

# The 11-Point Programme

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THE significance of the 11-point programme put forward by the Planning Commission to relieve unemployment lies in the tacit admission that unemployment is assuming serious proportions in the unorganised sections of private trade and industry in that 7 out of these 11 points deal with the encouragement to be given to small-scale industries and businesses. Apart from special assistance to individuals or small groups for establishing small industries and Government purchases of products of cottage and such other industries, private agencies are to be encouraged to develop road transport, power generation and building construction, including slum clearance and low-rent houses. In so far as this emphasis was lacking in the First Five-Year Plan, the new approach is a welcome revision of the Plan and the Commission has openly acknowledged the need for such revision so that additional employment could be provided.

Before giving detailed consideration to the programme it may be mentioned that the trend of increasing unemployment arises out of the large class of new entrants to the employment market not finding employment, as well as those displaced from existing employment. While the former implies that avenues of employment are falling far short of requirements, it is those in the latter category who accentuate unemployment problem arising out of trade recession. The present trade recession indicates in a large measure the adjustment from a sellers' to a buyers' market. Supplies are no longer scarce and increased production of many commodities and articles is even creating problems for disposal of surpluses. The Korean war, the possibility of a third world war and the huge defence and stock-piling programme of Western Governments merely delayed by a few years the process of adjustment. It is true that the general price index and cost of living index do not indicate a downward movement but a good many individual indices have declined. Moreover, while many export and import commodities have shown considerable fall, industrial raw materials such as groundnuts have recorded further rise. Likewise,

while manufactured articles have been more or less stable in prices during the last one year, prices of food-grain and raw material have risen relatively to prices of manufactured articles.

The result is that in urban areas, recession has developed particularly in export and import trades, retail trade, in metal and small-scale industries. Moreover, while trades dealing with essential consumption articles have not been affected so much, those dependent on surplus spending such as capital market, new and second-hand automobiles, refrigerators and radios, cinema and cigarettes have been affected severely. Disguised unemployment or underemployment has been growing and the decline in personal incomes is far greater than the decline in employment.

The over-all economic position at the moment is therefore such that while the price level has not fallen, the profit-margin has dwindled considerably. A decline in price level would no doubt be welcome but, with greater inelasticity in costs, such decline is sure to accentuate the unemployment problem, unless it is brought about deliberately and in an orderly manner. It should be recognised that the downward phase of the trade cycle has set in in the world and India will not be able to escape it. A ready realisation of this fact may enable us to take such measures as may mitigate hardships by creating avenues of employment.

It would follow from the above analysis that displacement of labour should be more in evidence in the trading sector and in small-scale businesses while the organised, large-scale industry as well as the public sector may escape it. So far this has, indeed, been the case. Should the price-level decline even in some measure, the employment situation may deteriorate further and may well affect the latter sectors also. The process of downward readjustment of the economy cannot but be painful.

## 11-POINT PROGRAMME

The measures advocated in the programme seek to revive private enterprise, particularly in the unorganised, small-scale industries. Secondly, they are labour-intensive

and not capital-intensive. Thirdly, they depend upon internal resources and have a very small "import content". This is a highly desirable emphasis. When, however, an active implementation of such a programme is considered, it becomes apparent that its success would depend not so much upon a central directive but upon local execution at State, municipal and other lower levels. It would depend upon the extent to which varied difficulties of private enterprise are expeditiously removed and private initiative positively encouraged.

For instance, even though legislation for the purpose has been passed by many States, special assistance to industry and small groups for running small industries and businesses to any material extent is not given. The reasons for such lack of support may be official indifference or red tape. It would therefore yield more useful results if the Planning Commission could call upon the States to furnish monthly reports on the actual progress made on each point and keep the States informed about the progress achieved in other States, so as to promote a sense of healthy rivalry among the States. Difficulties of small industries and businesses are so diverse that no real progress would be possible unless a deep and sustained interest is taken and a truly sympathetic, even generous, attitude is shown.

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The recommendation that products of cottage industries should be purchased by Governments, in addition to purchases made at present, would raise the question as to its practical possibility and would make it necessary to investigate the market for each product and to determine the extent of further sale. However one may desire to encourage such industries, unless the products are of the required standard, the market may not be able to absorb them.

After large scale nationalisation of road transport in several parts of the country, the suggestion that private agencies should develop road transport could hardly be made with grace. It is difficult to see that private agencies would come forward in this field if the threat of nationalisation is kept hanging all the time. Without an assurance that interests of private agencies would be safeguarded for a sufficiently long period, little can be expected. It would be interesting to know the reaction of State Governments to this recommendation.

Power developments through private capital would meet with the same difficulties and would require similar assurances from State Governments for long periods. Moreover, the present electricity supply legislation has so limited the return on capital at 5 per cent of the capital base that unless it is revised in an upward direction, no capital would be forthcoming. Even the existing electricity companies are confronted with this difficulty and are agitating for such revision. Unless the law is so revised that a fair return on capital, based on current expectations, is assured, flow of capital in this direction would not be possible.

#### BUILDING CONSTRUCTION

Perhaps the most constructive suggestion, with possibilities of large-scale employment, is that of encouraging building construction by private agencies. Moreover, slum clearance is recommended which presumably implies that it could be undertaken by private agencies who at present own the slums and also by public bodies who may take over such slums and build new houses. Similarly, construction of low-rent houses is recommended which could be undertaken by local bodies and Governments and also by private agencies.

Building construction is capable of giving large employment, both direct and indirect. To take one instance, direct employment in building construction in Bombay city

during the last five years is estimated to be of the order of 35,000 to 45,000 people, not taking into account the large indirect employment cut. Both construction of new houses and restoration of old houses can create large employment. But building costs have risen so high and rent control is in operation, so that in spite of large demand for accommodation, flow of capital in this direction is not forthcoming to an adequate extent. If private agencies are to be encouraged, investment in building must be made worth while, as otherwise no one will be induced to construct houses or renovate old ones. The only concession so far given is to exempt income from new property from income-tax for two years. Rates and taxes on property have everywhere risen and therefore the burden of such taxes is heavy and acts as a deterrent to new construction. The line along which inducement could be given is probably to charge rates and taxes on new construction at 50 per cent of the current rates for a period of five years by local bodies, thus reducing the incidence of local tax on proper-

ties. Local bodies will not suffer much reduction in income and, at the same time, it will encourage capital to flow into building construction. In a city like Bombay, such taxes amount to about 30 per cent and by lowering this burden, some inducement will be given to private agencies for building houses. As it is, the particular objective to construct low-rent houses, this inducement would be essential, because otherwise, with the present cost of construction, low-rent houses cannot be constructed. Similarly, building materials such as bricks and cement could be made available at subsidised rates in respect of low-rent construction and special concession rate for transport could be fixed with a view to a reduction in total costs. The Planning Commission, therefore, will have to follow up this suggestion by more concrete recommendations as to how, under the present circumstances, capital could be made to flow into building construction and what relief State Governments, local bodies and the railway could give to stimulate in a large measure new construction activity.

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