Economic Policy and Social Justice in India:
An Agenda for the New Millennium

''With most problems now-a-days the economic answers are only political questions.''

Joan Robinson

Introduction

It is often fashionable to posit these days the concept of *homo economicus* (i.e., economic human being) as it were independent of the interests of community and society. It is also widely believed that the economy is driven by a universal compulsion - on the part of consumers to maximise utility and of producers to maximise profits. It is often forgotten, what Joan Robinson called the 'self-sealing' capacity of economics, that behaviour and preferences are outcome of cultural acquisitions, which are relative, subject to critique, and open to transformation.

The inter-relation between economics and social justice, the latter essentially routed in distribution, has never been smooth. Even the great titan Ricardo was charged with a *de tour* for *deflecting* the attention of economics from production to distribution (See Schumpeter, 1954, p. 474). Sometimes, distribution concerns have even been posed as antithetical to growth and development. Nevertheless, the concept of justice, if not social justice, has often been invoked in economic analysis *albeit* as part of a bigger exercise, viz., that of social welfare maximisation. The situation has started changing in recent years, partly as a result of developments in moral philosophy dealing explicitly with the notion of justice as a concept of independent importance (Rawls, 1971). Simultaneously, a new branch of economics, called *institutional economics*, has emerged to identify the social and political institutions as important factors impinging on the economic relationships (North, 1990).

Alongside, social justice has come to be recognised as the *sine qua non* of a welfare state. Democratic societies continue to press for the expansion of welfare rights, a minimum wage, and the narrowing of income differentials. This continues to be the case, notwithstanding the much recent suspicion of the state, which has traditionally been looked upon to implement these measures.

Since 1948, the United Nations has been promoting the cause of human rights and social justice through the Universal Declaration of Human Rights. This is a common standard of achievement for all peoples and nations. The continuing reliance on the plank of social justice in all spheres of life is nothing surprising; the post world war development experience clearly indicates that the process of development, left to itself, could bypass or exclude some individuals or groups, giving rise to the phenomenon of social exclusion *a la* Lenoir (1974).

The International Monetary Fund, which is often identified as the ‘hard-nosed promoter of efficiency’ (See Sen (1999a)), has also recognised that ‘‘as a matter of social justice, all members of society should share in the benefits of economic growth…poverty in the midst of plenty is not socially acceptable…’’(Fisher, 1999). The IMF has further highlighted yet another strategic argument: ‘‘…adjustment programs that are equitable and growth that is equitable are more likely to be sustainable…’’

The virtue of social justice being universally appealing has influenced the design and formulation of state policy practically in all countries worth the salt. India has also been no exception to this general worldwide trend and adopted the goal of a welfare state at the very inception. It is in this context, the policy reversals of the early 1990s in the economic sphere, following the unprecedented balance of payments crisis, have given rise to apprehensions in various quarters that the very rubric of social justice built up assiduously over the years could be at stake in pursuit of stabilisation and structural adjustment programme initiated in 1991. Alarms have been raised in several circles that the new *mantras* of liberalisation with its explicit emphasis on productivity, efficiency and market orientation would replace the age-old concerns for equity and justice, and, eventually, derail and dislodge the multitudes of welfare programmes designed for extending distributive justice. Alongside, the sudden demise and dismantling of the Soviet Union in 1991 also created a state of despair, and even a vacuum in the world of ideas, leading some of us to believe as if we reached the *end of history* (Fukuyama, 1989). The resurgence in globalisation and integration in the 1990s, facilitated by information, communication and technology, is also widely believed to have compromised the very sovereignty of nation states and thereby their ability to nurture and defend the sapling of social justice.

It is against this backdrop, the present study attempts to make an objective assessment of the new economic policy, bringing out its pros and cons in relation to the disadvantaged. It also seeks to address the challenges and opportunities, the 'new economy' has brought about for the disadvantaged in the post-industrial society. Section I of the present study is devoted to explaining the rationale, context and major achievements of the new economic policy coupled with an assessment of the state of social empowerment in India. Section II presents a detailed update of the plight of the disadvantaged, providing a sound basis for reinforcing the agenda of social justice. Section III focuses on the Indian interpretation of social justice coupled with a panoramic view of the economic policy pursued since Independence. Section IV has focused on the approach of the new economic policy, *per se*, to the weaker sections and proposes a new agenda for affirmative action in the changing milieu. It also examines the implications of the 'new economy' for the disadvantaged in the post-industrial society. Section V presents a summary of the study with concluding observations.

Section I

New Economic Policy and Social Empowerment

During the first three decades after Independence, the Indian economy stagnated around a trend rate of growth of 3.5 per cent, popularly known as the *Hindu* rate of growth. The scenario changed during the 1980s. The acceleration of growth during the 1980s to 5.6 per cent put the economy on to a higher growth path. However, the growth process of the 1980s turned out increasingly unsustainable as manifested in the growing macroeconomic imbalances over the decade in the form of high fiscal deficit, high levels of current account deficit, and increasing levels of external debt, besides a repressive and weakening financial system. Continuing macroeconomic imbalance and delay in taking corrective action accentuated the impact of global economic shock of 1990. A large and growing fiscal deficit with a sizeable component of monetised deficit, resulted in pressures on money supply and inflation. These imbalances, in turn, spilled over to the external sector in the form of a large and unsustainable current account deficit – giving rise to sizeable public debt, both domestic and external. All these culminated in an unprecedented external payments crisis in 1991. Economic growth fell to such a low level in 1991-92 that real per capita income declined for the first time since

1979-80. The improved growth performance of the 1980s was, thus, short-lived.

