

ANNEXURE 33.1

RESEARCH FINDINGS ON QUALITY CIRCLES

A doctoral research on Quality Circles by Bino Thomas*, done under the guidance of this author, has identified a number of benefits of Q.C.s, reasons for the failure of Q.Cs and the conditions necessary for their success. Some of the main findings of the study are reproduced below.

Impact of Quality Circles

Quality Circles, if properly practised, can produce substantial tangible benefits and significant intangible benefits.

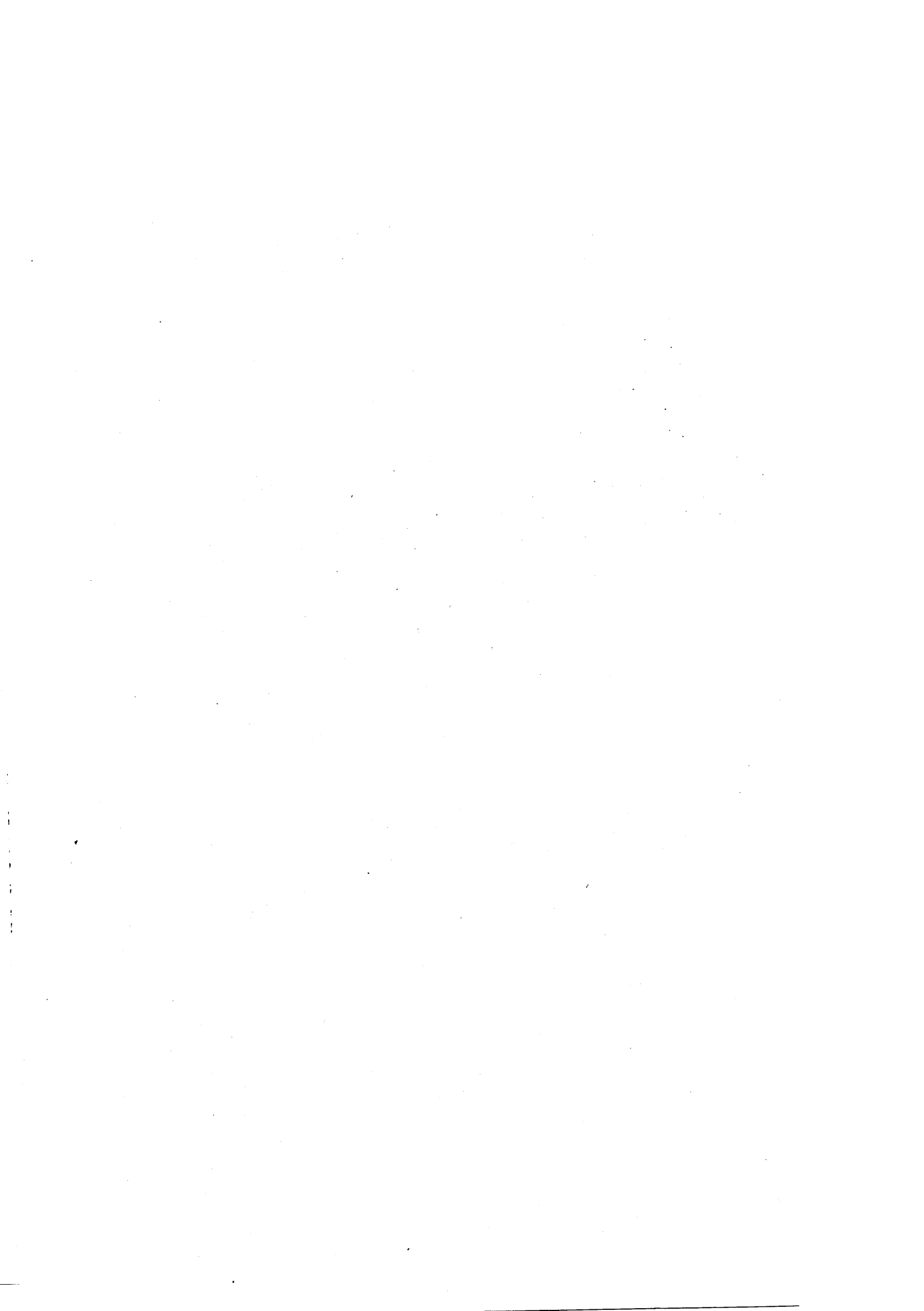
Tangible Benefits: Various case studies presented by different Quality Circles on the diverse types of manufacturing companies demonstrate that Quality Circles can contribute to:

