

# AURORA'S JOURNAL OF MANAGEMENT

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**Aurora's Business School**  
Chikkadapally  
Hyderabad-500020, INDIA

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July-Sept 2017



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## NEW PUBLIC SERVICE APPROACH TO PUBLIC ADMINISTRATION

**Dr. G. Sreenivas Reddy,**

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Public administration in the 21st century is undergoing dramatic changes, both in advanced economies and in many parts of the developing world. Globalization and the pluralization of service provision and hybridisation of public management perspectives are the driving forces behind these changes. Policy problems faced by governments are becoming increasingly complex, wicked and global, rather than simple, linear, and national in focus. This paper seeks to provide the context, content and critique of New Public Service (NPS) approach to the study of Public Administration. The NPS is the latest thinking in the field of public administration and public management. The essence of this approach is to view public administration as dispenser of democracy, ethos of participative governance and promoter of civil society. The paper enumerates the differences between Old Public Administration(OPA) and New Public Service (NPS), identify the drawbacks of OPA, discusses the important principles of NPS and its relevance to the study of public administration and finally the feasibility of application of NPS .

### **Key Words**

New Public Administration, New Public Service, New Public Management, Post-modernism, Classical theory, Neo-classical theory, Governance, Public management, Crowd sourcing, Social sciences, Politics-administration dichotomy

### **Introduction**

Public administration as an activity is as old as the society itself. It began to attract the attention of scholars as an intellectual discipline since the closing part of the 19th century. Woodrow Wilson, with his influential essay entitled “The Study of Administration”(1887), published in Political Science Quarterly, laid foundations for a systematic study of Public Administration. Further, he had identified it as one of the potential disciplines of social sciences as separate from political science. He raised the argument of politics-administration dichotomy and the need for insulation of public administration from politics. Frank Good and Bluntchli also raised similar arguments. The

The western scholars from an array of social sciences like political science, sociology, psychology, social psychology and some highly reflective practicing engineers have proposed different administrative /organizational theories, models or approaches to address the issues that cropped-up due to industrialization, introduction of modern technology and the growing complexity of the field of public administration due to the rise and onward march of democracy. During the century that followed many different theories, approaches, perspectives surfaced on the intellectual terrain of public administration and public management. These different theoretical constructs may broadly be categorised as pre-classical, classical theory, neo-classical

theory, modern theory and post-modern theories of public administration as listed and indicated below.

**Pre-classical public administration-** Patrimonial bureaucracy, Patronage bureaucracy, Spoils system embedded in Jacksonian democracy are some of the conceptualisations of this genre of public administration which did not give importance to the principle of merit in the selection of public servants and neutrality in the conduct of public affairs.

**Classical theory-** Administrative management theory of Henri Fayol, Work management or Scientific management theory of Frederic Winslow Taylor, theory of Bureaucracy of Max Weber form three distinct streams of the theory. This theory was normative-prescriptive and was concerned with efficiency and economy and structural refinement as concerns of public administration.

**Neo-classical theories-** Human relations theories of George Elton Mayo and Roethlis Berger, Socio-Psychological or Motivational theories of Douglas Mc Gregor, Federich Herzberg, Victor Vroom, David Mc Lelland etcetera. These theories are a bridge between the classical and modern conceptualisations on public.

**Modern theories-** Acceptance theory of Chester Irving Bernard, Decision-making theory of Herbert A. Simon and Behavioural theory of Hugo Munsterberg, Systems theory of Ludvig Van Bertalanfy, Administrative ecology of Fred W Riggs, Politics of development by Milton J Easman and Development Administration of Edward Weidner. These theories used behavioralism as its methodology, human behaviour as its focus and description as its tool.

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**Post-modern theories-** New public administration lead by Dwight Waldo, New public management, Critical theory of Frankfurt School, Discourse theory of Charles Fox and Hugh T. Miller, and the New public service model of Robert B. Denhardt and Janet Vinzant Denhardt are the major constructs. These theories are deconstructivist and anti-theory in orientation

**The New Public Service** is one among a spate of public administration theories or perspectives that have cropped up in the academic domain of public administration in a quick succession. It belongs to the genre of post-modern theories that are the latest, if not the last, of the theoretical outpourings on the subject of public administration.

In this backdrop let us look at what this New Public Service model is and how is this model different from others. Robert B. Denhardt and Janet V. Denhardt have proposed the 'New Public Service' model based on the experience of American society and the working of public service agencies. The tagline of their approach to public administration is "Government should not be run like business, it should be run like democracy". Their objective behind proposing this theory is about engaging ordinary citizens in the governance process. Before discussing all these aspect in some detail let us first pay attention to the brief profiles of these authors.

### **Robert Denhardt**

Robert B. Denhardt, was born in Kentucky in 1942. He received his Ph.D. in Public Administration from the University of Kentucky in 1968. He is best known for his work in public administration theory and organizational behaviour, especially leadership and organizational change. In "The

New Public Service: Serving, not Steering”, he developed a new model of governance that stresses the need to engage citizens in governance of their communities. This model of governance has come to be known as New Public Service. He started his career as an Assistant Professor at the University of Central Florida. He taught at the University of New Orleans, University of Kansas, University of Missouri, University of Colorado, and University of Delaware. Currently, Denhardt is the Lincoln

Professor of Leadership and Ethics, Director of the School of Public Affairs at Arizona State University, and a Distinguished Visiting Scholar at the University of Delaware. He is a Past President of the American Society for Public Administration (ASPA), a nationwide organization of academics and practitioners in the field of public administration at all levels of government. He was the founder and first chair of ASPA's National Campaign for Public Service which made efforts to assert the dignity and worth of public service across the nation. He is also a member of the National Academy of Public Administration and a Fellow of the Canadian Centre for Management Development. He received the Dwight Waldo Award for lifetime achievement in scholarship from the American Society for Public Administration in 2004. He was a Fulbright Scholar in Australia in 1990. In 2007, he was appointed as an Arizona State University Regents' Professor.

He has published nineteen books, including *The Dance of Leadership*, *The New Public Service*, *Managing Human Behavior in Public and Non-profit Organizations*, *The Pursuit of Significance*, *In the Shadow of Organization*, *Theories of Public Organization*, *Public*

*Administration: An Action Orientation*, *Executive Leadership in the Public Service*, *The Revitalization of the Public Service*, and *Pollution and Public Policy*. He has published over one hundred articles in professional journals.

He co-authored the article entitled “The New Public Service: Serving Rather Than Steering” with Janet Vinzant Denhardt in the prestigious journal *Public Administration Review* (Vol. 60, No. 6, Nov. - Dec., 2000, pp. 549-559). This article attracted attention of scholars of public administration from across the world.

He currently conducts training, facilitation, counselling, and intervention in leadership development and civic engagement. The *Dance of Leadership Workshop* is based on his book, “*The Dance of Leadership*”, and focuses on the art of leadership, employing material from art, music, and especially dance to discover new ways of thinking about leadership and new ways of sharpening one's leadership skills.

#### **Janet Vinzant Denhardt**

Janet Vinzant Denhardt is a Professor in the School of Public Affairs at Arizona State University, USA. Her teaching and research interests lie primarily in organization theory and organizational behavior. Her publications include 'The Dance of Leadership' (with Robert Denhardt), 'Managing Human Behaviour in Public and Non-profit Organizations' (with Robert Denhardt and Maria Aristigueta), and 'Street-Level Leadership: Discretion and Legitimacy in Front-Line Service' (with Lane Crothers). In addition, she has published numerous articles in journals such as *Administration* and

Society, American Review of Public Administration, Public Productivity and Management Review, and Public Administration Theory and Praxis. Prior to joining the faculty at Arizona State, she had taught at Eastern Washington University and served in a variety of administrative and consulting positions. She holds a doctorate from the University of Southern California.

### **Intellectual Roots of NPS**

Like the NPM and the OPA, the NPS consists of many diverse elements, and many different scholars and practitioners have contributed to it, often in disagreement with one another. The NPS has an impressive intellectual heritage. Among the old time scholars of public administration the work of Dwight Waldo (1948), and in political theory, the work of Sheldon Wolin (1960) have strains of NPS. More contemporary precursors of the New Public Service include the theories and theorists of democratic citizenship; the models of community and civil society; organizational humanism and discourse theory.

Robert and Janet denhardt have crystalised the essence of New Public Service based on the existing theories of citizenship, community and civil society, organizational humanists, and postmodernist public administrationists. Though differences exist between these theories they suggested that there are also similarities that distinguish the cluster of ideas they call the NPS from those associated with the NPM and the OPA. Moreover, there are a number of practical lessons that the NPS suggests for those in public administration. These lessons are not mutually exclusive, rather they are mutually reinforcing.

### **The Argument of New Public Service**

The transition from the Old Public Administration to the New Public Management appears to have occurred in the 1980s and 1990s. There was a discernible change in the approaches to the study of public administration and new models started emerging particularly from 2000 onwards. This change culminated in a phenomenon variously termed as the "New Public Service", the "New Public Governance" or the "Post-New Public Management".

New Public Service is a movement grounded in the public interest. It is based on the ideals of democratic governance. It is concerned with a renewed civic engagement manifest in the way we interact with political leaders, engage with citizens, and the way we bring about positive changes in organizations and communities.

New Public Service approach is a model invented to understand public administration from bottom up perspective which came up in the late 1990s in response to the limitations of New Public Management (NPM) and Traditional Public Administration. The failure of market model that was suggested by NPM in addressing the issues of societies has led to the exploration of other models such as "New Public Service" with the caption "The New Public Service: Serving, not steering".

In the New Public Service Approach words like "democracy", "citizen" and "pride" are more prevalent than words like "market", "competition", and "customers" that were prominent in the earlier approaches. This approach believes that, public servants do not deliver customer services and that they deliver democracy." This approach seeks to reinvent the government both structurally and

ideologically in an environment where neoliberal values seem to have triumphed. This approach considers the public interest, the governance process, and expanding of democratic citizenship as ideals to be pursued. It also advocates that the public servants should try to reconnect with citizens so as to provide them better services by asking them to realize that they have much to gain by 'listening' to the public' rather 'telling', and by 'serving' rather than by 'steering'. Further, it focuses on engaging citizens in the governance process and encouraging them and public servants to work together in redefining and in addressing common problems. The New Public Service is a model based on the premise that 'government shouldn't be run like a business; it should be run like a democracy'.

This NPS approach has come up as a viable alternative to both the state-centric traditional public administration and the market-dominant managerial model of New Public Management. It gives priority to democracy, citizenship, and service in the public interest. It emphasises on two things. Firstly, it pleads for the advancement, dignity and worth of public service. Secondly it reassert the values of democracy, citizenship, and the public interest (community and civil society), organizational humanism and discourse theory as the pre-eminent values of public administration.

In other words, the New Public Service is a revival of public administration by promoting the importance of 'public' in public administration, which had lost its significant with the advent of 'New Public Management' (NPM) in public administration.

Across United States of America and around

the world, both elected and appointed public servants are increasingly acting on this principle and expressing renewed commitment to ideals as the public interest, the governance process, and expanding democratic citizenship. As a result, they are learning new skills in policy development and implementation, recognizing and accepting the complexity of the challenges they face, and treating their fellow public servants and citizens with renewed dignity and respect. Public employees are feeling more valued and energized as this sense of service to the community expands. In the process, public servants are also reconnecting with citizens. Administrators are realizing that they have much to gain by “listening” to the public rather than “telling,” and by “serving” rather than “steering.” At the invitation of public servants, even their urging, ordinary citizens are once again becoming engaged in the governance process. Citizens and public officials are working together to define and to address common problems in a cooperative and mutually beneficial manner.

**Principles of New Public Service:** Following are the principles of News Public Service.

**(i) Serve Citizens, not Customers!** Denhardt and Denhardt contend that public interest is a result of sharing values among citizens rather than aggregating individual's self-interests. They value the civic virtue and democratic citizenship. Government bears the responsibilities to let the citizens know they are citizens, the rights and duties they have as a citizen, and they have the responsibilities to aware and participate in the community affairs. Therefore, efficient information accessing system, different types of community dialogue and the ability to open issues to the public are required of the

government. Under the new circumstances, government is no longer the source of authority and control, but it can be the center of coordinating and initiating certain actions. From this perspective, the return to the citizen-oriented service supply mode requires government to be a civic educator.