In response to the macroeconomic crisis, a programme of stabilisation and structural adjustment was initiated in July 1991, with wide ranging reform measures encompassing the areas of trade, exchange rate management, industry, public finance and financial sector. Fiscal correction, exchange rate adjustment, monetary targets and inflation controls constituted the immediate measures for macroeconomic stability. These measures were supported by structural reforms in the form of industrial deregulation, liberalisation of foreign direct investment, trade liberalisation, overhauling of public enterprises and financial sector reforms. Apart from aiming at restoring the economic stability on both domestic and external fronts, the economic reform programme strived towards achieving a higher growth trajectory through increased levels of investment, and improvements in productivity, efficiency and competitiveness. Thus, the reform process has since encompassed all areas of the economy.

As a result of such wide-ranging reforms, India is no longer an economy of scarcity today. Shortages and rationing of essential goods and materials are now memories of the past. The country is now grappling with mounting surpluses of food stocks and foreign exchange reserves. As in

August 2003, the quantum of food stock at 27.8 million tonnes remained higher than the buffer stock norm of 24.3 million tonnes.

The foreign exchange reserves, which dwindled to US $5.8 billion as at end-March 1991, have since moved up steadily to touch the unprecedented level of around US $90 billion as at end-September 2003. The external debt indicators have also improved with the external debt-GDP ratio at 20.0 per cent in 2002-03 as against 28.7 per cent in 1991. Alongside, the debt service ratio has fallen to 14.7 per cent in 2002-03 from a peak of 35.3 per cent in 1991.

The Indian Rupee has been made convertible on the current account way back in 1994 with a flexible system of market-determined exchange rate. The Rupee remains virtually convertible on the capital account for foreign nationals and NRIs with similar move well on course for the domestic residents. In other words, the days of dreaded control and confiscation of foreign exchange resources are now part of history, and, instead, replaced by a new story of confidence and competitiveness as evident in the successive current account surplus during 2001-02 and 2002-03. Recognition of the growing strength of the external sector has led to the recent designation of India as a creditor country by the IMF under its Financial Transaction Plan (FTP).

In the macroeconomic sphere, the inflation rate has indicated a distinct moderation since the second half of the 1990s, presently hovering at around 4 per cent in September 2003 as against a peak of 13.7 per cent in 1991-92. The phase of financial repression of the financial intermediaries is now largely over with market-determined lending and deposit rates. The NPAs of commercial banks, which were, at one point, threatening the very viability of the financial system, are now under control and placed at 4.4 per cent of advances on net basis in March 2003.

All these have been reflected in a relatively high rate of economic growth over the decade of the 1990s. Indeed, during 1994-95 to 1996-97, the growth rate of GDP averaged as much as 7.5 per cent per annum. This was the only period in India's economic history when the GDP growth exceeded 7.0 per cent consecutively over a period of three years. The sharp acceleration in the rate of growth of overall GDP was largely the result of the phenomenal growth of 10.8 per cent per annum in the industrial sector as an offshoot of the unshackling process. Such resounding achievements have no doubt worked towards setting an ambitious target of eight per cent growth during the 10th Plan period (2002-07). For the first time in the country's economic history, there is resurgence in confidence and increasing realisation that the Indian economy can as well grow at its potential.

Such renewed optimism has also drawn its sustenance from the increasing resilience of the economy to shocks, both domestic and external. More recently, in 2002-03, the growth performance was not only sustained but also turned out as one of the highest in the world despite a confluence of several shocks including border tensions, severe drought, increase in international crude oil prices, SARS scare and continuing slowdown in global economic activity. In the past, the occurrence of any one of such shocks, experienced in 2002-03, in isolation had produced a sharp loss of growth, higher inflation, balance of payments difficulties, and even financial instability in the economy.

The resurgence in growth and its increasing resilience was reflected in the social sector too. The poverty ratio declined dramatically to 26.1 per cent in 1999-00 from 36 per cent in 1993-94 and 44.5 in 1983. The literacy rate improved sharply to 65.4 per cent in 2001 from 52.2 per cent in 1991 and 43.6 per cent in 1981. The male-female literacy gap also witnessed a decline to 21.7 per cent in 2001. There was continued improvement in the health scenario. Life expectancy at birth improved. The crude birth rate, crude death rate, maternal mortality rate and infant mortality rate declined.

The lack of fiscal consolidation, both at the centre and state level, however, continues to be an important element of the unfinished agenda for reforms. As announced in the Union Budget 1991-92, the primary objective of the fiscal reforms was essentially to achieve a reduction in the size of deficit and debt in relation to GDP. While some progress towards this direction was made immediately after the initiation of reforms, there has been considerable slippage particularly from 1997-98. As a result, since 1998-99, the combined fiscal deficit of central and state governments as per cent of GDP has been ruling higher than the peak of 9.4 per cent in the crisis year of 1990-91. Such a situation is clearly unsustainable and calls for immediate action towards more efficient and greater tax revenue collection, levy of adequate user charges in reducing non-merit subsidies, and, of course, continuing expenditure compression. Such actions are essential to correct and reverse the trend of increasing public sector dis-savings that have emerged in recent years. Positive public sector savings are necessary to finance essential physical and social sector investments that will crowd in private sector investments for the achievement of higher self-sustaining and accelerated growth.