1. Reduction in wastage/scrap.
2. Financial saving and/or reduction in cost of production.
3. Innovativeness.
4. Increase in production.
5. Reduction in the frequency of breakdown of the machinery/machine down-time or increase in machine productivity.
6. Better quality.
7. Greater safety.
8. Better housekeeping.
9. Reduction in time loss/man-hour saving.
10. Work simplification.
11. Self-reliance.
12. Reduction in maintenance cost or replacement cost.
13. Reduction in re-work/rejection.

Intangible Benefits: This study has observed that Quality circle has a number of intangible benefits. It has been found that Quality Circles:

1. Create an overall awareness of Quality outlook in all spheres of operation.
2. Help to satisfy the higher human needs of recognition and self-development.
3. Provide the members with an opportunity to become involved more deeply with the organisation.
4. Help to increase job satisfaction.
5. Help to attain an increased feeling of belongingness to the organisation.
6. Help in acquiring qualitative leadership.
7. Help to achieve better attitude towards change.
8. Promote a participative culture.

*Bino Thomas, *Impact of Quality Circles – A study with special reference to the manufacturing industries in Kerala* (Thesis submitted to the Cochin University of Science and Technology for the award of the Doctor of Philosophy, 1995.)



The pattern of economic development in India is very significantly affected by Government planning. The direction of the development pattern of the various sectors and the relative priorities within each sector are determined by the Five Year Plans. The scope and prospects of different industries and other businesses, therefore, depend, to a very large extent, on the development planning.

THE PLANNING MACHINERY

Planning Commission

The Planning Commission was set up in March 1950, by a Resolution of the Government of India, with the following functions.

- To make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirements.
- To formulate a plan for the most effective and balanced utilisation of the country's resources.

National Development Council

A number of Committees and Commissions are also working under or associated with the Planning Commission. One of the most important among them is the National Development Council (NDC). The NDC is presided over by the Prime Minister and is composed of Union Cabinet Ministers, Chief Ministers of States and Union Territories and Members of the Planning Commission. The other Union and State Ministers may also be invited to participate in the deliberations of the Council. The Secretary of the Planning Commission acts as Secretary of the NDC, and the Commission is expected to provide such administrative and other support as may be necessary. The main functions of the NDC are:

1. To prescribe guidelines for the formulation of the National Plan including the assessment of the resources for the plan.
2. To consider the National Plan as formulated by the Planning Commission.
3. To consider important questions of social and economic policy affecting national development.
4. To review the working of the plan from time to time and to recommend such measures as are necessary for achieving the aims and targets set out in the National Plan, including

The avowed objectives of planning like rapid increase in income, generation of employment, social or redistributive justice, self-reliance etc. are obviously means to achieve the objectives or aspects of the objectives mentioned above.

There have been changes in the priorities of development and emphasis on objectives through the plans. *For example*, the development priority shifted from agriculture in the First Plan to basic and heavy industries in the Second Plan. The Third Plan recognised the importance of export promotion and the Fourth Plan emphasised self-reliance as an objective of development. *Growth with Social Justice* has been receiving added emphasis since the Fifth Plan. The Fifth Plan, which realised that a *direct attack on poverty* was necessary for rapid eradication of poverty, formulated a specific package of programmes, known as the *minimum needs programme*, to improve the living conditions of the poor and these programmes have been continued, with modifications, in the subsequent plans.

A significant step-up in the rate of growth of the economy, strengthening the redistributive bias of the public policies and services in favour of the poor were among the major objectives of the Sixth Plan. The focus of the Seventh Plan was on food, work and productivity.