**(ii) Seek the Public Interest:** The New Public Service argues that public interest is not the majority interest, all the different interest involved in the public issue should be given the equal chance to participate in the deliberation process and all of their needs should be expressed, considered and weighed. The public interest in the New Public Service is the result of a dialogue about shared values. The New Public Service assigns two types of roles to the government; the first one requires it to demonstrate the ability to bring People together to join the discussion, the other require it to be able to supervise the whole discussion process and the results generated from it are consistent with the democratic values: fairness, justice and equity.

**(iii) Value Citizenship over Entrepreneurship:** The NPS Criticizes market mechanism as the policy alternative, recognizing the shortcomings of the privatization movement, like the over emphasis of reducing cost. The New Public Service proponents suggests the form of governance that match the new conditions that can bring in a high-quality and constant citizen involvement in all aspects in the policy process. It believes that the citizens have the capacity to resolve their own problems.

**(iv) Think Strategically, Act Democratically:** It lays emphasis on citizen participation in policy making and in service delivery. According to this engaging citizens

in the implementing brings forward citizens' perspectives and ideas to the real policy processes and make them useful to the community. "Think strategically" for setting up the vision of the community which ensures citizen involvement. It emphasises on good relationship between public employees and citizens to address the community's problems and possible policy solutions. With reference to policy formulation and program implementation, the government should also use "act democratically" to gain success-collective efforts and collaborative processes, to enable shared responsibility between public employees and citizens in making and implementing the policy program for making the community better.

**(v) Recognizing that Accountability isn't Simple:** Defining the accountability of public sector is a very complex question. The public sector generally is accountable for different laws and norms, like the professional standards, community values, and the situational factors. To clarify the question of accountability of public administrators Denhardt and Denhardt raise the questions such as: What are they responsible for? To who are they accountable? By what means should accountability and responsibility be achieved? These three questions constitute the basic description of accountability of public administrators. The New Public Service suggests that they should be responsible for social values, accountable for citizens through an open dialogue, and by way of value sharing.

**(vi) Serve rather than Steer:** The concepts 'Serve' and 'Steer' represent two different types of leadership. The second one, "steer" represents the market based approach,

competition and performance of operational agencies signifying to manipulate the market incentives to attain the leadership goal. The “serve” concept represent the natural choice of human experiences to leadership, in which leadership is seen as nourishing in a value shared base. To serve the people, the NPS emphasises public administrators first to know and then manage the requirements and resources of their programs, and secondly, connect to other sources of support and assistance for engaging citizens and the community in the process.

**(vii) Value People, not just Productivity:** It focuses on the maintenance of good relationship between all participants in the policy process. In this context, the New Public Service suggests that the collaboration and public dialogue are the main approaches to access success in decentralized governance. The core value and uniqueness of the New Public Service is the caring and serving spirit for the people. Morale and ethics for human beings and communities, such as dignity, trust, belongings, concern for others, the service, are encouraged and demonstrated more than efficiency and accordance.

Each of the above principle represents an aspect of public administration that the 'New Public Service' focuses on. In fact, these principles cover the core areas public administration that affect the role of government, the relationship between the government and citizens, the administrative ethics, the way of decision making and implementing. However, these principles are not mutually exclusive, rather they are mutually reinforcing.

If viewed from the perspective principles of NPS, the role of public administrator is to

bring people “to the table” and to serve them in a manner that recognizes the multiple and complex layers of responsibility, ethics, and accountability in a democratic system.

### **Contrast of NPS with OPA and NPM**

We need to contrast the New Public Service model suggested by Denhardt and Denhardt with the Old Public Administration and the New Public Management to get a fuller understanding of the uniqueness of the NPS.

The traditional approach to public administration or the OPA is predicated on a top-down and elitist approach in which public officials are instilled with values of hierarchy, independence, and integrity, and are insulated from politicians and citizens. The focus in this approach is on structure and organizational efficiency, epitomized by command and control and underpinned by a clear public sector ethos. In contrast, the New Public Management approach is based on public choice theory and the principal-agent approach in which public officials require oversight and supervision to constrain their self-interested behaviour and thereby prevent inefficiency and corruption. On the other hand the New Public Service perspective, rooted in democratic theory, emphasizes the accountability of officials to citizens, whereby officials serve and respond to citizens rather than steering society. It assumes that public officials will be motivated to serve by virtue of a commitment to the public interest and will respond to citizens' expectations of a healthy and responsive public service.

Each of the above three approaches (OPA, NPM and NPS) to public administration is associated with a distinct philosophy and conceptual framework. For more clarity let us identify the important features of these approaches.

**Feature of Old Public Administration:**

Following are the main assumptions of OPA.

1. Public administration is politically neutral, valuing the idea of neutral competence.
2. The focus of government is the direct delivery of services. The best organizational structure is a centralized bureaucracy.
3. Programs are implemented through top-down control mechanisms, limiting discretion as much as possible.
4. Bureaucracies seek to be closed systems to the extent possible, thus limiting citizen involvement.
5. Efficiency and rationality are the most important values in public organizations.
6. Public administrators do not play a central role in policy making and governance; rather, they are charged with the efficient implementation of public objectives.
7. The job of public administrators is rightly described by Luther Gulick's acronym POSDCORB.
- 8.. Public administrators play a limited role in policy-making and governance rather they are charged with the implementation of public policies
9. Public programs are best administered through hierarchical organization, with managers largely exercising control from the top of the organization

**Features of NPM:** Following are the main features of NPM

1. One of the major hallmarks of NPM is the empowerment of citizens. Unlike the traditional public sector, it reconceptualises citizens as 'active customers' to be always kept in good humour

2. It calls for more autonomy for the public sector managers;

3. It seeks application of rigorous performance measurement techniques

4. Under the inspiration of the New Right philosophy, the NPM is in favours of cost-cutting in public sector

5. It believes in a decentralized form of governance

Old Public Administration is also described as ignoring citizens, shunning innovation, and serving their own needs, while New Public Management carries a set of values largely drawn from market economics and business management. In contrast to the above concepts the New Public Service approach to the study of public administration emphasizes on engaged and enlightened citizenship which is felt critical to the democratic governance.

The New Public Service perspective is seen as rooted in democratic theory, emphasizes the accountability of officials to citizens, whereby officials serve and respond to citizens rather than steering society. It assumes that public officials will be motivated to serve by virtue of a commitment to the public interest and will respond to citizens' expectations of a healthy and responsive public service.

The ambit of citizenship as explain in New Public Service approach include: a concern for the common good, the welfare of the community as a whole, willingness to honour the rights of others, tolerance of diverse religious, political, and social beliefs, acceptance of the primacy of the community's decisions over one's own private inclinations, and a recognition of one's obligations to defend and serve the public. In other words, citizens would do what citizens are supposed

to do in a democracy—they would run the government. As they did so, they would contribute not only to the society's betterment, but also to their own growth as active and responsible human beings.

Further, they emphasized that this “high” citizenship is both important and achievable because human behaviour is not only a matter of self-interest, but also involves values, beliefs, and a concern for others. Citizens are seen as the owners of government and capable of acting together in pursuit of the greater good. The New Public Service seeks shared values and common interests through widespread dialogue and citizen engagement. Public service itself is seen as an extension of citizenship, motivated by desire to serve others and to achieve public objectives. Values such as efficiency and productivity should not be lost, but should be placed in the larger context of democracy, community, and the public interest.

Table 1, given below, summarises the contrast between the OPA ,NPM and NPS

**Table 1: Comparison of Old public administration, New Public Management, and the New Public Service**

<b>Aspect compared</b>	<b>Old Public Administration</b>	<b>New Public Management</b>	<b>New Public Service</b>
1. Theoretical foundations	Political theory, naïve social science	Economic theory, positivist social science	Democratic theory
2. Rationality and models of human behaviour	Administrative rationality, public interest	Technical and economic rationality, self-interest	Strategic rationality, citizen interest
3. Conception of the public interest	Political, enshrined in law	Aggregation of individual interests	Dialogue about shared values
4. To whom are civil servants responsive?	Clients and constituents	Customers	Citizens
5. Government's role	“Rowing”, implementation focused on politically defined objectives	“Steering”, serving as catalyst to unleash market forces	“Serving”, negotiating and brokering interests among citizens
6. Instruments for achieving policy objectives	Administering programmes through government agencies	Creating mechanisms and incentives through private and non-profit agencies	Building coalitions of public, non- profit private agencies
7. Approach to accountability	Hierarchical - administrators responsible to elected leaders	Market-drive-outcomes result from accumulation of self-interests	Multifaceted-public servants guided by law, values, professional norms and citizen interests
8. Quantum of Administrative discretion	Limited discretion granted to public officials	Wide latitude to meet entrepreneurial goals	Discretion needed but constrained and accountable
9. Type of organizational structure	Bureaucratic organizations with top-down authority and control of clients	Decentralized public organisations with primary control within agency	Collaborative structures with shared leadership
10. Motivational basis of public servants	Pay and benefits, civil- service protections	Entrepreneurial spirit, desire to reduce size and functions of government	Public service, desire to contribute to society

### **Practicality of the New Public Service**

The question that arises now is how can the principles of NPS, discussed earlier, be put into practice. It can be said that the practicing public administrators are in the best position to consider the ways in which the principles of citizen engagement and democratic values can be instilled and enhanced in the governance process. Both in USA and India attempts were made to practice the prescriptions of NPS. Now we see the examples of NPS application in USA and India.

**US Experience:** In the United States, 'the Listening to the City- The Rebuilding of New York' is the best example for citizen engagement programmes. Under this the officials listened to the concerns and priorities of the citizens for developing Lower Manhattan or Lower Downtown which is the under developed part or main business and commercial area of the city. This program engaged people in online dialogues about what should be done in the World Trade Centre site. This meeting gave everyone a chance to speak and listen to each other's opinion. The citizens' exchanged ideas not only on rebuilding of the buildings but also rebuilding lives and community by stimulating the economic development, creating jobs, restoring culture, and improving transportation, recreation and other public amenities guided the decision makers to develop and implement plans for redeveloping Lower Manhattan.

**In India:** Coming to India a dedicated website, viz., "MyGov.in" (Hindi: मेरी सरकार, Merī Sarkār), was launched as a citizen engagement platform by the Government of India to promote the active participation of Indian citizens in the country's governance and

development. Prime Minister Narendra Modi stated that the aim of this website is to reduce the long gap developed between the electorate and the Executive after being elected. This site it is also a common platform for Indian government to crowd source governance ideas from citizens. The users of the site are provided an opportunity to discuss and to contribute ideas on various government plans and projects. It also allows users to upload documents in various formats. A mobile phone application on 'MyGov' is also under development. The website is hosted and managed by the National Informatics Centre (NIC). Google, the search giant, became the first multinational firm to collaborate with MyGov. Shortly before his first address to the nation through All India Radio, it was announced that the thoughts, ideas or questions to the Prime Minister would be submitted to MyGov and those worthy will be responded to by the Prime Minister in subsequent radio addresses.

As of the first week of September 2014, i.e., within forty-five days of its launch, as many as 215,000 users were enrolled to MyGov and more than 28,000 users submitted their detailed plans and ideas on a variety of issues. The format of the Prime Minister's online Independence Day message was similarly extracted from suggestions submitted to MyGov. The platform has attracted many users who were not previously engaged in other social media such as Facebook and Twitter. Within 50 days of its inception, more than 23,000 entries were received for seven different government Ministries in addition to the Prime Minister's Office through the Creative Corner section alone. MyGov.in has subsequently launched its version 2.0, with newer features such as hashtags, polls,

interactive discussion forums and social media account integration. The impact assessment of this citizen engagement platform has been done by Indian Institute of Public Administration (IIPA), New Delhi. This assessment report has brought out crucial observations and set of recommendations.

Gram Sabha (GS) which is an important feature of the structure of Panchyat Raj operating at the village level is yet another experience reflecting the NPS model. The GS is considered as the village assembly having a legal status under the law. It consists of all the adults registered as voters in electoral roll of a Gram Panchyat. It is obligatory for GS to hold two general body meetings twice in a year. In certain states it is decided to have four times in a year. The GS is constituted as an instrument of popular participation at the cutting edge level. It is conceived as a method for engaging citizen participation by giving opportunity to all social groups in the planning and implementation of programmes. They are vested with the power to consider the accounts, administration of the panchyat, approve the proposals for taxation and development plans and identifying beneficiaries under various schemes.