A more disquieting development in this regard is that the surge in fiscal slippage has been accompanied by a dwindling share of outlay on key social sectors like education, health and social safety nets as a proportion of the total expenditure of governments – centre and states. While the total expenditure of combined central and state governments has increased by 2.8 per cent of GDP in 2002-03 over 1990-91, the same for the provision of social services has gone up by a mere 0.8 per cent of GDP during the same period. As a result, the combined total expenditure on social services turned out to be 6.2 per cent of GDP in 2002-03, which is far lower than the pre-reform level of over 7 per cent, in general. Even though the Kothari Commission had long back underlined the need for enhancing the allocation on education to 6 per cent of GDP, actual expenditure in 2002-03 turned out to be 3.1 per cent of GDP, the same level as in 1990-91. This has been the picture even in progressive States like Andhra Pradesh (2.7 per cent of gross state domestic product (GSDP)) and Maharashtra (3.6 per cent of GSDP) in 2000-01. Similar has been the case on the health front with the share of allocated expenditure lying within a range of 1-1.4 per cent of GDP during 1990-91 through 2002-03. Once again, expenditure on health turned out to be a poor 0.7 per cent of GSDP for Andhra Pradesh and 0.5 per cent for Maharashtra in 2000-01.

Despite the significant gains made during the post reforms period, attaining the status of a developed nation remains a far distant dream. Indeed, soon after the spectacular performance during 1994-97, the economy has settled for a long drawn slowdown with intermittent signs of recovery. The loss of momentum in reforms following the initial flurry could have possibly triggered off the emergent deceleration. However, for a more fundamental reason, we may possibly have to look out elsewhere in view of similar encounter even in the 1980s preceded by a long entrenched phase of *Hindu* rate of growth. In this context, the socio-economic dynamics of the country could throw up some clue to the understanding of the halting recovery of the growth process. Towards this direction, let us take a fresh look at the social sector attainments once again.

While there has been considerable decline in the poverty ratio during the 1990s, India continues to have the dubious distinction of the largest number of people below the poverty line in the world. At a poverty ratio of 26.1 per cent, it translates into a staggering headcount of about 260.3 millions of people. Besides, wide inter-state disparities are visible in the poverty ratios across rural and urban areas as also in the rates of decline of poverty.

Performance in the field of education, arguably the cornerstone of social attainments, remains one of the most disappointing aspects of India's development experience. Out of approximately 200 million children in the age group of 6-14 years, only 120 million go to school and net attendance in the primary level remains only 66 per cent of enrolment. Even though the male-female literacy gap witnessed a decline since the 1980s, at 21.7 per cent in 2001 it continues to be pretty large. Besides, the gross enrolment ratio in respect of elementary education deteriorated to 81.6 per cent during 2000-01 from 87.7 per cent in 1991-92.

As per the UNDP's Human Development Report, 2003, India's rank in terms of the Human Development Index (HDI) deteriorated to 127th in 2001 from 124th in 2000 in a group of 175 countries, even though the country continued to be classified as a medium human development nation. In comparison, the HDI ranks of some of the South East Asian countries were as follows: Sri Lanka (99), Malaysia (58), Thailand (74), Indonesia (112), and China (104).

Clearly, in contrast to the South East Asian countries, the Indian development experiment has hardly been successful in dovetailing the growth process with social empowerment (Table 1). Such failure, in turn, could have possibly acted as a limit on the growth momentum, particularly in the absence of commensurate opportunities abroad. The question, however, remains: how can the growth process continue to be so limited and for such a long period of time? Why, despite all efforts running through the successive Plans, have we failed to change our fortune? The answer does not seem to lie in the realm of economics but in the very social context of the country.

Table 1: Social Sector Attainments in Late 1990s: India and the South East Asia

	Poverty Ratio	Gini Index	Children 10-14 in the labour force	Enrolment Ratio	Female Adult Illiteracy	Access to improved sanitation facilities	Prevalence of undernourishment	Life Expectancy
India	28.6	37.8	12	102	54	28	24	63
China	4.6	40.3	7	106	21	38	9	70
Indonesia	27.1	30.3	7	110	17	55	6	66
Korea		31.6	0	101	3	63		74
Malaysia		49.2	2	99	16			73
Sri Lanka	25.0	34.4	2	106	11	94	23	73
Thailand	13.1	43.2	11	95	6	96	18	69

Source: World Development Indicators, 2003, The World Bank, Washington D.C.

Since time immemorial, a large majority of the people, the so-called SCs, STs and OBCs, continue to be deprived of their rightful place in the Indian society and history. These communities together account for 78.1 per cent of the total population. Arguably, they are also the majority among the people below the poverty line. The age-old continuation of division of labour along the rigid caste line might have given rise to the lack of flexibility and mobility, the very essence of the development process. This is possibly the fundamental reason, which is ultimately holding back the growth momentum of the country and coming in the way of full realisation of her potential. In the following Section, an update of the status of these communities follows.

Section II

Status of the Disadvantaged: The Stylised Facts

The *visible hands* of the state as expressed in innumerable affirmative actions and pro-active policies with reinforcement from the NGOs cannot certainly go totally waste. Indeed, they have been successful, at least, in triggering the process of emancipation of the disadvantaged, *albeit* the process remains highly limited in terms of coverage and achievements so far. What follows is a snapshot of the outcome of such efforts in terms of an update of the status of the disadvantaged. The presentation, however, deals with only SCs and STs in the absence of reliable information for OBCs.

Population

The SC population as per cent of total population is found to have increased from 14.6 in 1971 to 17.5 in 2001 (Table 1). Similar has been the case with the ST population with its share at 8.6 per cent up from 6.9 per cent.

Table 1: Population: SC, ST and Total Population

(Million)

	SCs	STs	Total Population
1971	80.0 (14.6)	38.0 (6.9)	548.1
1981	104.7 (15.3)	51.6 (7.6)	683.4
1991	138.2 (16.5)	67.8 (8.1)	846.3
2001 (Projected)	179.7 (17.5)	88.8 (8.6)	1027.0

Figures in bracket are per cent to total population.
Source: Registrar-General & Census Commissioner of India, New Delhi.