The Eighth Plan could not take off in time 1990 due to the fast changing political situation. The new Government which assumed power at the Centre by June 1991 decided that the Eighth Five Year Plan would commence on April 1, 1992 and 1990-91 and 1991-92 should be treated as separate Annual Plans.

The Eighth Plan launched at a time of momentous changes in the world and India sought to carry the competitive stimulus of the economic reform process further and gave much greater emphasis on private initiative in industrial development. This Plan was indicative in nature. It concentrated on building a long-term strategic vision of the future and set forth the priorities of the nation. While for the public sector, the Plan went into the details examining the alternatives and identifying the specific projects in various sectors, for the rest of the economy it worked out sectoral targets and tended to provide promotional stimulus to the economy to grow in the desired direction. The Plan recognised "human development" as the core of all developmental effort. The priority sectors that were identified to contribute towards realisation of this goal were health, education, literacy and basic needs, including drinking water, housing and welfare programmes for the weaker sections.

BOX 34.1 : NEW ENVIRONMENT, NEW ROLE

In line with the changed circumstances, we have redefined the role of the Planning Commission. From a highly centralised planning system, we are gradually moving towards indicative planning. Through clear prioritisation of goals, efforts will be made to reduce the bottlenecks, making higher rates of growth possible. If each sector can clearly visualise what is expected of it, then it can gear up to meet the set target. Through the instrument of indicative planning, it will be possible to provide a clear picture of the effects on the entire economy of any change in governmental policy.

The Planning Commission will play an integrative role and help in the development of a holistic approach to the policy formulation in critical areas of development. The Planning Commission will play a mediatory and facilitating role for managing the change smoothly and creating a culture of high productivity and efficiency in the Government.

In addition to the resource allocation role, the Planning Commission will concern itself with resource mobilisation for development as well as with efficient utilisation of the funds.

The key to efficient utilisation of resources lies in the creation of appropriate self-managed organisations at all levels. In this area, the Planning Commission will play a systems change role and provide internal consultancy for developing better systems.
 – Pranab Mukherjee, Deputy Chairman, Planning Commission, in the *Preface to the Eighth Plan (1992-97)*.

TENTH FIVE YEAR PLAN (2002-07)

The Tenth Five Plan (2002 – 07) Approach Paper has proposed that the Plan should aim at an indicative target of 8 per cent GDP growth for 2002-07. Although it is lower than the growth rate of 8.7 per cent needed to double the per capita income over the next ten years, it is generally regarded as an ambitious target, especially in view of the fact that GDP growth has decelerated in recent years.

The Approach Paper also emphasizes the need to incorporate the quality parameter of the development objective. Economic growth cannot be the only objective for national planning and indeed over the years, development objectives are being defined not just in terms of increases in GDP or per capita income but more broader in terms of enhancement of human well being. This includes not only an adequate level of consumption of food and other types of consumer goods but also access to basic social services especially education, health, availability of drinking water and basic sanitation. It also includes the expansion of economic and social opportunities for all individuals and groups and greater participation in decision making. The Tenth Plan must set suitable targets in these areas to ensure significant progress towards improvement in the quality of life of all people.

To reflect the importance of these dimensions in development planning, the Tenth Plan must establish specific and monitorable targets for a few key indicators of human development. It is proposed that in addition to the 8 per cent growth target, the following targets should also be considered as being central to the attainment of the objectives of the Plan

- Reduction of poverty ratio to 20 per cent by 2007 and to 10 per cent by 2012;
- Gainful employment to the addition to the labour force over the Tenth Plan period;
- Universal access to primary education by 2007;
- Reduction in the decadal rate of population growth between 2001 and 2011 to 16.2 per cent;
- Increase in literacy to 72 per cent by 2007 and to 80 per cent by 2012;
- Reduction of infant mortality rate (IMR) to 45 per 1000 live births by 2007 and to 28 by 2012;
- Reduction of maternal mortality ratio (MMR) to 20 per 1000 live births by 2007 and to 10 by 2012.
- Increase in forest and tree cover to 25 per cent by 2007 and 33 percent by 2012.
- All villages to have access to potable drinking water by 2012.
- Cleaning of all major polluted rivers by 2007 and other notified stretches by 2012.

