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**Role of state in Economic Development**

Today the state has emerged as an active participant in the process of economic development in many ways. The doctrine of laissez-faire in dead.

Now the government has started participating increasingly in the productive activities and through its monetary and fiscal policies are guiding the direction of economic activities. It also determines the distribution of goods and services in the economy. The process of development in case of developed countries was spread over a long period but under-developed countries today have no time to wait and it is essential for them to cut short the period do development. In this case the government has an important role in the process of development.These countries have remained stagnant and a positive government intervention is necessary to put them on the path of the growth. In order to reduce the various rigidities inherent in an under-developed country, the state must play the strategic role.

According to UN Study Group, “In addition to the functions, governments normally perform, there is a large borderland of functions which they ought to perform for the simple reason that they are important, and are not carried out sufficiently, by private effort. This borderland can exist in any country, but it is wider in under-developed countries, because private enterprise in the latter is more knowledgeable and more enterprising than in the former.”

In under-developed countries planning is not limited to intervention but is regarded as a necessary condition for economic development. Since sources are scarce in under-developed countries, it becomes necessary to plan their distribution among various projects as well as plan their utilization in these projects.

Thus the state has to shoulder heavy responsibilities in order to ensure rapid economic development in under-developed countries. This task can be performed by two types of measures i.e. (A) Direct and (B) Indirect.

**2. Types of Measures:**

**(A) Direct Measures:**

**For the economic development of under-developed countries state has involved itself directly and performs certain vital functions which are enumerated below:**

**1. Organizational Changes:**

The organizational changes play an important role in the process of economic development. It includes the expansion of the size of market and the organization of labour market. The state can develop the means of transport and communications for expanding the size of market because private enterprise cannot be capable of undertaking such schemes.

Moreover, the state can help the growth of agriculture and industries. The organization of the labour market also falls under the functions of government.

It increases the productivity of labour. The government helps in organizing labour by recognizing labour unions. It fixes working hours, payment of wages, establishes machinery for the settlement of labour disputes, provides for social securities measures etc.

This establishes relation between the employers and employees which increases efficiency of labour which in turn increases the production and reduces the cost.

The majority of people, who live in rural areas are engaged in agricultural operations for a fixed period. They are not aware of the employment opportunities in towns and industrial centres. The government can help them in getting jobs by opening information centres in rural areas. Thus the government can help in the mobility of labour.

The problem of urbanization arises, when the development labour moves from rural to urban areas and it is solved by the government. Such problems relate to housing, drinking water supply, electricity, slums, transport etc.

**2. Social and Economic Overheads:**

The main obstacle in the way of economic development of under-developed countries is the lack of economic overheads such as means of communications and transportations, ports, electricity irrigation etc. In industrially advanced countries, these facilities are provided by private enterprises. But in under-developed countries the private enterprises are not interested to invest because the return is not fruitful and, moreover, such huge investments are beyond the capacity of private sector.

Besides this, there is dearth of entrepreneurial ability in under-developed countries and the entrepreneurs prefer to invest in trade, housing, gold, jewellery etc. where the rate of return is very high. Thus, it becomes the responsibility of state to provide these economic overheads in the under-developed countries.

**3. Education:**

Education plays an important role in the process of economic development.

According to Myrdal, “To start on a national development programme, while leaving the population largely illiterate seems to be futile. The educational facilities provided in under-developed countries increase their geographic and occupational mobility, raising their productivity and facilitating innovations. The quality of labour is very important for economic growth.”

**4. Public Health and Family Planning:**

The development and maintenance of public health services are important functions to be performed by the government. It is necessary that the health of people should be maintained to increase the efficiency and productivity of labour.

Public health measures generally include the improvement of environmental sanitation in both rural and urban areas, removal of Stagnant and polluted water, better disposal of sewage, control of communicable diseases, provision for medical and health services particularly in the field of maternity and child welfare, health and family planning education and the training of health and medical personnel and all this requires planned efforts on the part of public authorities.