As students of Public Administration we need to discern that, in actual practice both the forums- MyGov- website and Gram Sabha -could not enthuse the citizens' active participation in the governance process. There are several reasons for it. They are: unequal socio-economic structure, cultural variations among the social groups, vastness of geographical areas with varied problems and conflict of public interests. We also can add unwillingness of the State and its institutions of governance and bureaucracy to ensure collect process and collective efforts of

people; sharing responsibility between public employees and citizens for solving the community problems and making the community development. The thinking on the part of the political executive and officials that they are the source of authority to control the public institutions and not the people and give least priority to the wide spread dialogue on the concerns of the society and citizen engagement in governance. Many more such examples can be cited taking from our own life experiences with public organizations.

**In other Countries:** Denhardt and Denhardt also presented the New Public Service practices in other parts of the world viz., as China, Netherlands, Brazil, Korea, Italy, and Sweden. However the efforts to enact the New Public Service were different in different countries. For example, in Italy, Grottammare Municipality in the Centre of Italy used the city engagement plan to develop solutions to the problems faced by citizens.. The municipality established the neighborhood associations and committees to foster communication and participation from its citizens. As a result, the city was able to make a decision on the public policy supported by shared values and responsibility from the citizens.

### **Critique of New Public Service**

According to the critics the views of Robert Denhardt and Janet V. and Denhardt are idealistic rather than practical in the sense that they unduly valorise public and citizen. The New Public Service model would only serve the purpose of creating awareness among students and academics on the changing administrative environment and the emerging needs of social groups. The seven principles of NPS suggested by the authors demonstrate

over estimation of public power, democracy, citizenship, and service in the public interest. In a heterogeneous and unevenly developed society like India, it is very difficult to operationalise the principles and create a harmonious community, and cultivate the public spirit and social skills of administrators and citizens like in civic societies like that of USA or UK. The authors appear to have over emphasized on the role of individuals, public servants in the nation building. All that suggested in NPS are certainly desirable but it is very difficult to realize them in the developing countries such as India the citizens' role in governance is conditioned by several factors extraneous to government.

Critics also point out that the New Public Service model is proposed by largely keeping in view the conditions prevailing in American Society and Western world. However, the New Public Service is relevant, but very difficult to realize in developing countries. In India seven decades of democratic governance reveals that undemocratic forces dominate public servants as well as other institutions that matter in governance such as Legislature, Executive and Judiciary and the Media. In fact these are the major instruments for ensuring peoples participation in governance and development process. On the other hand they consider citizen engagement as passive participants in governance and sometimes they are even marginalized or neglected in the development process.

### **Conclusion**

Public administration as an academic discipline has been continuously evolving a surfeit of theories, models or perspectives over the past century and a quarter. Robert B. Denhardt and Janet V. Denhardt have

proposed a latest model of public administration entitled the New Public Service as an alternative to both the statist model of OPA and the managerialist model of NPM. In point of origin it is the latest of theorisations on public administration. It has come up as an alternative that has been built on the basis of theoretical explorations and practical innovations. It is a normative model. Currently, the New Public Management is gaining increasing currency as a dominant paradigm in the field of governance and public administration.

The main objective of the New Public Service approach is to stress on the need to engage ordinary citizens in governance of their own communities. As a normative model the New Public Service is consistent with the basic foundations of democracy and provide a rallying point to visualize a public service based on as well as integrated with civic discourse and the public interest. Even while doing so Denharts have succinctly put the central role of government as a service 'Government' that should be run like a democracy. Public interest and democratic citizenship should be the hall marks of government. The role of administrators should be multiple in the community and in different policy processes, potential problem seeker, discussion initiator, public interest reviewer, civic educator and implementing coordinator, are all the proper role for administrator to demonstrate.

Denhardt have not advanced the NPS model as a radical counterpoint to OPA and NPM Denhardt and alternative model. They hold the view that administrative institutions are organized and operated in pursuit of different values at different times and during the period

in which one idea is dominant, others are never totally neglected. Building on this idea, they argue that it makes sense to think of one normative model as prevailing at any point in time, with the other playing a somewhat lesser role within the context of the prevailing view. Thus although they don't reject NPM outrightly they advocated a new model to serve the emerging requirements of public administrations.

Further, Denhardt's argue that in a democratic society, a concern for democratic values should be paramount in the way we think about systems of governance. Values such as efficiency and productivity should not be lost, but they should be placed in the larger context of democracy, community, and the public interest. In terms of the normative models we examine here, the New Public Service clearly seems most consistent with the basic foundations of democracy. It therefore, provides a framework within which other valuable techniques and values, such as the best ideas of the OPA or the NPM, might be played out.

Denharts also have advocated that as individuals, as public servants, and as a nation, we must have the integrity, the strength, and the commitment to be honest with ourselves and to work continually to be true to our shared values. All this would explain that citizen engagement will not only benefit citizens in their working together but also help build the spirit of public service throughout society to the benefit of all.

In placing a fresh emphasis on the public interest and citizens as the focus of public service, the New Public Service model provides a useful corrective to prevailing notions of control and steering associated with

earlier models of public administration and management. But it is still far from providing an all-encompassing paradigm that offers the comprehensive solutions which public sector reforms grounded in earlier approaches have failed to deliver. With its emphasis on engaging citizens as the primary focus of public management the NPS framework is highly normative and value-driven.

This approach serves the purpose of providing a theoretical framework for the scholars and academia to indulge in their pursuit of knowledge in the discipline of public administration. Further, the actions that public administrators take will markedly depend on the types of assumptions and principles upon which those actions are based. If they assume that the responsibility of government is to facilitate individual self-interest, they will take one set of actions. If, on the other hand, they assume the responsibility of government is to promote citizenship, public discourse, and the public interest, they will, in all likely hood, take an entirely different set of actions.

The New Public Service (NPS) approach starts with the premise that the focus of public management should be citizens, community and civil society. In this conception the primary role of public servants is to help citizens articulate and meet their shared interests rather than to control or steer society this is in sharp contrast to the philosophical premise of the NPM approach in which transactions between public managers and customers reflect individual self-interest and are framed by market principles. It is also distinct from the old public administration approach where citizens related to the bureaucracy as clients or constituents and were treated as passive recipients of top-down

policy making and service delivery mechanisms Control and hierarchy rather than plurality and engagement characterized these relationships.

The New Public Service model approaches public management from the vantage point of democratic theory. It is premised on the notion of an active and involved citizenship. This theory holds that citizens look beyond narrow self-interest to the wider public interest. The role of public officials is to expand and fine tune opportunities for strengthening civic engagement in finding solutions to problems in the society. Public administrators need to acquire skills that go beyond capacity for controlling or steering society in pursuit of policy solutions. They need to focus more on brokering, negotiating and resolving complex problems in partnership with citizens. In seeking to address wider societal needs and develop solutions that are consistent with the public interest, governments will need to be open and accessible, accountable and responsive, and operate to serve citizens. Prevailing forms of accountability need to extend beyond the formal accountability of public servants to elected officials in the management and delivery of budgets and programmes to accommodate a wider set of accountability relationships with citizens and communities.

To sum up, despite the limitations and the preconditions for its success, the New Public Service approach to study the public administration is a welcome contribution especially in the context of failure of market economy in reducing the inequalities.

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## FINANCIAL INCLUSION IN INDIA: ISSUES AND CHALLENGES

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### Abstract

Even after 70 years of independence a large section of the rural population in India does not have access to financial services and their only recourse is to borrow from usurious moneylenders at the exorbitant charges causing them exploitation and economic ruin. The main reason why a large section of the rural population remains below poverty is financial exclusion, which is proving to be a major obstacle in the path of India's economic growth. Therefore, financial inclusion has become an important priority of the country for securing economic growth and development of society. Financial inclusion reduces the gap between rich and poor. It helps to channelize money-flow to the economy and ensures people who are unable to access to financial system so far to access it with ease.

This paper discusses the role of financial inclusion in the economy, how the different stakeholders play an important role in developing the whole initiative and its related issues and challenges. The RBI's role is also discussed here.

**Keywords:** Financial Inclusion, Banking System, Financial Education, Below Poverty Line, Stakeholders, Lead Bank Scheme, Scheduled Commercial Banks, Regional Rural Banks.

### Conceptual Discussion

Financial inclusion is defined as delivery of financial services to the poor at an affordable cost. It also means that individuals and

business have access to useful and affordable financial products and services that meet their needs such as transactions, payments, savings, credit and insurance are delivered in a sustainable and responsible manner. Financial inclusion facilitates day to day living and helps families and businesses in everything from long term goals to unexpected emergencies

Financial exclusion, which is the reverse of financial inclusion is a global problem. An estimated two billion adults world-wide do not have a basic account and 59% of these people cite lack of money as the basic reason for not having a bank account. This implies that financial services are either unaffordable or are designed ignoring the low income users. Other barriers to account opening include distance from a financial service provided, lack of necessary validating documents, lack of trust in financial service providers and even religion. Apart from a large number of poor people more than 200 million formal and informal, macro, small and medium sized enterprises (MSMEs) in emerging economies like India lack adequate finances to service or thrive. Most MSMEs life lack of collateral and credit history and business informality as main reasons for not having an account.

Within the huge population persisting outside the ambit of financial inclusion some groups are more financially excluded than others. Women, rural poor and other remote or hard to reach populations as well as informal micro and small firms are most affected due to lack of financial inclusion.

Financial inclusion is a long-term strategy, to achieve whose objectives we need to keep in mind what are the key areas it should address which are as follows.

- Proving access to basic financial services like banking etc.
- The usage of financial services to address needs of the poor.
- The financial product should be made affordable.
- Quality of product and services must be enhanced.

Recent developments have shown that technology plays an important role in improving financial inclusion because of the following reasons:

- It helps to reduce cost of the product.
- Reduces transaction cost.
- Improves quality of the product.
- Helps in increasing choices and flexibility to customer.

All the above reasons contribute in increasing the utility of the financial product.

### **Importance**

Financial inclusion spurs economic development. In the contemporary era of electoral democracy, it is imperative for any regime to create congenial conditions for excluded individuals, households and private institutions availability of banking services. The availability of banking facilities and strong bank branch network are the major facilitators of developmental and expansionary activities. A strong and sturdy financial system is a pillar of economic growth, development and progress of an economy. A financial system, which is

inherently strong, functionally diverse displays efficiency and flexibility is critical to our national objectives of creating a market-driven, productive and competitive economy. A mature financial system supports higher levels of investment and promotes growth in the economy with its coverage. There are several economic agents that facilitate economic growth and one of the important among them is Financial Inclusion.

The United Nations has defined the main goals of inclusive finance as access to a range of financial services such as saving, credit, insurance, remittance, and other banking payment services to all bankable households and enterprise at a reasonable cost.

The question “What is the importance financial inclusion?” can be answered by the given fact that if poor are not connected to our formal financial system, their growth and improvement will not take place and as the country grows they will still be poor without access to necessities. Secondly due to lack of financial system awareness they can be lured to enter in fraud money saving schemes and can be looted. They lack awareness of investing and will risk the future of their children. That is the reason why financial inclusion is important for any country for its growth.

Importance of financial inclusion can be summarized as below: If customer is financially educated, he will make better financial choices, for example what kind of financial products can fulfil his individual needs? It will help in improving overall growth of the country. Access to financial services at an affordable cost will improve life of the poor.

Aided by the of financial inclusion concept, by saving small amounts over time, poor people

can arrange funding for the lump sum investment needed in businesses like for purchasing equipments or buying goods at a wholesale price.

By fostering financial inclusion and encouraging saving habits can be provided funds for searching more productive sources of employment by providing access to easy finance and banking services to even in rural areas.

With the help of electronic benefit transfer (EBT) and information and communication technologies, banks can transfer social benefits electronically to the bank account of the beneficiary and can deliver government benefits at the doorstep of beneficiaries, thus reducing dependence on cash and lowering transaction costs.

For achieving commercially sustainable universal access, banking systems has been updated to new technologies like EBT to ensure the availability of financial services to all sections at a reduced cost and enhanced benefits like makes banking convenient with EBT people can transact near where they live and work and ensuring trust among the peoples that they are putting their money with such organizations that seem to care for them and who they feel are going to be there for them when they need them the most.

Financial inclusion provides opportunities to the banking sector to cut across various strata's of society, regions, gender, and income and encourage the public to embrace banking habit. Reserve Bank of India has intervened for the success of financial inclusion by introducing various enactments, financial literacy drives, leveraging technology etc

Financial inclusion paves a way for growth and development by ensuring timely and

quick availability among the needy sectors.

Financial inclusion will provide not only safe savings, but also offer many other allied services like insurance cover, entrepreneurial loans, payments and settlement facilities etc.