Sex Ratio

The sex ratio of SCs, which held a better status at 935 in 1971 than that of the total population at 930, went below that of the latter in 1981 and further in 1991 to 922 as against 927 of the total population (Table 2). While the sex ratio of STs at 972 in 1991 stood far higher than that of the total population at 927, it came down below the 1971 position. The declining sex ratio of SCs and STs could be attributed to higher female mortality and their limited access to health services. While such developments are surely a matter of concern for gender equality within the disadvantaged, similar trend has also been observed with the total population as well (Table 2).

Table 2: Sex Ratio: SC, ST and Total Population

(Females per 1000 males)

	SCs	STs	Total Population
1971	935	982	930
1981	932	984	934
1991	922	972	927
2001	N.A.	N.A.	933

Figures in bracket are per cent to total population.
Source: Registrar-General & Census Commissioner of India, New Delhi.

Literacy Rate

Between 1971 and 1991, the literacy rate of SCs as also of STs increased by 2.6 times when the same for the overall population increased by 1.8 times (Table 3). The reassuring aspect of the educational improvement is reflected in the four-fold increase in the literacy rate among the SC females and the ST females as against over two-fold increase among the total population of females.

All through, the literacy rates among the SCs and STs, and their female counterparts ruled far lower than the corresponding rates for the total population and its female counterpart. Moreover, while the gap between the literacy rates of SCs and of the total population hovered around 14 per cent, the same for their female counterparts widened from 12.25 per cent in 1971 to 15.53 per cent in 1991. More alarmingly, such gaps widened for the STs in general and female STs in particular.

Table 3: Literacy Rate: SC, ST, Females & Total Population

(Per cent)

	SCs	STs	Total Population	Female SCs	Female STs	Female Total Population
1971	14.67	11.30	29.45	6.44	4.85	18.69
1981	21.38	16.35	36.23	10.93	8.04	29.85
1991	37.41	29.60	52.21	23.76	18.19	39.29
2001	N.A.	N.A.	65.38	N.A.	N.A.	54.16

Source: Department of Education, Ministry of Human Resource Development, New Delhi; and Registrar-General & Census Commissioner of India, New Delhi.

Gross Enrolment Ratio

The gross enrolment ratios for both SC boys and girls turned out higher than those for the total population at the middle level (i.e., standard I to VIII) in 1999-00 (Table 4). Similar has been the case for ST boys both at the primary level (i.e., standard I to V) and at the middle level. On the other hand, the gross enrolment ratios of SC boys and SC girls at the primary level indicated a decline in 1999-00 over 1990-91 and remained below those of the total population in 1999-00. Similarly, the gross enrolment ratio of ST girls both at the primary and middle levels was lower than that of the total population in both the years.

Table 4: Gross Enrolment Ratio: SC, ST & Total Population

Year		1990-91		1999-2000	
Standard		I to V	I to VIII	I to V	I to VIII
SCs	Boys	122.7	61.4	103.6	73.6
	Girls	80.6	33.3	80.5	50.3
	Total	102.2	47.7	92.4	62.5
STs	Boys	126.8	51.3	112.7	70.8
	Girls	78.6	27.5	82.7	44.8
	Total	103.4	39.7	97.7	58.0
Total population	Boys	114.0	76.6	104.1	67.2
	Girls	85.5	47.8	85.2	49.7
	Total	100.1	62.1	94.9	58.8

Source: Department of Education, Ministry of Human Resource Development, New Delhi.

Drop-out Rate

The drop-out rates have indicated a decline for both SCs and STs in 1998-99 over 1990-91 (Table 5). Another encouraging sign has been the declining gap between the drop-out rates for the SCs and the overall population at all levels – primary, middle or secondary (i.e., standard I to X). However, the drop-out rates for SCs and STs remain far higher than those of the total population with evidence of deterioration at higher levels of schooling. Also, the gap between the STs and the total population widened from 13.67 per cent in 1990-91 to 15.52 per cent in 1998-99 at the secondary level, which is definitely a cause for concern.

Table 5: Drop-out Rate: SC, ST and Total Population

(Per cent)

	Standard (I - V)		Standard (I – VIII)		Standard (I – X)	
	1990-91	1998-99	1990-91	1998-99	1990-91	1998-99
SCs	49.40	44.27	72.09	63.58	80.58	76.63
STs	62.52	57.36	78.57	72.80	85.01	82.96
Total Population	42.60	39.74	60.90	56.82	71.34	67.44

Source: Department of Education, Ministry of Human Resource Development,
New Delhi.

Poverty Ratio

Along with the general population, the percentage of both SCs and STs living below the poverty line has indicated a declining trend between 1993-94 and 1999-00 (Table 6). Besides, the rate of decline in respect of the SCs living below the poverty line was marginally higher than that of the total population, thereby narrowing the gap between the SCs and the total population.

The incidence of poverty amongst the SCs and the STs continues to be far higher than that of the total population in both urban and rural areas. Besides, the rate of decline in poverty ratio in respect of the STs remains much lower than that of the total population, leading to an increase in the gap between the two. The high incidence of poverty among the SCs and

STs underlines the fact that a large number of them are landless with no productive assets, access to sustainable employment or minimum wages.

Table 6: Population Below Poverty Line:

SC, ST & Total Population – Rural & Urban

(Per cent)

	1993-94		1999-00	
	Rural	Urban	Rural	Urban
SCs	48.11	49.48	36.25	38.47
STs	51.94	41.14	45.86	34.75
Total Population	37.27	32.38	27.09	23.62

Source: 10th Five Year Plan, Vol II, 2002.