Needless to say, the above mentioned social targets will require a substantial allocation of resources to the social sector and major improvements in governance to make effective use of these

resources. It must also be recognized that achievements of these targets is not independent of the achievement of high growth. Indeed, high growth rates will generate the flow of public resources needed to sustain improvements in social indicators.

According to the Approach Paper, the Tenth Plan provides an opportunity, at the start of the new millennium, to build upon the gains of the past but also to address the weaknesses that have emerged. We must respond to the growing impatience in the country at the fact that large numbers of our population continue to live in abject poverty and there are alarming gaps in our social attainments even after five decades of planning. To meet this challenge squarely, the Tenth Plan must learn from past experience. It must strengthen what has worked well, but it must also avoid repeating past failures. We must be willing to modify policies and institutions based on past experience, keeping in mind the changes that have taken place in the Indian economy and in the rest of the world. We must, therefore, draw up a reform plan instead of merely having a resource plan.

An important aspect of the redefinition of strategy that is needed relates to the role of Government. It is now generally recognized that Government in the past tended to take on too many responsibilities, imposing severe strains on its limited financial and administrative capabilities and also stifling individual initiative. An all-pervasive government role may have appeared necessary at a stage where private sector capabilities were undeveloped, but the situation has changed dramatically in this respect. India now has a strong and vibrant private sector. The public sector is much less dominant than it used to be in many critical sectors and its relative position is likely to decline further as government ownership in many existing public sector organizations is expected to decline to a minority. It is clear that industrial growth in future will depend largely upon the performance of the private sector and our policies must therefore provide an environment which is conducive to such growth.

This is not to say that Government has no role to play or only a minimalist role, in promoting development. On the contrary, government has a very important role but a different one from that envisaged in the past. There are many areas, e.g. the social sectors, where its role will clearly have to increase. There are other areas, e.g. infrastructure development, where gaps are large and private sector cannot be expected to step in significantly. In these areas the role of government may have to be restructured. It will have to increase in some areas of infrastructure development which are unlikely to attract private investment e.g. rural infrastructure and road development. In others e.g. telecommunications, power, ports, etc., the private sector can play a much larger role provided an appropriate policy framework is in place. Here, the role of the Government needs to change to facilitate such investment as much as possible while still remaining a public sector service provider for quite some time. In all these areas, the role of government in creating and maintaining a modern regulatory system for ensuring a fair deal for consumers, transparency and accountability, and a level playing field is also extremely important. Redefining the role of the Government to reflect the changed circumstances facing the economy must be an important aspect of future strategy. This redefinition is necessary both at the Central Government level and also at State Government level.

The last decade of the 20th century has seen a visible shift in the focus of development planning from the mere expansion of production of goods and services and the consequent growth of per capita income to planning for enhancement of human well being. The notion of human well being itself is more broadly conceived to include not only consumption of goods and services in general but more specifically ensuring that the basic material requirements of all section of the population, including especially those below the poverty line, are met and that they have access to basic social

services such as health and education. Specific focus on these dimensions of social development is necessary because experience shows that economic prosperity measured in terms of per capita GDP does not always ensure enrichment in quality of life, as reflected, for instance, in the social indicators on health, longevity, literacy and environmental sustainability, etc. The latter must be valued as outcomes that are socially desirable, and hence made direct objectives of our development process. They are also valuable inputs in sustaining the development process. In addition to social development measures in terms of access to social services, an equitable development process must provide expanding opportunities for advancement to all sections of the population. Equality of outcomes may not be a feasible goal of social justice but equality of opportunity is a goal for which we must all strive.