Public health assumes greater significance in under-developed countries for its capacity to improve the composition of labour and raise its efficiency. But all the development efforts will be futile, if the growth of population is not checked.

**5. Changes in Institutional Frame Work:**

Economic development cannot take place in static institutional frame work. The rigid institutional frame work is a positive hindrance in the path of development in UDC. Prof. Paul Streeten has rightly observed that, “The difference between economic growth in advanced countries… and development in so called developing countries is that in the former attitudes and institutions are by and large, adopted to a change and the society has innovations and progress built into the system, while into the latter attitudes and institutions and even policies are stubborn obstacles to development.”

**6. Stepping up Rate of Investment:**

The process of development is accelerated by increasing the rate of investment. The rate of savings in UDC is highly inadequate as compared to their investment requirements. Thus, it becomes essential for government to accelerate the rate of capital formation in these countries and the government can achieve this through taxation or inflation.

**7. Agricultural Development:**

In UDC majority of people depend upon agriculture for their livelihood. Lack of irrigation and credit facilities are main hurdles in the way of economic development. If the agriculture remains backward, the other sectors of the economy cannot develop because agriculture is the basic industry and the other industries depends upon it for raw material.

**Shriman Narayan has given the following main elements in the preparation of agricultural production plans at the village level:**

(i) Full utilization of irrigation facilities, including maintenance of field channels in good conditions for the beneficiaries, repairs and maintenance of community irrigation works;

(ii) Increase in the area under multiple cropping;

(iii) Multiplication in the village of improved seed and its distribution to all cultivators;

(iv) Supply of fertilizers;

(v) Programmes for compost and green manure ;

(vi) Adoption of improved agricultural practices e.g., soil conservation, contour bonding, dry farming, drainages, land reclamation, plant protection etc.;

(vii) Programmes for new minor irrigation works to be undertaken in the village, both through community participation and on an individual basis;

(viii) Programme for the introduction of improved agricultural implements;

(ix) Programme for development of poultry, fish and dairy products;

(x) Programme for increasing production of vegetables and fruits;

(xi) Animal husbandry e.g., supply of stud bulls, establishment of artificial insemination centres and castration of scrub bulls etc. and

(xii) Programme for the development of the village fuel plantations and pastures.

The success of the agricultural development programmes depends upon land reform measures taken by the government.

**The main objectives of land reform measures according to IPC have been twofold:**

(i) To remove such impediments to increase in agricultural productivity as arise from the agrarian structure inherited from the past. This should help to create conditions for evolving as speedily as possible an agricultural economy with high levels of efficiency and productivity and

(ii) To eliminate all elements of exploitation and social injustice within the agrarian system, to provide security for the tiller and assure equality of status and opportunity to all sections of all rural population.

**Land reforms measures include:**

(1) Abolition of intermediaries;

(2) Security of tenure as tenants;

(3) Right to purchase land which tenants cultivate;

(4) Compensation for permanent improvements made on land by tenants;

(5) To limit the rent charged by landowners;

(6) Fixation of ceilings on agricultural holdings; and

(7) Consolidation of holdings.

Thus the agrarian policy of government consists of organisation of agriculture on co-operative lines, provisions of irrigation and credit facilities, establishment of subsidiary industries etc.

**8. Industrial Development:**

In LDC, the natural resources are under- developed or less developed. This is due to the fact that these countries remained under the colonial rule for a long period and their natural resources were mercilessly exploited for their selfish ends. After attaining their freedom there was no logic to leave the development of these resources in the hands of foreign dominating countries.

Furthermore, these poor countries lack in basic and key industries like iron, steel, cement, heavy engineering etc. The fact is that these industries required heavy capital investment, technical knowledge. These basic amenities are beyond the reach of private investors in these countries. In addition to this, private entrepreneur is totally reluctant to enter in these areas of production.