Access to Credit

The extent of access to bank credit by the weaker sections remained extremely limited and far below the mandatory requirement of 10 per cent of net bank credit (Table 7). Besides, the outstanding advances to the weaker sections indicated a decline, as per cent of net bank credit, between 2002 and 2003. In this regard, the performance of banks, in general, and private sector banks, in particular, was far from satisfactory.

Table 7: Outstanding Advances to the Weaker Sections

	Public Sector Banks		Private Sector Banks	
	Amount (Rs. Crore)	Share in Net Bank Credit (Per cent)	Amount (Rs. Crore)	Share in Net Bank Credit (Per cent)
March 2002	28974.90	7.30	1142.06	1.82
March 2003	32303.75	6.76	1223.40	1.48

Source: RBI Report on Trend and Progress of Banking in India.

Representation in Central Government Services

Participation of the weaker sections in administrative decision-making is a sign of their empowerment. In this regard, representation of SCs in Central Government services has indicated an improvement both at the individual group level (i.e., A, B, C and D groups) as also at the aggregate level (Table 8). The SC representation of about 17 per cent at the aggregate level in 1999 stood marginally higher than their population share. Similarly, the ST representation has doubled to around 6 per cent in 1999 over 1974 at the aggregate level with improvement at every group level. Nevertheless, the SCs continue to be under-represented in A and B groups of services while the STs are yet to reach their expected levels in all groups.

Table 8: Representation in Central Government Services:

SC, ST and the Total Population – Group-wise

	A Group	B Group	C Group	D Group	Total
1974					
SC	1094 (3.25)	2401 (4.59)	161775 (10.33)	230203 (18.53)	395473 (13.66)
ST	155 (0.46)	258 (0.49)	33383 (2.13)	47679 (3.84)	81475 (2.81)
Total	33672	52343	1566796	1242548	2895359
1984					
SC	-	-	-	-	527573 (15.97)
ST	-	-	-	-	149391 (4.52)
Total	-	-	-	-	3303342
1994					
SC	6046 (10.25)	12442 (12.06)	374758 (15.73)	209423 (20.47)	602670 (16.90)
ST	1727 (2.92)	2902 (2.81)	128228 (5.38)	62945 (6.15)	195802 (5.49)
Total	59016	103198	2381613	1023285	3567112
1999					
SC	10558 (11.29)	13306 (12.68)	378115 (15.78)	189761 (19.99)	591740 (16.70)
ST	3172 (3.39)	3512 (3.35)	145482 (6.07)	66487 (7.00)	218653 (6.17)
Total	93520	104963	2396426	949353	3544262

Figure in bracket is percentage to total central government services excluding sweepers.
Source: Ministry of Personnel, Public Grievances & Pension, New Delhi.

Participation in Premier All India Services

Representation of SCs and STs in the premier all India services has declined between 1996 and 2000 (Table 9). Besides, their participation in all such services remains below their expected levels. Thus, there is need for far more effective affirmative actions for the premier services, the ones at which most of the decision-making take place.

Table 9: Participation in Premier All India Services:

SC, ST and The Total Population

	IAS		IPS	
	1996	2000	1996	2000
SC	546 (10.8)	548 (10.6)	381 (12.9)	408 (12.4)
ST	270 (5.3)	261 (5.1)	208 (7.1)	229 (6.9)
Total	5047	5519	2947	3301

Figure in bracket is percentage to total.
Source: Department of Personnel and Training, Government of India, New Delhi.

Participation in Political Decision Making Institutions

Representation of SCs and STs in the political decision making institutions has been quite impressive (Table 10). The share of SCs stood at about 14 per cent roughly in 2000 for each category of institutions, viz., Panchayati Raj Institutions, State Legislative Assemblies and Lok Sabha. Nevertheless, the participation remains lower than their expected level. On the other hand, representation of STs has been either higher or at least in commensurate with their population share for each category of institutions barring Panchayat Samitis.

Table 10: Participation in Political Decision Making Institutions: SC, ST and Total Population

	Panchayati Raj Institutions (2001)				State Legislative Assemblies (2000)	Lok Sabha (1999)
	Gram Panchayats	Panchayat Samitis	Zilla Parishads	Total PRIs		
SC	367941 (14.3)	18546 (14.4)	1822 (13.5)	388309 (14.3)	562 (13.8)	79 (14.5)
ST	235445 (9.1)	7237 (5.6)	1170 (8.7)	243852 (9.0)	530 (13.0)	41 (7.5)
Total	2580261	128581	13484	2722326	4072	543

Source: Election Commission, New Delhi.
Department of Rural Development, GOI, New Delhi.
National Informatics Centre, Parliament House, New Delhi.

Representation in Central Council of Ministers

While there was a marginal increase in respect of number of representation from SCs in the Central Council of Ministers between 1991 and 1999, the number of representation from STs remained unchanged even though the shares of both SCs and STs declined during the same period (Table 11). Of the seven SCs in the Central Council of Ministers in 1999, three were of Cabinet rank and the remaining four were Ministers of State. On the other hand, there were two ST Cabinet Ministers and the remaining one was a Minister of State.

Table 11: Participation in Central Council of Ministers:

SC, ST and Total Population

	SC	ST	Total
1991	6 (10.5)	3 (5.3)	57
1999	7 (9.5)	3 (4.1)	74

Source: National Informatics Centre, Parliament House, New Delhi.

The above presentation, thus, clearly enunciates the case for continuing the battle for social justice. The signs of improvement, whatsoever limited, points to the need for further reinforcements of the initiatives. Indeed, a lot more remains to be done to fulfil the Constitutional commitment of raising the status of the weaker sections to that of the rest of the population. Such efforts need not be seen as isolated attempts directed at particular sections of the society. On the contrary, they could justifiably be looked upon as the essential ingredients of the grand design for transformation of the economy into a developed one.