The development process must therefore be viewed in terms of the efficiency with which it uses an economy's productive capacities, involving both physical and human resources, as means to attain the desired social ends (and not just material attainment). To this end it is absolutely essential to build up the economy's productive potential through high rates of growth without which we cannot hope to provide expanding levels of consumption for the population. However, while this is a necessary condition it is not sufficient. It becomes imperative therefore to pursue a development strategy that builds on a policy focus on exploiting synergies between economic growth, desirable social attainments and growing opportunities for all.

As we set out to discuss the approach to the first five year plan of the new millennium and the tenth since our independence we can justifiably take pride in having reversed the worst inequities of our colonial past and succeeded in building an economy of considerable economic diversity and strength within a framework of federal democracy. Much has been attained and yet much more needs to be done. The task before us is daunting. The economy has the potential to achieve much more than it has done in the past ten years and this achievement is indeed necessary if India is to take her rightful place in the comity of nation.

However, achievement of this potential requires decisive action.

As the Approach Plan observes, in many respects, development policy in future must make a break from the past. The government had over the years taken on itself too many responsibilities with the result that it not only marginalized individual initiative but also succeeded in imposing severe strains on its financial and administrative capabilities. More importantly, in the face of momentous changes in the domestic economic policy in the last decade and an equally fast paced integration of our economy with the emerging global order, investment planning is no more the only, or the only pre-dominant, or even the most effective instrument of pursuing development. Planning has to necessarily go beyond undertaking mere budgetary allocations between competing sectors and regions. It has to address with greater vigour, the need to release latent energies and stimulate private initiative in various facets of our development process. Ultimately, we have to plan for an environment that provides ample opportunities for all to actualize their potential individual.

To this end, the Approach to the Tenth Five Year Plan proposes to shift the focus of planning from merely resources to the policy, procedural and institutional changes which are considered essential for every Indian to realise his or her potential. In view of the continued importance of public action in our development process, increasing the efficiency of public interventions must also take high priority. These measures collectively are expected to create an economic, political and social ambience in the country which would enable us to realize the Prime Minister's vision.

The minimum agenda on which there must be full political agreement, and for which the approval of the National Development Council (NDC) is sought, is listed below :

1. Reduction of Centrally Sponsored Schemes (CSS) through transfer to states, convergence and weeding out.
2. Expansion of project-based support to states.
3. Support to states made contingent on agreed programme of reforms.
4. Adoption of "core" plan concepts at both Centre and States.
5. Preference to be given to completion of existing projects than to new projects. Identification to be done by joint team from States, central ministries and Planning Commission.
6. Plan funds to be permitted for critical repair and maintenance activities as decided by joint team.
7. Greater decentralisation to PRIs and other people's organisations.
8. Privatisation/closure of non-strategic PSUs at both Centre and States in a time-bound manner.
9. Reduction in subsidies in a time-bound manner to provide more resources for public investment.
10. Selected fiscal targets to be achieved at both Centre and States.
11. Accelerating tax reforms to move towards a full-fledged VAT in a time-bound manner.
12. Legal and procedural changes to facilitate quick transfer of assets, such as repeal of SICA, introduction and strengthening of bankruptcy and foreclosure laws, etc:
13. Reform of Labour laws.
14. Reconsideration of all policies affecting the small-scale sector.
15. Adoption of a model blue-print for administrative reforms.
16. Reform and strengthening of judicial systems and procedures.

TABLE 34.1 : MACROECONOMIC PARAMETERS FOR THE TENTH PLAN – A COMPARISON

	<i>Base-Line</i>	<i>Target</i>
Average GDP Growth Rate (% p.a.)	6.5	8.0
Gross Investment Rate (% of GDP p.a.)	27.8	32.6
Implicit ICOR	4.28	4.08
Current Account Deficit	1.5	2.8
Gross Domestic Savings of which :	26.3	29.8
Public Sector (of which)	2.4	4.6
Government	-0.6	1.7
Public Enterprises	3.0	2.9
Private Corporate Sector	4.9	5.6
Household Sector	19.0	19.4

