural resource endowment behaviour measured in terms of acquisition of household assets and investment levels. The authors argue that whenever alternative choices exist, even rural activity related assets are sensitive to border risk whether one considers the household assets like buildings, durable goods or human capital formation. The proportion of poor households as well as the incidence of indebtedness is found to be higher in the households living in the border districts.

In Chapter 7 the authors have discussed the employment search behaviour of the unemployed. The majority, being poor and uneducated, searched employment directly rather than through intermediate agencies. The final chapter presents a summary of the conclusions and offers some policy recommendations.

Though highly informative and rich in analysis, the study is somewhat weak in terms of policy suggestions as it does not go beyond making a few broad generalisations. The study also does not try to delve into the psychology of the farmers and entrepreneurs living in the border areas affecting their investment decisions. The authors have also tried to explain all the variations in socio-economic situation solely in terms of distance from the border. But there may be other historical and structural factors which may be playing a role, which the authors have failed to take into account.

The study has been meticulously carried out and presents lot of information and insights into the Punjab economy and its border areas which would be useful for planning and policy formulation. It is a pioneering effort in an area which has not been explored earlier. Hopefully it would be a precursor to other studies in this area in future.

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