Section III

Social Justice: The Indian Interpretation

What constitutes social exclusion or its ameliorative social justice varies from society to society. Primarily, the social and cultural norms shape the policies for promotion of social justice. Be that as it may, the ultimate purpose of such policies remains the same – that of elevating the dignity and sovereignty of the individual to where he does not need charity but can himself become charitable. Social justice, thus, imposes on each of us a personal responsibility to work with others to design and continually perfect our social institutions as tools for personal and social development.

Poverty and unemployment are the most universal and fundamental categories of social exclusion. However, there is a unique category, only found in India and not elsewhere in the world. This is the category of caste, which is decided at birth. Sociologists typically study such categories, which economists in general tend to ignore. However, the importance of such categories as an analytical construct can hardly be overemphasised given their multi-dimension (Nayak, 1994). Indeed, Akerlof (1976) has shown as to how the economy settles for a low-level equilibrium trap in the presence of mutually exclusive groups called castes.

This is the reason the present study is particularly inclined to define social justice in terms of emancipation from such exclusion. The other motivating factor has been the fact that the Indian Constitution, which professes to secure to all its citizens social justice, tends to look upon it in the same spirit. The Constitution prohibits discrimination on any artificial grounds. It prohibits forces creating social barriers like those of untouchability. In the context of ubiquitous practice of *casteism* and its deleterious impact running through the history, social justice in India has come to be synonymous with the upliftment and empowerment of the downtrodden, viz., the scheduled castes (SCs), scheduled tribes (STs) and other backward castes (OBCs).

Since Independence, the goal of an egalitarian Indian society has been sought to be attained in the economic sphere mainly by instituting a three-pronged strategy - agrarian reform, planning process, and affirmative action in the form of reservation. Often the root of age-old discrimination was traced to the skewed structure of ownership, control and use of land (Beteille, 2002). Ever since, the agrarian reforms have formed an essential ingredient of the agenda for social justice. Towards this direction, the *zamindari* or the system of estates was abolished way back in the 1950s. This was followed by regulation of tenancy in favour of the tenant. Thus, by 1954 all the provinces passed laws to abolish all types of intermediaries in the system of land tenure. Besides, the regulation of wages came to the benefit of agricultural labourers.

The need to reconcile growth and social justice was explicitly recognised at the early stage of India's planned economic development (Kurien, 1992). The First Five Year Plan presented the problem thus:

''The urge to economic and social change under present conditions comes from the fact of poverty and of inequalities in income, wealth and opportunity. The elimination of poverty cannot obviously be achieved merely by redistributing existing wealth. Nor can a programme aiming only at raising production remove existing inequalities. Only a simultaneous advance along both these lines can create conditions in which the community can put forth its best efforts for promoting development.''

Ever since social justice has been a common thread running through the planning process. In view of the poor trickle-down effect noticed in the early years of planning, programmes especially designed for the disadvantaged section have since formed an essential feature of the planning process. In this context, Special Component Plan for SCs and Tribal Sub-Plan for STs have come to occupy special position as vehicles of social justice.

As access to finance is critical in dispensation of social justice, the priority sector lending directive for banks has mandated allocation of credit for the weaker sections. A recent landmark in this direction has been the setting up of separate finance and development corporations, to begin with for SCs and STs in 1989, followed by OBCs and Safai Karamcharis. The job of these corporations is to develop schemes for employment generation and extend loan-cum-subsidy essentially for pilot projects. Thereby, they act catalytic for the disadvantaged towards gainful engagement in income-generating activities.

Education being the most effective instrument for empowerment, the focus has been on early attainment of literacy, and increase in school enrolment and retention rates among the disadvantaged. They have been pursued under numerous schemes broadly by relaxing criteria for establishment of primary schools, abolition of fees, free provision of textbooks and uniforms, among others. On the other hand, higher education and technical studies by the disadvantaged have been encouraged by way of seat reservation, relaxation in cut off percentage, and remedial coaching.

The National Health Policy,1983 accorded high priority for extending health services in the backward rural areas with a concentration of the disadvantaged. The labour and employment policies focused on providing skill up-gradation and rehabilitation training programmes for the disadvantaged. The rehabilitation schemes of bonded labour have a special significance for the disadvantaged as SCs and STs together account for around 87 per cent of bonded labour in the country. The various wage employment programmes in rural and urban areas have earmarked Plan allocation for the disadvantaged. Special attention for the disadvantaged has also been ensured in the ‘Housing for All’ programme, identified as part of the National Agenda for Governance. Grain banks in tribal areas have come up as part of the strategy to prevent starvation deaths.

Section IV

A Way Forward

Economic reforms initiated in 1991 have since injected a spell of uncertainty and apprehension in the way of dispensation of social justice particularly in the context of continuing weaknesses on the social sector front. The market-oriented approach to economic reforms has evoked, in general, lots of heat and dust in the realm of political economy. Nevertheless, as explained in Section I, the rationale and achievements of the new economic policy are definitely beyond question. However, a few associated developments like the abolition of affirmative action in sequel to the privatisation of PSUs have raised concern as to the desirability of the reform process among the disadvantaged. In view of the rumblings of discontent over the new economic policy, clarity on such questions assumes considerable importance. This is what is attempted in the following.

Public Sector and Social Justice: The Changing Contours

The set up of public sector undertakings (PSUs) used to be accorded with the highest priority in the Indian planning process. The PSUs were visualised not only to be at the commanding heights of the economy, but were also looked upon as pilot vehicles geared towards a socialistic pattern of society. The surplus generated by the PSUs was to be channelised towards nation building and social welfare. Besides, the employment pattern in general government and the PSUs was sought to be representative of the larger society by way of affirmative action in the form of job reservation for the disadvantaged.