	<i>Base-Line</i>	<i>Target</i>
Consolidated Fiscal Deficit	4.4	3.3
Gross Centre	2.8	2.6
Net Centre	2.0	1.8
States	2.4	1.5
Consolidated Revenue Deficit	2.9	0.8
Centre	1.8	0.5
States	1.1	0.3

	<i>Ninth Plan</i>	<i>Tenth Plan</i>
1. Revenue receipts	9.1	10.2
2. Revenue expenditure	12.5	10.7
3. Revenue deficit	3.4	0.5
4. Total expenditure	15.4	14.0
(a) Plan expenditure	3.9	4.5
(b) Non-plan expenditure	11.5	9.5
5. Non-debt Capital Receipts	0.8	1.2
6. Fiscal deficit	5.0	2.6

PERFORMANCE

Although the Plans have, by and large, failed to achieve the targets and shortfalls are conspicuous in several areas, India has made, undoubtedly, very significant progress. With about 30 per cent of the population still below the poverty line, India is one of the largest industrial powers in the world and has the third largest stock of scientific manpower.

When compared to the modest targets, the performance of the First Plan was satisfactory. Though the industrial sector failed to grow up to the targets, the Sixth Plan could achieve the overall growth target because of the better performance of the agricultural and service sectors. Performance of all other plans was rather unsatisfactory, judged by the achievement of the growth targets.

The long-term average annual growth rate of the economy was only about 3.5 per cent and of the per capital income about 1.5 per cent. There has, however, been an acceleration of the growth rates since the Sixth Plan.

The focus of the Ninth Plan has been described as *Growth with Social Justice and Equity*. The development strategy for the future has been formulated against the emerging new economic environment in which private sector has a greater role than in the past.

The Ninth Plan has set a target of 6.5 per cent. Annual growth for GDP, an industrial growth rate of 8.2 per cent, agricultural growth rate of 3.9 per cent and export growth rate of 11.8 per cent per annum.

The poverty ratio has been expected to come down from about 29 per cent in 1996-97 to 18 per cent by the end of the Ninth Plan, less than 10 per cent by 2006-07 and less than 5 per cent by 2011-12.

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Despite many odds, significant progress was made in almost all important spheres. Of course, it would have been possible to achieve better results with better planning, more efficient implementation of the programmes and pragmatic policies.

It is common to criticise the Indian planning for its failures, pointing out the magnitude of poverty, unemployment, housing problem etc. prevailing today despite over five decades of planning. It is, however, not right to view the prevalence of certain problems of large magnitude only as a reflection of the failure of the planning; they should also be viewed as alarming problems of the magnitude which no other country in the world, except perhaps China, faces.

As Prime Minister Rajiv Gandhi observed, "Planning has given us a strong base for building a modern, self-reliant industrial economy. Indian industry today is highly diversified, producing a wide range of products, many embodying a high level of technology. The public sector has commanding presence and has played a pioneering role in many areas. We have a broad entrepreneurial base and ample technological and managerial manpower. But some weaknesses have also become evident. Much of our industry suffers from high cost. There is inadequate attention to quality. In many areas we are working with technology that is obsolete. We have reached a watershed in our industrial development, and in the next phase we must focus on overcoming these problems. Our emphasis must be on greater efficiency, reduction of cost and improvement of quality. This calls for absorption of new technology, greater attention to economies of scale and greater competitions."

REFERENCE

1. Adopted from "How a Plan is Formulated", *Yojana*, August 15, 1980, p. 45.



The industrial Policy has been an important instrument to help implement the economic development strategy.

Salient Features of Industrial Planning and Development

The salient features of planning and development of industries in India, as clear from the industrial policy statements, other policy announcements, plan documents, etc, are the following.