With an increase in business opportunities, national income of our country will also increase, which in turn results in increased GDP.

With the help of KYC norms and UID financial inclusion process speeds up the banking process which reduces the cash and noncash costs to both banks and customers.

Financial access will also attract global market players in our country that will result in increasing business and employment opportunities.

Financial inclusion will help the poor in meeting various needs with the help of a wide range of financial services which are readily available and affordable also. Financial services will provide tools which will help in providing easy financing facilities in many fields like microenterprises' investments in new production technologies, helping in farmers' purchasing productivity-enhancing inputs such as fertilizers, laborers' search for better job opportunities, or children's education and to mitigating people's exposure to large Lifecycle events or unpredictable risks.

Thus, financial inclusion offers plenty of opportunities for growth and development in India.

### **History**

The concept of financial inclusion can be traced back to the year 1904 when co-operative movement took birth in India. It gained momentum in 1969 when 14 major

commercial banks of the country were nationalized and the Lead Bank Scheme was introduced shortly thereafter. Bank branches were opened in large numbers across the country in general and specially in the areas which were hitherto being neglected. Even after all these measures a sizable portion of the population of the country could not be brought under the fold of banking system. In fact, there is a severe gap in financial access which needs special attention. Studies have proved that lack of inclusion or rather exclusion from the banking system results in a loss of 1% to the GDP. Thus, financial inclusion is not just a socio-political imperative but also an economic one. Realizing the gravity of the problem, Reserve Bank of India in its Mid Term Review of Monetary Policy urged the banks to make financial inclusion as one of their prime objectives. The positive impact of financial inclusion is wide-spread across the globe. Most of the literature on banking sector outreach focus on its effect through cross-country evidence. World Bank has also done a study on this subject for rural India and found that only about 40% of households have deposit accounts, 20% have outstanding loans and only 15% have any insurance.

### **Objective of Study**

The present study focuses on the challenges faced and opportunities presented by financial Inclusion in India and also on various steps taken by Government and Reserve bank of India to facilitate financial inclusion.

### **Research Methodology**

The study is mainly descriptive in nature. The data is mainly collected from secondary sources like magazines, internet websites, journals etc. Various studies on this subject have also been referred in this study.

### **Literature Review**

Financial inclusion is a widely discussed and researched topic. Literature on this subject is available in the form of books, reports, journals, articles, theses and dissertations. These are studies at many different levels such as national, international and regional. The studies relate to six broad themes. They are 1. Finance Economy & Inclusive Growth, 2. Financial Exclusion, 3. Financial Inclusion, 4. Measurement of financial inclusion, 5. Financial inclusion and informal finance & 6. Financial Inclusion through Micro finance. Now we take a look at a few important studies on financial inclusion.

Carbo et. al. (2005) have defined financial exclusion as broadly the inability of some societal groups to access the financial system. The RBI, (2006), defines it as the “provision of affordable financial services” to those who have been left unattended or under-attended by formal agencies of the financial system. These financial services include “payments and remittance facilities, savings, loan and insurance services”.

Rangarajan C (2008), in the “Report of the Committee on Financial Inclusion”, defines financial inclusion as the process of ensuring access to financial services and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.

Michael Chibba (2009) views financial Inclusion is an inclusive development and poverty reduction strategy that manifests itself as part of the emerging FI-PR-MDG nexus. However, given the current global crises, the need to scale-up financial inclusion is now perhaps more important as a complementary and incremental approach to work towards meeting the MDGs than at any other time in recent history

Raghuram G. Rajan (2009) in his work “A Hundred Small Steps - Report of the Committee on Financial Sector Reforms” broadly defines it as a universal access to a wide range of financial services at a reasonable cost. These include not only banking products, but also other financial services such as insurance and equity products

Mandira Sharma and Jesim Paise (2008) suggest that the issue of financial inclusion is perceived as a development policy priority in many countries. They found that levels of human development and financial inclusion in a country move closely with each other, although a few exceptions exist. Among socioeconomic factors, as expected, income is positively associated with the level of financial inclusion. Further physical and electronic connectivity and information availability, indicated by the road network, telephone and internet usage, also play a positive role in enhancing financial inclusion.

Oya Pinar Ardic et al (2011) using the financial access database by CGAP and the World Bank group, count the number of unbanked adults around the world, analyses the state of access to deposit and loan services as well as the extent of retail networks, and discusses the state of financial inclusion mandates around the world. The findings indicate that there is yet much to be done in the financial inclusion arena. Fifty-six percent of adults in the world do not have access to formal financial services.

S. S. Mundra, Deputy Governor, Reserve Bank of India at the BRICS Workshop on Financial Inclusion in Mumbai on September 19, 2016 stated that the cherished goal of universal financial inclusion can be achieved only through synergistic efforts between the mainstream financial entities and fringe

players like rural cooperatives, NBFCs, MFIs, credit societies, NGOs, etc. All of them must play a complementary role in championing the cause of financial inclusion. Time is ripe to weave a financial inclusion tapestry where all these institutions can fit in a manner which brings about their contribution in the most efficient manner. This is where the efforts of the Government and RBI are currently focused.

### **Role of Banking Sector and RBI's Policy Initiatives**

The goals of financial inclusion can be met largely by initiative of banking sector to cut across various strata of society, regions, gender and income and encourage the public to embrace banking habit. The Reserve Bank of India, as the chief regulator of the banking sector has intervened for the success of financial inclusion by various enactments, financial literacy drives, leveraging technology etc.

The RBI's approach to financial inclusion aims at “**connecting people**” with the banking system and not just opening accounts. This includes meeting the small credit needs of the people, giving them access to the payments system and providing remittance facilities. This has led to some notable developments among which the following are important.

**(i) No frills accounts:** RBI asked banks to offer a basic banking “no-frills” account with low or zero minimum balances and minimum charges to expand the outreach of such accounts to the low-income groups.

**(ii) Easier credit facility:** Banks were asked to introduce a General-Purpose Credit Card (GCC) facility up to Rs. 25,000. However, total number of GCCs issued by banks as at end-March, 2009 was only 0.15 million.

**(iii) Simpler KYC norms:** To ensure that people belonging to the low income groups, both in urban and rural areas, do not encounter difficulties in opening bank accounts, the “Know Your Customer” (KYC) procedure for opening accounts was simplified for those accounts with balances not exceeding Rs 50,000 and credits there to not exceeding Rs 100,000 in a year.

**(iv) Use of information technology:** Banks have been urged by RBI to scale up IT initiatives for financial inclusion speedily while ensuring that solutions are highly secure, amenable to audit, and follow widely-accepted open standards to ensure eventual inter-operability among the different systems. Two of the important initiatives are:

- **Smart cards** for opening bank accounts with biometric identification to help the customers get banking services near their doorstep.
- Linking mobile and electronic devices for banking transactions. RBI advised banks on issues relating to technology, security standards, and customer protection.

**(v) EBT through banks:** The Reserve Bank is in consultation with state governments to encourage them to adopt Electronic Benefit Transfer (EBT) by banks.

**(vi) 100% financial inclusion drive:** The Reserve Bank launched a financial inclusion drive targeting one district in each state for 100% financial inclusion. In the light of the experience gained, coverage has been extended to other areas/districts. RBI carried out an external evaluation of the quality of 100% financial inclusion reported by banks. On that basis, RBI advised banks ;

(i)To ensure provision of banking services nearer to the location of the no-frills account

holders through a variety of channels;

(ii)To provide GCC/small overdrafts along with no-frills accounts to encourage the account holders to actively operate the accounts;

(iii)To conduct awareness drives of the facilities offered to the no-frills account holders;

(iv)To review the extent of coverage in districts declared as 100 per cent financially included; and

(v)To efficiently leverage on the available technology enabled financial inclusion solutions.

**Business correspondent model:** Possibly the most important initiative of the Reserve Bank has been the Business Correspondent (BC) model. The BC model ensures a closer relationship between poor people and the organized financial system. Recognizing this, RBI permitted banks to use the services of non-governmental organizations, micro-finance institutions, retired bank employees, ex-servicemen, retired government employees, Section 25 companies, and other civil society organizations are allowed as Business Correspondents in providing financial and banking services.

Even as the BC model has taken off, it needs to be fine-tuned and monitored appropriately to improve its efficacy, including by better training BCs. Recently, RBI further enlarged the scope of the BC model by permitting banks to appoint individual kirana/medical / fair price shop owners, individual Public Call Office (PCO) operators, agents of Small Savings schemes and insurance companies, individuals who own petrol pumps, retired teachers and self-help groups linked to banks

as BCs. With a view to ensuring the availability of the BC model, banks have also been permitted to collect reasonable service charges from the customer in a transparent manner. Further, the Reserve Bank gave complete flexibility to banks to appoint BCs with only a negative list of entities that would not be eligible.

**Bank branch and ATM expansion liberalized:** The Reserve Bank of India totally freed location of ATMs from the botheration of prior authorization. In the October 2009 Policy Review, the RBI took a further big step by freeing branch opening in towns and villages with population below 50,000 consequently the domestic scheduled commercial banks (other than RRBs) are now free to open branches in towns and villages with less than 50,000 population and are enjoined to ensure that at least one-third of such branch expansion happens in the under banked districts of under banked states. This will be one of the criteria in the Reserve Bank's considerations of proposals by banks to open branches in major cities (tier 1 and tier 2) centers.

**Expansion of banks in the north-east:** To improve banking saturation in the north-east, the Reserve Bank asked the State Governments and banks to identify centres where there is a need for setting up either full-fledged branches or those offering forex facilities, handling government business or for meeting currency requirements. RBI also offered to fund the capital and running costs for five years provided the State Government concerned is willing to make available the premises and put in place appropriate security arrangements. Meghalaya has been the first off the block, and eight centres have been allotted to three public sector banks, following

abiding process. The Reserve Bank is working with other states in the north-east to institute similar arrangements.

**Project financial literacy:** The Reserve Bank's drive for financial literacy is a stepping-stone toward financial inclusion. Moreover, as financial markets are becoming increasingly complex with serious problems of information asymmetry, the need for financial literacy has become even more acute. The Reserve Bank has initiated a "Project Financial Literacy" with the objective of disseminating information regarding the central bank and general banking concepts to various target groups. Its website is also available in 13 languages. The financial Education web site of RBI link offers basics of banking, finance and central banking for children of all ages. In a comic book format it has simplified the complexities of banking, finance and central banking, with the goal of making the learning fun and interesting.

**Financial literacy and credit counselling:** RBI has advised the convener-bank of each State Level Bankers' Committee to setup a financial literacy-cum-counselling center in any one district on a pilot basis, and based on that experience, to extend the facility to other districts in due course. So far, 154 credit counselling centres have been set up in various states of the country. These centres are expected to provide free financial education to people in rural and urban areas on the various financial products and services, while maintaining an arm's-length relationship with the parent bank.

**Financial curriculum in schools and colleges:** The Reserve Bank is furthering the financial literacy drive by collaborating with state governments across the country to include financial literacy curriculum in the

school syllabus. RBI launched a pilot project in Karnataka. They gave material on banking, personal finance as well as on the Reserve Bank to the State Government. The Karnataka Government has adapted, translated and included much of this material in the curriculum for high school classes. Based on this experience, RBI wants to mainstream this initiative across the country.

### **Challenges of Financial Inclusion**

The path of financial inclusion is full of various challenges like:

1. Financial services are used only by a section of the population, The excluded sections are rural people and those residing in poor areas where it is difficult to provide these financial services. These people are mainly relying on informal sector (money lenders) for availing finance that is usually at exorbitant rates. The main challenge of financial inclusion is to include the rural and poor people in the coverage area.
2. Financial Illiteracy is also one of the challenges in financial inclusion. Lack of basic education prevents the people to have an access from financial services.
3. Poor living even in urban areas do not fully utilize the financial services as they find them costly and unaffordable which deter the poor from accessing them.
4. Another challenge inclusion is that access to formal financial services requires various documents of proof regarding persons' identity, income, birth certificates, etc.. But poor people generally lack these documents and thus are devoid of these services.
5. Poor and rural sections may sometimes subscribe these financial services initially, but may not continue use them as others due to high distance between the bank and residence,

poor infrastructure etc.