Such pursuit has no doubt contributed to the emergence of a diversified production and capital base for the country. It has, however, miserably failed in generating the envisaged investible surplus for nation building and social welfare. On the contrary, it has acted a drag on the public exchequer over the years. Now, such anomalies are sought to be corrected under the new economic policy by way of withdrawal of state machinery from *where it should not be* to *where it is a must*. As a natural corollary, a process of disinvestment and privatisation of PSUs has been set in motion. Simultaneously, the creative 'animal spirits' of the private sector are being unshackled and redirected towards scaling new heights, if not the commanding heights, of the economy.

An unfortunate, untimely and certainly undesirable outcome of such a transformation has been the potentially declining participation of the disadvantaged in the new growth process. With disinvestments and privatisation, the major affirmative action in the form of job reservation would no longer apply to the newly privatised, erstwhile PSUs. This is taking place without any corresponding compensatory action on the part of the state so far. Certainly this cannot be expected to be acceptable to the disadvantaged particularly when the goal of social justice continues to elude them. To be sure, the system of job reservation hasn't really worked out well up to the mark. This, however, need not be confused with its positive contribution, it makes towards empowerment by way of participation in the decision making process. Towards alleviating this genuine concern, what is required is an imaginative, proactive action plan, a blueprint of which is attempted in the following.

Corporate Sector: The Need for Social Governance

Worldwide, there is now a general consensus on the mutual inter-dependence of business and society – a business sector cannot prosper if the society in which it operates is failing and a failing business sector inevitably detracts from general well being. As a result, the conducting of business is increasingly getting inter-twined, the world over, with the corporate responsibility in keeping with the broader societal goals and expectations (OECD, 2001). Already, a comprehensive code of conduct for the multinational enterprises has been mooted by the OECD. Certainly, there have been wide divergences in corporate commitment and management practices – we cannot expect a 'one-size-fits-all' approach to commitment in business conduct.

Nevertheless, thoughtful industry leaders have long recognised that it is essential that the workforce match the racial, ethnic, caste, and gender diversity of their customers. This is what is known as the ‘business case for diversity’ (Kochan, *et al*, 2003). The best way to ensure that the business addresses the range of needs of the diversity of people is to ensure that this diversity is well represented in the ranks of business leaders, executives, and the scientific and technical professionals who design and deliver new products and services.

The Indian corporate, with its flying fortunes, is now expected to respond, proactively and voluntarily, to the gathering momentum for social justice in the context of the rising paramountcy of the private corporate and the PSU sale-offs. Of course, for this to happen, the civil society has to do its proverbial prodding– press for moral suasion to move the corporate. Therefore, a consensus needs to be devised without further delay on the possible contours of social responsibility of the corporate.

In case the corporate fails to react on its own, the preferred course of action could be chalked out with legal backup. Possibly, the US Civil Rights Act, 1964 and the subsequent US federal government orders, which have enforced the programme of affirmative action even for the private corporate in the US, could form the basis for initiating similar action plan for the Indian corporate. There, however, lies an important difference: while the US system of social justice is directed towards protecting the interest of racial and ethnic minorities, India has to grapple with a *sui generis* system of caste, for which there is no precedent in history other than her own one. Such a move in India would be all the more apposite effecting a successful transition from the current phase of corporate governance to that of the social governance.

Supportive Initiatives: The Tax and Investment Policies

The new economic policy has ushered in a historic opportunity to reorient the business of governance as also the governance of business. This historic opportunity should not let go in waste. The rise and growth of the private corporate in an unshackled environment should contribute, *en route* the government exchequer, towards easing the hard budget constraints and could, thus, facilitate the process of emancipation of the millions of Indians long deprived of their rightful place in society. The tax and investment policies should, therefore, be oriented and incentivised appropriately towards fulfilling the long cherished goals of social justice.

Social Justice in the Post Industrial Society

One notable feature of the 1990s has been the emergence of information technology (IT) related services the world over. There seems to be a new optimism that much of the world would be transforming from industrial based societies to ones driven by knowledge and information, with boundless possibilities for innovative solutions to the problems of poverty, inequality, productivity and economic growth. Obviously, knowledge based economies can only be built on a base of human resource development systems that produce and maintain the range of skills needed to foster both individual creativity and productivity and an ability to work with others. The starting point is, therefore, the basic education system.

In keeping with the global trend, IT software and services have recently emerged as one of the fastest growing segments in India with a compound annual growth of over 50 per cent during the 1990s. It has come to account for a major portion of the country's exports with its present contribution to GDP estimated at around three per cent. Besides, the country has emerged as a major centre for Business Process Outsourcing (BPO) services. On such counts, India has come to be increasingly recognised as a post-industrial society and as a knowledge-based economy. The employment potential of the IT related industry has been estimated to be 0.2 million per year and around one million at the end of the 10th Plan (2002-07).

While such developments augur well for the country in general, the weaker section is found to be particularly at a disadvantage to participate and tap the opportunities thrown up by the booming IT software and services industries (Vicziany, 2000). They are seriously disadvantaged by the lower level of skills and education, which they acquire as the combined result of poor grades, the difficulties of sustained study at home and the lack of facilities in the colleges, which they attend. The IT software and services industry places a high premium on English language skills and familiarity with the technological trappings of modern communications – in particular, computer skills and the Internet. As the training for the IT sector continues to be largely in private hands, the weaker sections obviously do not have easy access to them in the absence of finance.