1. Dominance of public sector in the key industries.
2. Synchronised development of small and large industries.
3. Special assistance for the development of small industries.
4. Accelerated development of backward areas and achievement of balanced regional development
5. Encouragement of new entrepreneurs and diffusion of ownership.
6. Prevention of concentration of economic power.
7. Achievement of self-reliance.
8. Encouragement of the cooperative sector.
9. Encouragement of import substituting and export promoting industries.
10. Balanced development of capital goods and consumer goods industries.
11. Synchronised development of industrial, agricultural and other sectors.
12. The economic reforms ushered in 1991, however, resulted in some of the above principles losing their place or flavour. (*For example*, dominance of public sector in the key industries and prevention of concentration of economic power).

Until 1991, the development of the private sector was under strict government control. This was exercised through industrial licensing and other means. Laws like the Industries (Development and Regulation) Act and the Companies Act gave the government enormous control over the management and functioning of the industrial undertakings. The M.R.T.P. Act controlled mergers, amalgamations, takeovers etc. involving large industrial undertakings and dominant undertakings.

Control of the private sector was also sought to be exercised by giving the public sector control over the commanding heights of the economy.

The new economic policy of India, however, has removed many of the policy hurdles to the growth of the private sector and has drastically abridged the scope of the public sector.

was to play an active role. Further, the state had the power to enter any

Central Government investment in industrial enterprises increased substantially in the four decades since the commencement of planning. The public sector also took over a number of sick units from the private sector because of the social obligations of protecting employment. The National Textile Corporation (NTC) has under it a number of units which were taken over because they were sick.

As a corollary to its growth, the share of the public sector in the value added in mining and manufacturing (organised sector) had grown very substantially. The development of the public sector had been an import element in the drive for industrial diversification; and in industries like steel, non-ferrous metals, petroleum, fertilisers, petro-chemicals and heavy engineering, the public sector units came to play a dominant role.

The role of the large houses in the private sector was confined, by and large, to the core and heavy investment sectors. They were also been expected to make a significant contribution to the development of the backward areas, particularly to "no industry districts," and to the development of the export sector. The positive role of the private sector in the industrial development of the country was, thus recognised to a certain extent.

There has also been an emphasis on the role of the co-operative sector. The co-operative sector has made progress in industries like sugar, cotton textiles and fertilizer. The growth of this sector is expected to promote industrial democracy and discourage concentration of economic power in a few hands.

The joint sector has been promoted to facilitate the utilisation of the resources and talents of the private sector and function with the social orientation of the public sector.

The new economic policy of India is characterised by a redefinition of the roles of the public and private sectors. The essential feature is an abridgement of the role of the public sector and a substantial expansion of the scope of the private sector: Accordingly:

1. The role of the public sector would be confined mainly to areas where investment is of an infrastructural nature and where private participation is not forthcoming to an adequate extent within reasonable time. Thus, the public sector will continue to play a dominant role in areas like energy, transport, communications and irrigation. However, if private initiative comes forward to participate in creating such infrastructure on reasonable terms, including full protection of peoples's interests, such initiatives would be encouraged.
2. The public sector would play a useful role in augmenting basic resources of the country like land, forest, water, ecology and science and technology. The public sector will have responsibility for meeting social needs and for regulation of long term interests of the society like population control, health, education, etc;
3. In large part of its operations where commodities or services are produced and distributed, the principle of market would be applied as basic operating guidelines, unless it is necessary to protect the interests of the poorest in the society. This implies recovery of costs and efficiency in operations.

Village and Small Industries

The plan documents and policy statements on industrialisation have emphasised the importance of village and small industries. But it has been felt that "the outlays made under the plans for village and small industries were not commensurate with the importance which these industries deserved in the Indian situation".⁶ Although in the initial years of the planning era this sector received a reasonable allocation of funds, ranging between 2 and 4 per cent of the Plan Outlays, of late the actual availability has come down to about 1.5 per cent.⁷

To foster the growth of the small scale sector, the manufacture of a large number of items have been exclusively reserved for it and several other measures of protection have been accorded. The SSI policy, though encouraged the growth of small scale units, have had several adverse effects, as pointed out in the chapter on *Village and Small Industries*.

Comparative Cost Dynamics

One of the criticisms leveled against the development strategy in India is that the agricultural sector should have been given greater importance than industry. "When India and several other