6. Low income level is another challenging area in the process of financial inclusion because they tend to think that banks provides services only to rich class
7. Due to difficulty in understanding formal languages, various documents and many formalities in banking procedure people are not comfortable in using financial services.
8. Many people who live in remote localities find it difficult to reach the areas where banks are generally situated.
9. Many people, who lack basic knowledge and education, do not know the importance of financial products like insurance, finance, bank accounts, cheque facilities etc is also the challenge in the implementation of financial inclusion.
10. Many financial institutions do not see the rationale of financial inclusion on commercial grounds because it implies the establishment of broad-based infrastructure to serve poor households. Therefore they sometimes pull back to their physical presence in rural or poor areas and place some restrictions to discourage the custom of poor people (e.g. high minimum account balances). As a result, they also pass the access cost on to customers, who had to travel to distant branches and face long queuing time. As a result, many poor people reject financial institutions that prefer to serve the middle and upper classes.

### **Progress in Financial Inclusion**

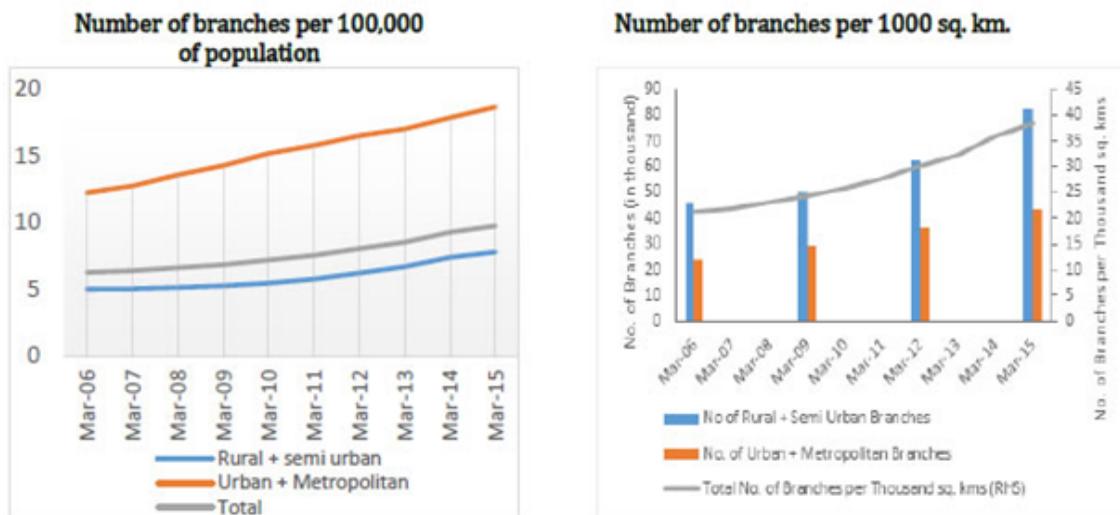
1. With the help of financial inclusion, banking technology has progressed at a faster rate and realized that even poor people also can contribute towards a pool of financial resources.
2. Due to the RBI's concerted efforts since

2001, Banking penetration of rural and semi-urban areas has increased significantly the number of branches of Scheduled Commercial Banks increased manifold : Table 1.1. Portraying expansion of scheduled banks from from 2001 to 2015 shows that the number of bank branches nearly doubled.

As on March	Number of Branches (in million)			Estimated population* population			Branches / 100,000		
	Rural + Semi-urban	Urban + Metropolitan	Total	Rural + Semi-urban	Urban + Metropolitan	Total	Rural + Semi-urban	Urban + Metropolitan	Total
2001	44,905	20,713	65,618	851	177	1,028	5.3	11.7	6.4
2006	45,673	23,904	69,577	920	195	1,115	5.0	12.3	6.2
2010	53,086	31,072	85,158	980	211	1,191	5.4	15.2	7.2
2014	76,753	40,958	1,17,711	1,044	228	1,272	7.3	17.9	9.2
2015	82,358	43,716	1,26,074	1,061	233	1,294	7.8	18.7	9.7
June 2015	82,794	43,910	1,26,704	1,065	235	1,300	7.8	18.7	9.7

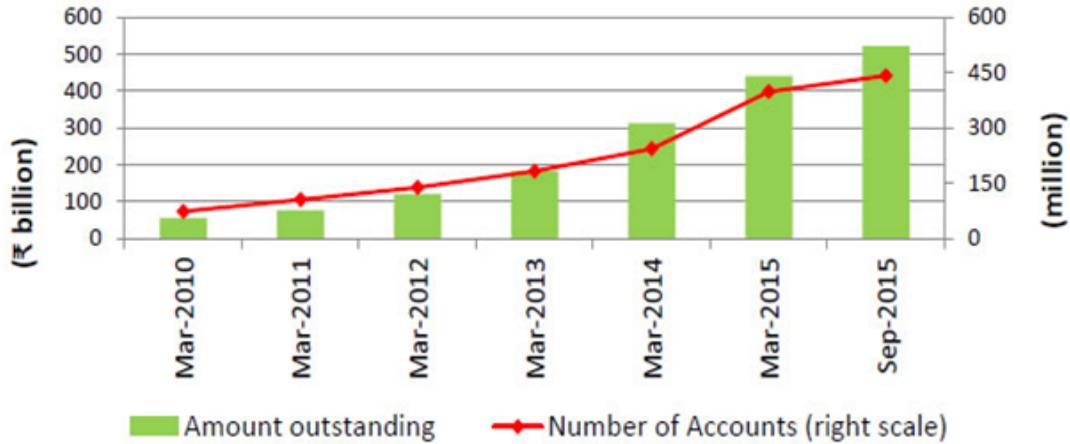
\*Population estimates are based on CAGR between Census 2001 and Census 2011 data

**Chart 1: Penetration of Branch Network of Scheduled Commercial Banks SCBs**



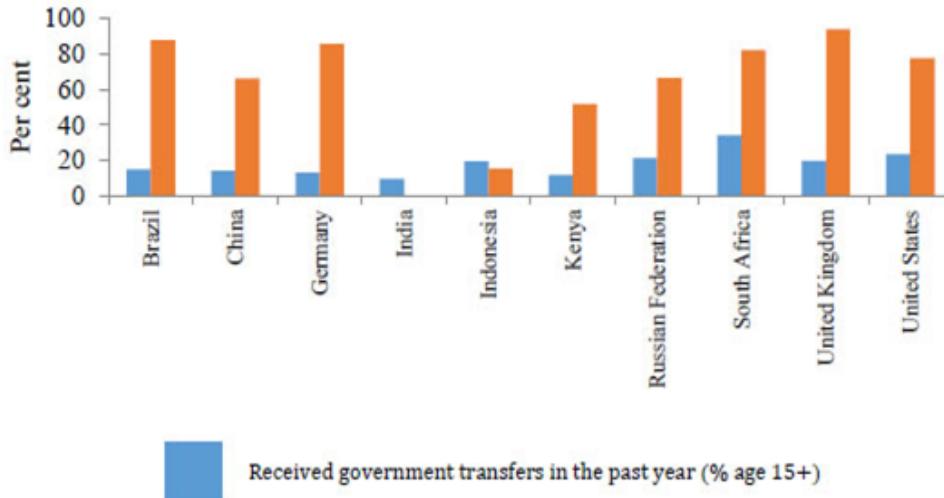
3. Apart from the thrust on branch expansion, in order to provide basic banking services to the marginalised sections of society, banks were advised to open 'no-frills' accounts, which were subsequently labelled as Basic Saving Bank Deposit Accounts (BSBDAs). These BSBDAs accounts have risen more than six-fold and nearly half of these accounts were opened through Business Correspondents (BCs) (Chart.2).

**Chart 2: Progress in No Frills/ Basic Savings Bank Accounts**



4. Innovations in G2P payments have proved to be a game changer. The mobile banking technologies have been used for government-to-person (G2P) payments. Digitising G2P payments had a significant impact on the economy as a whole in terms of efficiency, safety and transparency. It also brought in previously unbanked beneficiaries into the fold of formal financial services by channelling a regular flow of money into their accounts. Digital payments take the form of mobile payments, direct deposits into bank accounts and payment cards. In South Africa, over 80 per cent of beneficiaries receive government transfers into an account and it is as high as 88 per cent in Brazil (Demirguc-Kunt et al. 2015). Mexico's shift to digital G2P payments led to a cut in spending on wages, pensions, and social benefits by 3 per cent annually. Compared to this, G2P payments comprised in India are less than 10 per cent of the total transfers (Chart 3). Several governments have also experimented with the use of mobile payment technologies, which include Colombia's Familias en Acción Program and Pakistan's Benazir Income Support Program.

**Chart 3 G2P Payments across Countries in 2014**



The following recommendations are aimed at expanding the ambit of inclusive finance.

1. In rural areas, ATM Network accounted for only 10.1% of total ATMs network in the country as on March 31, 2013. So, banks should enhance their ATM network among the rural and un-banked areas so as to serve poor villagers. But while doing so, proper care should be taken regarding safety and security issues.

2. Migrants are facing many difficulties in opening their bank accounts. So commercial banks should take care of the needs of the migrant population in their financial inclusion plans by developing imaginative banking products.

3. To deal with poor villagers, banks should initiate training programmes to train the frontline staff and managers as well as BCs on the human side of banking.

4. As of 31 March 2015, the Indian Postal Service had 154,939 post offices, of which 139,222 (89.86%) were in rural areas and 15,826 (10.14%) in urban areas. It had 25,560 departmental Post Offices and 129,379 Gramin DakSevak, Branch Post Offices. On average, a post office serves an area of 21.22 square kilometres (8.19 sq mi) and a population of 8,054. Because of its reach and presence in remote areas, the Indian postal service is also involved in other services such as small-savings banking and financial services. Thus, more POs should be engaged to become BCs of banks due to well-known advantages.

5. Micro, Small and Medium Enterprises (MSMEs) need to give a boost to the small entrepreneurs credit guarantee for small businesses by doubling to Rs 2 crore. Banks have been asked to raise cash credit limit for small business to 25% from 20%. Banks also

have been asked to increase working capital loans from 20% of turnover to 30% for enterprises that transact digitally. These are moves in the right direction

6. Recently, Government of India added Rs 20,000 crore more to fund created by NABARD of Rs 21000 crore for giving loans to cooperative banks and societies at low interest rate. More such are needed to make financial inclusion universal.

## CONCLUSION

The concept of financial inclusion has gained substantial importance in the Indian context. Financial Inclusion can be defined as the wide range of financial products and services to which everybody can have an access which allows them to efficiently manage their finances, regardless of their level of income or social status. For achieving the financial inclusion people need to have a minimum and, some basic financial literacy, financial skills, product knowledge and understanding. Bank nationalization was the first step towards financial inclusion in India. Regional rural banks are created to take the banking and financial services to the rural people. The recent measures and initiatives are in the right direction but the goal of financial inclusion is far, far way from realisation.

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## Gandhian Approach to Conflict Management

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“An eye for an eye only makes the whole world blind”—Mahatma Gandhi

### Abstract

*Gandhiji was an encyclopedic thinker. Everything important for the betterment of the larger humanity had engaged his attention and deep thought. Conflict resolution or conflict management is one such subject that had received his attention. In this brief article an attempt is made to highlight Mahatma Gandhi's unique approach to conflict-resolution and conflict-management. Covered here are Gandhiji's understanding of the philosophical basis of conflict, the reasons for conflicts and the remedies for conflict. His views are unique and deserve attention of scholars and practitioners of management because of their ethical core and contemporary relevance.*

### Key words

Conflict-resolution, *Buniyadi talim*, *Satyagraha*, *Swadeshi*, *Sarvodaya Swaraj*, Non-violence

### Introduction

Conflicts are universal and ubiquitous. Conflicts occur due to a variety of causes such as perceptual differences, incompatibilities, antagonisms, or clash of interests, beliefs, values, egos or goals. The conflicts may also be due to ideological extremism, religious fundamentalism, misguided nationalism, economic inequality, injustice, violation of human rights, suppression of freedoms, militarization of power politics, population explosion, racial prejudice and ethnic discrimination, egoism and uncontrolled human instincts etcetera. They may arise in

any sector of human endeavour- social, political or economic.

Conflicts are of many kinds such as interpersonal, legal, industrial, social, national, international and so on. There are basically two types of conflicts viz., 'Productive' Conflicts and 'Destructive Conflicts'.

They are of various forms. They may be 'manifest' or 'underlying'; a grievance, a dispute, confrontation. Conflicts are resolved through many methods such as coercion, negotiation, mediation, arbitration and adjudication.

Productive conflicts are those where in opponents jointly approach a mutually satisfactory solution with openness and are satisfied with the outcomes. Cooperation, compromise, trust, persuasion, conciliation, emphasis on mutual relations, help and similarities, responsiveness, reciprocity, goodwill, credit-giving, negotiation, mediation, dialogue, understanding the opponent, stressing his valid points first, and nonviolence characterizes their resolution. Institutional and social norms and agencies may assist in resolution of competitive conflicts in a peaceful manner.