Disinvestment Proceeds: The Future of the Disadvantaged

If the disadvantaged are not to miss the IT bus to prosperity, the emergent digital divide needs to be expeditiously corrected by deliberate policy design. Here, however, the Achilles Hill has been the scarcity of funds. Already, the various social empowerment programmes run by governments at different layers are faced with acute shortage of funds in the context of poor fiscal health and hard budget constraints. Here, however, the disinvestment process seems to hold out a future for the disadvantaged.

The disinvestment exercise is set to mobilise large resources from the market. The paid-up capital locked up in Central PSUs alone throws up a whopping figure of Rs. 86,152 crore in 2000-01. Coupled with reserves & surplus and share application money, the shareholders (read, government) fund touches the figure of Rs. 24,3991.94 crore. Valuation of PSU assets at current market prices is expected to throw up even a higher figure. Already the Central Government has realised through disinvestments during 1991-2004 a sum of Rs. 30,452 crore as against a target of Rs. 91,500 crore. The State Governments have also privatised 36 PSUs so far out of a total of 1003 State PSUs.

All the proceeds from disinvestments have invariably been used up in bringing down the deficit of governments even though they have often been mooted, including in official publications, for retiring public debt. Now the time has come to mandatorily earmark a larger portion of such proceeds for social empowerment of the weaker sections. The most important investment the country can make out of such proceeds is to channelise them for the weaker people for their development as human resources. It is now widely recognised that the development of India's human resources is the key to achieving rapid, sustained growth (Fisher, 1994). This has now become almost an imperative for yet another reason. In the emerging milieu, social privileges are set to be structured in line with access to market rather than to government. Only an empowered mortal can adjust with the new scenario and relocate himself to his advantage.

The disinvestment proceeds could be allocated among the following three possible uses. Firstly, some of it could be used for primary education and health facilities in rural areas with large concentration of the disadvantaged. Secondly, it could be disbursed in the form of scholarships and grants, which may be redeemed at educational institutions including computer institutes. With the envisaged provision for scholarships, the private institutions, which are presently hardly entertaining the students from the disadvantaged section, would be motivated to do so. Lastly, a part of the disinvestment proceeds could be utilised to set up an entrepreneurship/venture capital fund in the form of low interest loans and matching grants, among others. This could enable the budding entrepreneurs from the disadvantaged section to transform themselves into successful business leaders.

Apart from channelising resources into productive use – development of human and physical capital, such moves would create a constituency for the new economic policy. It would arm the disadvantaged with an independent standing as well as stake in the private economy. In the process, a virtuous cycle of economic liberalisation and empowerment of the disadvantaged could be triggered.

Section V

The Concluding Observations

Economic and social policy issues are often discussed in isolation, whereas they are deeply intertwined. Choices made in the macroeconomic sphere have profound implications for the achievement of social objectives. Development literature, nevertheless, makes a distinction between growth-mediated and support-led processes to achieve rapid improvement in social service arrangements. The growth-mediated process works through rapid economic growth and utilisation of enhanced economic prosperity to expand social services. On the other hand, the support-led process works through programmes of larger social support for health care, education and other social service arrangements. Quite often, lack of resources is presented as an argument for postponing socially important investments until a country is already richer. Nevertheless, as Sen (1999b) has convincingly demonstrated, a country need not wait until it is rich before embarking on rapid expansion of basic education and health care; the success of the support-led process in countries like Sri Lanka, China and Costa Rica does testify that. The fact that education and health care are also productive in raising economic growth strengthens the argument for putting major emphasis on these social arrangements in poorer economies like India without having to wait for getting rich first. In other words, economic growth and social justice do not operate against each other even in the immediate run.

Within such broad contours of wisdom, the present study has attempted to clarify a few misgivings about the new economic policy. While it has duly recognised the importance of continuing reforms, it has underlined the need for reinforcing the measures for social empowerment particularly in the context of weaker social sector attainments. As the majority of the people below the poverty line arguably belong to the downtrodden, their social empowerment sounds synonymous with the pursuit of social justice in India.

On a close scrutiny of the approach of the new economic policy, the study does not find anything inherently opposed to the cause of social welfare. On the contrary, the possible rise and growth of the private corporate is expected to lead to ease the hard budget constraints of the government and thereby release resources towards the social welfare programmes. However, in view of the PSU sale-offs and shifting of dominance from the public sector to the private corporate, it has highlighted the case for affirmative action in the private corporate sector, drawing upon the international precedents and, in the context of worldwide increasing emphasis on social responsibility of the corporate sector. While the study is in favour of voluntary initiatives on the part of the Indian corporate, it has warned that the case for legal action could not be ruled out if the corporate fails to come up with concrete proposals within a reasonable period. The study has also made the point that the 'business case for diversity' would ultimately serve the purpose of the corporate sector.

In the context of runaway success of the IT sector and yet poor participation therein by the disadvantaged, the study has strongly favoured earmarking of the disinvestment proceeds for social empowerment of the weaker sections. Such allocation arguably stands for the most important investment the country can make out of such proceeds. The envisaged move could trigger off a virtuous cycle of economic liberalisation and empowerment of the disadvantaged, giving rise to an altogether new constituency for the economic policy among the disadvantaged.

All these, however, cannot materialise without the active intervention of the civil society towards forging a national consensus on such issues of central importance. Such a consensus is, nevertheless, absolutely essential for giving the on-going reform process the much needed human face. Ultimately, however, the demand for, and achievement of, social justice has to come from below, the millions of downtrodden, deprived for long of their rightful place in history. They must, however, realise, as Babasaheb Bhimrao Ambedkar, the great champion of social justice, indicated long back that rights are never given but can only be attained.

Only and only such a state of realisation would make the dreams of the millions of downtrodden come true!

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