Destructive conflicts are those wherein 'winner takes all'. Under this approach, opponents are unhappy with the outcomes, have a sense of loss/defeat and conflicts tend to escalate. Competition, extracting concessions under duress, use of threats, coercion, ambiguity, rigid positions, deception, illegitimate means, non-negotiable demands, ignoring the minimum acceptable pay-off to the opponent and norms of fairness,

litigation, and violence characterize these conflicts. Conflicts are not always bad or destructive. They may be a symptom of the need for letting off steam.

### **Need for Conflict Resolution**

Although conflicts are inevitable and some conflicts may be functional and productive they should not be left alone since they dissipate human energy, generate ill-will and bad blood, project a poor image of the organization, hamstringing organizational progress and even destroy the organization altogether. Gandhiji's poignant words, that underscore the nature of conflicts and the need for conflict resolution, embellish the preamble to the constitution of the UNESCO. These words are: "Since wars begin in the minds of men, it is in the minds of men that the defenses of peace must be constructed". Undoubtedly every citizen of the global family of ours ought to be committed to peace in today's human predicament caused by innumerable conflicts.

Although Gandhiji had recognized the danger potential of these various kinds of conflicts he had also hinted at their positive side. He viewed conflicts as occasions to contemplate over the confirmed problems and also as opportunities to search for peaceful means to resolve them.

### **Vies on Conflict Resolution**

Gandhiji knew full well that the process of conflict resolution involves the arduous task of restructuring the present world by liberating human mind from dogmatism of various kinds such as economic and political barbarism, religious bigotry, racial prejudice etcetera. Gandhiji propounded his philosophy of peace to achieve simultaneously the negative aim of conflict-resolution and the positive aim of establishment of peace. Today

we need to proclaim, again and again, the significance of Gandhian pacifism to solve crucial problems of conflicts and violence bedeviling many parts of the world. To prevent violence that may follow conflicts Gandhiji proposed Satyagraha, Sarvodaya, Swaraj, Swadeshi, basic education (Buniyadi Talim), decentralization of power and wealth, Trusteeship, social harmony and communal unity, economic equality, equality of religions (Sarva Dharma Sambhava), democracy of enlightened majority etc.

**Peaceful resolution of conflicts:** Gandhi's approach to conflict management had always been systemic and holistic. He felt that as human life is a synthetic whole, it cannot be divided into watertight compartments of social, religious, political life etc. The following are the salient features of Gandhiji's pacifism. These features are listed summarily in the manner of problem-cum-solution.

**Problem 1:** Moral conflict

**Solutions:** Non-violence, Ashram, Anasakta Karma (detached action)

**Problem 2:** Religious fundamentalism

**Solutions:** Tolerance and Sarva dharma sambhava (respect towards all religions)

**Problem 3:** Educational reform

**Solutions:** Nai-Talim and Adult Education

**Problem 4:** Social disturbance

**Solutions:** Eradication of untouchability, communal unity, Sarvodaya (well-being of all), upliftment of women, prohibition, service of backward classes, village sanitation

**Problem 5:** Political conflicts

**Solutions:** Swaraj (self-rule), decentralization of power, democracy of enlightened majority

**Problem 6:** Economic problem

**Solutions:** Trusteeship, swadeshi, bread

labour, khadi and village industries, decentralization of wealth

### **Industrial Conflicts**

Gandhi believed that for avoiding industrial disputes, labour should have the same status and dignity as capital. Employees being co-owners in industry, they should have the same access to the transaction of the mills as the shareholders. He wanted the workers to be organized. He opined that when labour organizes itself and learns to act as one man, it will have the same weight as money if not greater. Once this has come about through nonviolent means of Satyagraha, the 'owners' will not drive the labour to strike but will embrace them as partners. But this calls for patience, restraint, discipline, unity and faith in the organization.

For good relations, neither side to the conflict should have the power to dominate. Gandhi believed that to a large extent, such domination rests on the acquiescence of the oppressed. Therefore he advised that satyagrahis should fight what they see as injustice at all costs firmly.

### **Views on Strikes**

Gandhi noted that strikes are an inherent right of the working men but must be considered a crime immediately the capitalists accept the principle of arbitration. But strikes may be resorted to only after all legitimate means of settling the dispute-moral appeals to employers' conscience, offer of voluntary arbitration etcetera have been tried. Gandhi warned: "Public has no means of judging the merits of a strike, unless it is backed by impartial persons enjoying public confidence."

Gandhi wanted that the strike should be justified. For example during the 1918 Mill strike which Gandhi led, he wanted answers to

the following questions for deciding the sought after wage increases: (a) Is wage increase necessary for the labour to lead a simple but contented life; and (b) Can the mills give this increase? If not, how much can they afford?

He laid down following general principles for launching strikes.

1. Workers and their leaders should not exaggerate demands and be ready for correction if convinced by the opponent.
2. Strikes should be resorted to as the last weapon if negotiation, reconciliation and arbitration have failed. During strike, labour should remain ready for settlement or arbitration.
3. Labour must remain nonviolent even under provocation and bear no ill-will towards employers.
4. Strikers should, out of self-respect, not rely on alms, public funds or union funds but find any available alternative work to maintain them.
5. Striking Satyagrahis should not submit before force or hardship.
6. Strikers should be truthful, courageous, just, free from hatred or malice and ready for voluntary work with faith in God.

### **Ending Exploitation**

Gandhi saw that any oppression or exploitation-political, economic, racial or sexist-rests to a large extent on the acquiescence of the exploited. For example, "exploitation of the poor can be extinguished not by effecting the destruction of a few millionaires but by removing the ignorance of the poor and teaching them to non cooperate with the exploiters".

### **Trusteeship Theory to Promote Cooperation**

Gandhi's theory of trusteeship is yet another major element in his view of the way industrial conflicts should be resolved. Gandhi said we must seek to destroy capitalism, not the capitalist, i.e., to convert and not to coerce. 'Trusteeship' depends on a realization of the oneness of humanity and on the belief in the moral correctness of non-possession and voluntary poverty, and, hence, may be rather difficult to get across in an industrialized consumerist society. But there would be no other way to build a nonviolent social order. If the rich refused to become 'trustees' of the poor, Gandhi endorsed nonviolent non-cooperation and civil disobedience as the "right and infallible" solution. "Rich cannot accumulate wealth without the cooperation of the poor in society". And, "No one is bound to cooperate in one's own undoing or slavery." Of course, Gandhi did see the difficulty of making Trusteeship a practical reality: "I adhere to my doctrine of trusteeship in spite of the ridicule that has been poured upon it. It is true that it is difficult to reach. So is nonviolence."

### **Non-violence(Ahimsa) as weapon for ending conflicts**

The most fundamental principle of his philosophy of peace is "ahimsa" or non-violence. Non-violence for Gandhi is the law of love, life and creation as opposed to violence or himsa, which is the cause of hatred, death and destruction. According to him the universal human value of ahimsa ought to be cultivated by all. We all need to follow it not merely at personal level, but also at social, national and international levels too if we wish to avoid personal, social, national and international conflicts.

Ahimsa (non-violence) is a very powerful

means to avoid conflict, since it springs from inner realisation of the equality of all human beings. Negatively it is absence of mental intention of injuring, harming, disturbing and agonising opponent. Positively it is goodwill towards all human beings. As a peaceful technique to resist injustice, it includes a concrete programme and leads to self-suffering and sacrifice.

Conflict resolution through nonviolent means involves accommodation and conversion of the opponent. Even an element of nonviolent 'coercion' may be present but this too may lead to changes in attitudes in the long run. Through 'conversion', the opponent changes inwardly through the conscience and thus tends to conciliate with the nonviolent activist, leaving no aftermath of resentment or revenge. Gandhi evolved SATYAGRAHA as the most pragmatic and potent technique of conflict resolution and as the morally correct way of life, based on the dialectics of 'conversion' through which alone can Truth, human life's ultimate mission, be approached.

### **Ethical approach to conflict resolution:**

Gandhi's approach to conflict management is ethical in its tenor. He had believed that moral degeneration is the root cause of all the evils including conflicts. So he recommends acquisition of moral values such as truthfulness, non-violence, love, self-control, forgiveness, non-enmity, friendliness, compassion, mercy etcetera to checkmate this moral degeneration. In fact values are the best equipments discovered by human being to escape various types of conflict. Researches also show that root cause of all problems invariably lies in the infringement of values-moral, religious, spiritual, economic and political -and moral principles. Undoubtedly conflicts are nothing but the illustration of the violation of moral laws, non performance of duties, negligence of human values,

enjoyment of freedom without caring for responsibility etc. Hence Gandhi has advocated moral solution, which is inexpensive, and a single person can initiate and undertake the task of conflict resolution by attracting world-wide attention. Gandhi, a great political thinker, therefore, recommends that politics should be a branch of ethics. Moral principles must be adhered to by politicians, ideologues, social activists as well as ordinary citizen of the world as there is no dividing line between private and public life.

Assimilation of values in one's character and their expression in personal or social conduct is required to avoid conflict and this in turn is possible through awakening of "conscience" at personal, social, national and global levels. Public awareness of those values which are conducive to peace building must be evoked through exhibition, education, public lectures, dialogues and mass communication, T.V., Radio, Newspapers etc.

### **Conflict Resolution through *Satyagraha***

Gandhi proposed and adopted "*satyagraha*" (righteous anger) as a moral bulwark against conflict and war. As we all know the successful conduct of war involves two things. One the suppression of the virtues of kindness, friendliness, forgiveness and consideration for the sufferings of fellow human beings, and the other, encouragement of the feelings of unqualified hatred, anger and hostility towards so called enemies. Thus war leads to total violation of the liberal democratic principles of respect for persons and dignity of the individual. On the contrary, *satyagrahi* even while resisting injustice, shows respect for his opponent by making moral appeals to him and expecting him to be responsive. *Satyagrahi* aims at conversion of the opponent's heart by making him aware of his ill will or inhuman behaviour through self-

suffering". *Satyagraha* aims at winning over opponent by love and gentle persuading and by arousing in them a sense of justice rather than forcing him to surrender out of fear.

Conflict resolution through *Satyagraha* is based on the assumptions that:

- (a) Some elements of common interest to the disputants always exist;
- (b) Disputants could be amenable to an 'appeal to the heart and mind'; and
- (c) *Satyagrahis* are capable of carrying *Satyagraha* to the end.

*Satyagrahi* must be clear about the essential purpose and elements of his case. It is never to injure the opponent. His case and conduct must be ever transparent. He must make reparation if an error is discovered. Essential interests in common among opponents should be emphasized and dialogue encouraged on that basis: "Three-fourths of the miseries and misunderstandings in the world disappear if we step into the shoes of our adversaries and understand their standpoint."

The method of *Satyagraha* is purely moral and humanistic as it involves faith in the inherent goodness and good sense of the opponent coupled with goodwill towards him and readiness to come to an understanding and compromise. In fact *Satyagraha* aims at settlement of issues with the opponent without causing him or her even psychological injury but it implies soul-force, courage and determination.

A well-conducted campaign of *Satyagraha* that is absolutely untouched by violence in word and deed, makes the hypocritical opponent suffer from split personality as his own moral consciousness gets alarmed by the exposure of the immorality of his action. Gandhi believed in the technique of

Satyagraha, because he had faith in the goodness of human nature.

The moral strength and humanistic grandeur of *satyagraha* (literally meaning righteous anger) as a method of resolving conflicts and securing justice has been appreciated by several thinkers, politicians and social workers. Conflict cannot take place if we behave on Kantian maxim that humanity (rational beings) should always be treated as an end-in-itself. If we wish to keep peace, we ought to follow the UN Charter of Human Rights, according to which dignity of human life must be honoured and maintained irrespective of caste, colour, creed etc. We have to redefine the concept of development and progress as human welfare and well-being by replacing the prevalent misleading concept of development and progress in terms of mere economic development and material progress. If we want peace, we have to replace the humanity negating industrial consumerist culture by idealistic humanism. Belief in the spiritual constitution of man led Gandhi to affirm equality of all human beings and to declare innate goodness of men. Humanism as the philosophy of globalism or global philosophy implies non-discrimination with regard to race, sex language, region, religion, political ideology, social and economic status, international status of the country etc. ,since the basic structure and nature of human beings all over' the world is same .We must give up our old ways of thinking of the world in terms of maps and markets and should instead start thinking of the world in terms of men, women and children and the larger mankind.

### **Conclusion**

The foregoing outlines of Gandhiji's philosophy of peace endorses the truism that Gandhi is one of the very relevant precursors of conflict-resolution movement in modern

times with his comprehensive philosophy of peace based on the foundations of the psychology of human nature, awareness of social realities, knowledge of economic and political systems and situations and ethical considerations. According to Gandhi, both building of awareness and awakening of creative qualities must be a part of education policy and curriculum. Instead of over-emphasizing destructive instincts, we must try to make a people cultured by encouraging constructive aspects of their personality. Constructive aspect is related to human values and virtues as well as their incorporation in cognitive, curative and affective dimension of our personality.

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## Economic Thought of Gandhi

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### Abstract

If human beings, who in the past century or so were locked in relentless pursuit of development at the cost of environment sustainability, are to achieve a stable society in the distant future, it will be necessary for them to become modest in their economic behavior and peaceful in their politics. For both modesty and peace, Gandhi is useful as a refreshing source of ideas and ideals. This article sketches the Gandhian Economics as a contrast to conventional economics in terms of its making, its major tenets and its relevance for modern times both in India and the world over. The article is divided into three parts. The first part deals with the background to Gandhiji's economic thought. Part two dilates upon the major strins of Gandhian economics. The last part is devoted to a critique of Gandhian economics.

### Key words

Gandhian economics, Capital goods, Sarvodaya, Satyagraha, Ahimsa, Non-violence, Village industries, Economic man, Sustainable development, Ends and means, Liberalism, Environmentalism

### Part I: Background to Gandhi's Economics

**Formative years of Gandhi:** Gandhiji was born in 1869 in Porbandar, Gujarat, India. His family belonged to the Hindu caste of shopkeepers. In Gujarati language "Gandhi" means "grocer".) However, the family had risen in status, and Gandhi's father, grandfather, and uncle had all served as prime ministers of small principalities in western India. In 1888, Gandhi sailed for England, where he spent three years studying law at the

Inner Temple in London. Before he left India, his mother had made him take a solemn oath not to touch women, wine, or meat. He thus came into contact with the English vegetarians, who included Sir Edward Arnold (translator of the Bhagavad Gita), the Theosophists Madame Blavatski, Annie Besant, and the Fabians. Contact with this idealistic group of social critics and experimentalists helped cure Gandhi of his shyness, and developed his taste for social reform and experimentation. Gandhi's exceptionally sweet and honest character won him many friends in England, and he encountered no racial prejudice at all.

However, when he traveled to Pretoria in South Africa to fight a legal case a few years later, he experienced racism in its worst form. Although he was meticulously well dressed in an English frock coat, and in possession of a first-class ticket, Gandhi was given the choice between travelling third class or being thrown off the train. He chose the second alternative. Later in the journey he was beaten by a coach driver because he insisted on his right to sit as a passenger rather than taking a humiliating position on the footboard of the coach.

**Influences on him:** In his autobiography 'My Experiments with Truth', Gandhi says: "Three moderns have left a deep impression on my life and captivated me: Raychandbhai (the Indian philosopher and poet) by his living contact; Tolstoy by his book 'The Kingdom of God is Within You'; and Ruskin by his book 'Unto This Last'." Ruskin's book, Unto This Last, which Gandhi read in 1904, is a criticism of modern industrial society. Ruskin believed that friendships and warm interpersonal relationships are a form of wealth that

economists have failed to consider. He felt that warm human contacts are most easily achieved in small agricultural communities, and that therefore the modern tendency towards centralization and industrialization may be a step backward in terms of human happiness. While still in South Africa, Gandhi founded two religious Utopian communities based on the ideas of Tolstoy and Ruskin. Phoenix Farm (1904) and Tolstoy Farm (1910). At this time he also took an oath of chastity ("bramacharya"), partly because his wife was unwell and he wished to protect her from further pregnancies, and partly in order to devote himself more completely to the struggle for civil rights. Gandhi's thinking on what we would consider social-secular issues was also influenced by the American writer Henry David Thoreau.

**The Making of Economist:** Mahatma Gandhi had a multifaceted personality. His creative activities can be classified in 18 forms which cover mainly political, economical, social, educational, religious as well as medical fields. Out of 18 forms of his activities several were related to economic wellbeing of society. He was clear that economic self sufficiency for an individual and for a nation is unavoidable. This led him to think about and study upon various economic problems of the country and device action plans for solving them. This was the root of his economic thinking. His work or discussions or writing therefore, were not educational fancy but were the requirement of time. He knew that the major part of human life is busy in economic activities. In that case economic activities can never be without ethics and nonviolence. Thus he absorbed ethics and nonviolence in economics.

**His Studies in Economics:** He created a strong background for his economic thought.

He studied the history of British India written by R. C. Dutt. He collected information about Indian Economy before British rule and the causes of the decline of Indian Economy during the British rule. He traveled all over India nearly for a year, after his return from South Africa in 1915, to understand thoroughly about the Indian condition. He also got understanding of the then prevalent economic systems of the world. He studied Wealth of Nations written by the father of western economics Adam Smith to know about conventional economics. He read Das Capital written by Karl Marx to understand socialist thinking. He examined all these ideas in the context of India and Ethics. With this strong background he had his own unique way of thinking about economics, economy, economic aims, and economic development process. He examined the usefulness and practicability of his economic thoughts by practicing them in the country. After getting favorable results he advocated them.

He had his original explanation about important concepts and terminologies of economics. He explained that economy did not mean the people of a country having the right to develop with the unlimited use of all the living and nonliving resources available in the country. Economy meant the total living of a country who have got the right to survive with coexistence. Thus he was the first man to care for ecology

**Genesis of Gandhian Economics:** Disturbed by the spectacle of unemployment and poverty in the villages, Gandhi urged the people of India to stop buying imported goods, especially cloth, and to make their own. He advocated the reintroduction of the spinning wheel into village life, and he often spent some hours spinning himself. The spinning wheel became a symbol of the Indian

independence movement, and was later incorporated into the Indian flag.

He launched a movement for boycotting British goods called the “Swadeshi movement”. The word Swadeshi derives from two Sanskrit roots: Swa, meaning self, and Desh, meaning country. He gave a call to the consumers to be aware of the violence he is causing by supporting those industries that result in poverty, harm to the workers and to humans or other creatures.

**Compromise as a Solution to Conflict:** The legal case which had brought Gandhi to South Africa was a dispute between a wealthy Indian merchant, Dada Abdullah Seth, and his relative, Seth Tyeb who had refused to pay a debt of 40,000 pound. This was indeed in those days a huge sum. Gandhi succeeded in reconciling these two relatives, and he persuaded them to settle their differences out of court. Later he wrote about this experience: “Both were happy with this result, and both rose in public estimation. My joy was boundless. I had learnt the true practice of law. I had learnt to find out the better side of human nature and to enter men's hearts. I realized that the true function of a lawyer was to unite parties riven asunder. The lesson was so indelibly burnt into me that a large part of my time during my twenty years of practice as a lawyer was occupied in bringing about compromises of hundreds of cases. I lost nothing there by, not even money, certainly not my soul.”

When Gandhi was about to return to India after the settlement of the case, a farewell party was hosted by Abdullah Seth, he learnt of a bill before the legislature which would deprive Indians in South Africa of their right to vote. He decided to stay and fight against the bill. Gandhi spent the next twenty years in South Africa, becoming the leader of a

struggle for the civil rights of the Indian community. In this struggle he tried “... to find the better side of human nature and to enter men's hearts.”

Gandhi's stay in England had given him a glimpse of English liberalism and English faith in just laws. He felt confident that if the general public in England could be made aware of gross injustices in any part of the British Empire, reform would follow. He therefore organized non-violent protests in which the protesters sacrificed themselves so as to show as vividly as possible the injustice of an existing law. For example, when the government ruled that Hindu, Muslim and Parsi marriages had no legal standing,

Gandhi and his followers voluntarily went to prison for ignoring the ruling. Gandhi used two words to describe this form of protest: “satyagraha” (the force of truth) and “ahimsa” (non-violence). Of these he later wrote: “I have nothing new to teach the world. Truth and non-violence are as old as the hills. All that I have done is to try experiments in both on as vast a scale as I could. In so doing, I sometimes erred and learnt by my errors. Life and its problems have thus become to me so many experiments in the practice of truth and non-violence.”

**Rebuilding the Village India:** Gandhi tried to reconstruct the crafts and self-reliance of village life that he felt had been destroyed by the colonial system. He believed that if the village perishes India will perish too. Her own mission in the world will get lost. The revival of the village is only possible when it is no more exploited. Industrialization on a mass scale will necessarily lead to passive or active exploitation of the villagers as problems of competition and marketing come in. Therefore we have to concentrate on the village being self-contained, manufacturing

mainly for use. Provided this character of the village industry is maintained, there would be no objection to villagers using even the modern machines that they can make and can afford to use. Only they should not be used as a means of exploitation by others.

**Opposition to Factory System:** He was opposed to the factory system as he felt that one cannot build nonviolence on a factory civilization, but it can be built on self-contained villages. Rural economy eschews exploitation and exploitation is the essence of violence. He said "We have to make a choice between India of the villages that are as ancient as herself and India of the cities which are a creation of foreign domination..."

"Machinery has its place; it has come to stay. But it must not be allowed to displace necessary human labour. An improved plow is a good thing. But if by some chances, one man could plow up, by some mechanical invention of his, the whole of the land of India, and control all the agricultural produce, and if the millions had no other occupation, they would starve, and being idle, they would become dunces, as many have already become. There is hourly danger of many being reduced to that unenviable state."

Gandhi was not airing these views not merely as a pioneer of nonviolence. We see him also as an economist. Faced with misery and unemployment produced by machines, Gandhi tells us that social goals must take precedence over blind market mechanisms. If machines are causing unemployment, we can, if we wish, and use labor-intensive methods instead. With Gandhi, the free market is not sacred; we can do as we wish, and maximize human happiness, rather than maximizing production and profits.

### **Humbling UK, the Economic Power**

**House:** Gandhi also organized many demonstrations whose purpose was to show the British public that although the British raj gave India many benefits, the toll exacted was too high, not only in terms of money, but also in terms of India's self-respect and self-sufficiency. All of Gandhi's demonstrations were designed to underline this fact. For example, in 1930 Gandhi organized a civil-disobedience campaign against the salt laws. The salt laws gave the Imperial government a monopoly and prevented Indians from making their own salt by evaporating sea water. The majority of Indians were poor farmers who worked long hours in extreme heat, and salt was as much a necessity to them as bread. The tax on salt was essentially a tax on the sweat of the farmers.

Before launching his campaign, Gandhi sent a polite letter to the Viceroy, Lord Irwin, explaining his reasons for believing that the salt laws were unjust, and announcing his intention of disregarding them unless they were repealed. Then, on March 12 1930, Gandhi and many of his followers, accompanied by several press correspondents, started on a march to the sea to carry out their intention of turning themselves into criminals by making salt. Every day, Gandhi led the procession about 12 miles, stopping at villages in the evenings to hold prayer meetings. Many of the villagers joined the march, while others cast flower petals in Gandhi's path or sprinkled water on his path to settle the dust.

On April 5 the marchers arrived at the sea, where they spent the night in prayer on the beach. In the morning they began to make salt by wading into the sea, filling pans with water, and letting it evaporate in the sun. Not much salt was made in this way, but Gandhi's action

had a strong symbolic power. A wave of non-violent civil disobedience demonstrations swept over India, so extensive and widespread that the Imperial government, in danger of losing control of the country, decided to arrest as many of the demonstrators as possible. By midsummer, Gandhi and a hundred thousand of his followers were in prison, but nevertheless the civil disobedience demonstrations continued.

In January, 1931, Gandhi was released from prison and invited to the Viceroy's palace to talk with Lord Irwin. They reached a compromise agreement: Gandhi was to call off the demonstrations and would attend a Round Table Conference in London to discuss Indian home rule, while Lord Irwin agreed to release the prisoners and would change the salt laws so that Indians living near to the coast could make their own salt.

The salt march was typical of Gandhi's non-violent methods. Throughout the demonstrations he tried to maintain a friendly attitude towards his opponents, avoiding escalation of the conflict. Thus at the end of the demonstrations, the atmosphere was one in which a fair compromise solution could be reached.

Whenever he was in prison, Gandhi regarded his jailers as his hosts. Once, when he was imprisoned in South Africa, he used the time to make a pair of sandals, which he sent to General Smuts, the leader of the South African government. Thus Gandhi put into practice the Christian principle, "Love your enemies; do good to them that hate you." Gandhi's importance lies in the fact that he was a major political leader who sincerely tried to put into practice the ethical principles of religion. In his autobiography Gandhi says: "I can say without the slightest hesitation, and yet with all humility, that those who say that religion

has nothing to do with politics do not know what religion means."

**Violence cannot resolve conflicts:** Gandhi believed that human nature is essentially good, and that it is our task to find and encourage whatever is good in the character of others. During the period when he practiced as a lawyer, Gandhi's aim was "to unite parties riven asunder," and this was also his aim as a politician. In order for reconciliation to be possible in politics, it is necessary to avoid escalation of conflicts. Therefore Gandhi used non-violent methods, relying only on the force of truth. "It is my firm conviction," he wrote, "that nothing can be built on violence."

**Means Justify Ends not Vice versa:** For him the means are as important as the aims. The means must be nonviolent, ethical, and truthful in all economic spheres. He provided the new economic system with those means. To the insidious argument that "the end justifies the means," Gandhi answered firmly: "They say 'means are after all means'. I would say 'means are after all everything'. As the means, so the end. Indeed the Creator has given us control (and that very limited) over means, none over end. ... The means may be likened to a seed, and the end to a tree; and there is the same inviolable connection between the means and the end as there is between the seed and the tree. Means and end are convertible terms in my philosophy of life."

In other words, a dirty method produces a dirty result; killing produces more killing; hate leads to more hate. But there are positive feedback loops as well as negative ones. A kind act produces a kind response; a generous gesture is returned; hospitality results in reflected hospitality. Hindus and Buddhists call this principle "the law of karma".

Gandhi believed that the use of violent means must inevitably contaminate the end achieved. Because Gandhi's methods were based on love, understanding, forgiveness and reconciliation, the non-violent revolution which he led left very little enmity in its wake. When India finally achieved its independence from England, the two countries parted company without excessive bitterness. India retained many of the good ideas which the English had brought, for example the tradition of parliamentary democracy, and the two countries continued to have close cultural and economic ties.

## **Part II: Gandhi's Economic Thought & Practice**

### **His Economic Philosophy**

He advocated trusteeship, decentralization of economic activities, labor intensive technology, and first priority to rural India. He explained that capitalism and mechanization would lead to unemployment, poverty, and inequality. Communism would not survive as it was inhuman. We have seen the collapse of communism and also observed unemployment, inequality of income and instability of common man even in rich a capitalist society.

### **What is Gandhian Economics?**

The term "Gandhian economics" was coined by J. C. Kumarappa, a close supporter of Gandhi. Gandhian economics refers to a school of economic thought based on the spiritual and socio-economic principles expounded by Mahatma Gandhi. It is largely characterised by rejection of the concept of the human being as a rational actor always seeking to maximize material self-interest that underlies classical economic thinking. Where Western economic systems are based on what he called the "multiplication of wants,"

Gandhi felt that this was both unsustainable and devastating to the human spirit. His model, by contrast, aimed at the fulfilment of needs – including the need for meaning and community. As a school of economics the resulting model contained elements of protectionism, nationalism, adherence to the principles and objectives of nonviolence and a rejection of class war in favour of socio-economic harmony. Gandhi's economic ideas also aim to promote spiritual development and harmony with a rejection of materialism.

### **Gandhi's economic ideas**

Throughout his life, Gandhi sought to develop ways to fight India's extreme poverty, backwardness, and socio-economic challenges as a part of his wider involvement in the Indian independence movement. Gandhi's championing of Swadeshi and non-cooperation were centred on the principles of economic self-sufficiency. Gandhi sought to target European-made clothing and other products as not only a symbol of British colonialism but also the source of mass unemployment and poverty, as European industrial goods had left many millions of India's workers, craftsmen and women without a livelihood.

By championing homespun khadi clothing and Indian-made goods, Gandhi sought to incorporate peaceful civil resistance as a means of promoting national self-sufficiency. Gandhi led farmers of Champaran and Kheda in a satyagraha (civil disobedience and tax resistance) against the mill owners and landlords supported by the British government in an effort to end oppressive taxation and other policies that forced the farmers and workers into poverty and defend their economic rights. A major part of this rebellion was a commitment from the farmers to end caste discrimination and oppressive

social practices against women while launching a co-operative effort to promote education, health care and self-sufficiency by producing their own clothes and food.

Gandhi and his followers also founded numerous ashrams in India (Gandhi had pioneered the ashram settlement in South Africa). The concept of an ashram has been compared with the commune, where its inhabitants would seek to produce their own food, clothing and means of living, while promoting a lifestyle of self-sufficiency, personal and spiritual development and working for wider social development. The ashrams included small farms and houses constructed by the inhabitants themselves. All inhabitants were expected to help in any task necessary, promoting the values of equality. Gandhi also espoused the notion of "trusteeship," which centered on denying material pursuits and coveting of wealth, with practitioners acting as "trustees" of other individuals and the community in their management of economic resources and property.

### **Gandhi's Economic Aims**

His economic aims were different from conventional economics. His aims were sarvodaya, full employment, use of country's own resources, preservation of ecology, justice in income distribution and opportunities. Everybody should be given the right to earn according to his capacity using just means. The rich should serve the society after satisfying his needs. Life is not meant for enjoyment only, but it is meant to help others.

**Gandhian economics and ethics:** Gandhian economics does not draw a distinction between economics and ethics. It thinks that economics that hurts the moral well-being of an individual or a nation is immoral, and

therefore sinful. The value of an industry should be gauged less by the dividends it pays to shareholders than by its effect on the bodies, souls, and spirits of the people employed in it. In essence, supreme consideration is to be given to man rather than to money.

The first basic principle of Gandhi's economic thought is a special emphasis on 'plain living' which helps in cutting down your wants and being self-reliant. Accordingly, increasing consumer appetite is likened to animal appetite which goes the end of earth in search of their satisfaction. Thus a distinction is to be made between 'Standard of Living' and 'Standard of Life', where the former merely states the material and physical standard of food, cloth and housing. A higher standard of life, on the other hand could be attained only if, along with material advancement, there was a serious attempt to imbibe cultural and spiritual values and qualities.

The second principle of Gandhian economic thought is small scale and locally oriented production, using local resources and meeting local needs, so that employment opportunities are made available everywhere, promoting the ideal of Sarvodaya[14][15] – the welfare of all, in contrast with the welfare of a few. This goes with a technology which is labour-using rather than labour-saving. Gandhian economy increases employment opportunities; it should not be labour displacing. Gandhi had no absolute opposition to machinery; he welcomed it where it avoids drudgery and reduces tedium. He used to cite the example of Singer sewing machine as an instance of desirable technology. He also emphasised dignity of labour, and criticised the society's contemptuous attitude to manual labour. He insisted on everybody doing some 'bread labour'.

The third principle of Gandhian economic

thought, known as trusteeship principle, is that while an individual or group of individuals is free not only to make a decent living through an economic enterprise but also to accumulate, their surplus wealth above what is necessary to meet basic needs and investment, should be held as a trust for the welfare of all, particularly of the poorest and most deprived. The three principles mentioned above, when followed, are expected to minimise economic and social inequality, and achieve Sarvodaya.

There are also three other principles underlying Gandhian economics. They are Satya, Ahimsa (non-violence) and Aparigraha (non-possession) or the idea that no one possesses anything. While satya and ahimsa, he said were 'as old as the hills', based on these two, he derived the principle of non-possession. Possession would lead to violence (to protect ones possessions and to acquire others possessions). Hence he was clear that each one would need to limit one's needs to a basic minimum. He himself was an embodiment of this idea, as his worldly possessions were just a pair of clothes, watch, stick and few utensils. He advocated this principle for all, especially for the rich and for industrialists, arguing that they should see their wealth as something they held in trust for society - hence not as owners but as trustees.

The Gandhian economic programme included avoidance of mechanization and encouragement of cottage industries, especially spinning and weaving. Improvement of rural small scale agriculture. Making the village community as much self-sufficient and self-reliant as practicable. Decentralization of the administrative and economic structure. Reducing income inequalities by raising the income level among the poor and by changing the attitude and

motivation of the rich. Ensuring that the capitalists and big businessmen serve as 'trustees' for the whole community.

**Development of Weaker sections:** Gandhi has often quoted that if mankind was to progress and to realize the ideals of equality and brotherhood, it must act on the principle of paying the highest attention to the prime needs of the weakest sections of the population. Therefore, any exercise on economic planning on a national scale would be futile without uplifting these most vulnerable sections of the society in a direct manner.

In the ultimate analysis, it is the quality of the human being that has to be raised, refined and consolidated. In other words, economic planning is for the citizen, and not the citizen for national planning. Everybody should be given the right to earn according to his capacity using just means.

**Non-violent rural economy:** Gandhian economics places importance to means of achieving the aim of development and this means must be non-violent, ethical and truthful in all economic spheres. In order to achieve this means he advocated trusteeship, decentralization of economic activities, labour-intensive technology and priority to weaker sections. Gandhi claims that to be non-violent an Individual needs to have a rural mindedness. It also helps in thinking of our necessities of our household in terms of rural mindedness.

The revival of the economy is made possible only when it is free from exploitation, so according to Gandhi industrialization on a mass-scale will lead to passive or active exploitation of the people as the problem of competition and marketing comes in. Gandhi believes that for an economy to be self-contained, it should manufacture mainly for

its use even if that necessitates the use of modern machines and tools, provided it is not used as a means of exploitation of others.

**Environmentalism:** Some of Gandhi's followers developed a theory of environmentalism. J. C. Kumarappa, who is called Green Gandhian and the founder of modern environmentalism in India, was the first, writing a number of relevant books in the 1930s and 1940s. He and Mira Behan argued against large-scale dams and irrigation projects. They say that small projects were more efficacious, that organic manure was better and less dangerous than man-made chemicals, and that forests should be managed with the goal of water conservation rather than revenue maximization.

**Opposition to Advertisements:** Gandhi was aware of the effects of advertisements which misguided and attracted the people for useless and even harmful things in the life. In the context of such advertisements and created demands, the resources are felt limited.

**Gandhian Socialism:** Gandhian economics brings a socialist perspective of overall development and tries to redefine the outlook of socialism. Gandhi espoused the notion of "trusteeship" which centered on denying material pursuits and coveting of wealth, with practitioners acting as "trustees" of other individuals and the community in their management of economic resources and property. Under the Gandhian economic order, the character of production will be determined by social necessity and not by personal greed. The path of socialism should only be through non-violence and democratic method and any recourse to class-war and mutual hatred would prove to be suicidal.

Contrary to many Indian socialists and communists, Gandhi was averse to all notions

of class warfare and concepts of class-based revolution, which he saw as causes of social violence and disharmony. Gandhi's concept of egalitarianism was centred on the preservation of human dignity rather than material development.

**Swadeshi:** He advocated SWADESHI and advised boycott of foreign goods, foreign companies, and foreign capital to maximum possible extent. This was not politically motivated. Not to punish the foreign countries but for the economic betterment of our country. There are parallels in world economic history to Swadeshi. George Washington also advised his countrymen (Americans) to throw away European goods in the sea for self-development. U. K. had passed laws prohibiting all types of Indian clothes during the time of their Industrial Revolution. Japan had resolved to consume her rough and inferior rice instead of foreign superior rice. These examples prove the importance of Swadeshi attitude even if the home made product is inferior for the sake of economic independence.

**Concept of rural development:** He advocated to develop the rural economies with the development of agriculture and village industries. This way full employment for 80% of Indian population can be achieved. Even in the world economy nearly 70% of the world's population is rural population. Their development can be made easy by the development of rural economies. There should be small scale and cottage industries in these areas. That will create just distribution of income without special efforts.

The government must give full support regarding finance, technology, and market to village industries. The people of the country must give first priority in purchasing their rural productions. He advocated Khadi and

all other village industries and worked hard till his end to promote them. He even left the congress to concentrate fully in this activity since 1934.

The agricultural activities should be done with the help of live stock and bio fertilizers. He explained in detail how to produce organic fertilizer without any extra cost and minimum labor. He described the number of benefits which can be achieved from the use of livestock and cooperative farming. Today bio technological revolution, popularity of organic fertilizer, and awareness against harmfulness of chemicals used in agriculture prove the worth of Gandhi's thinking.

**Production Oriented Education:** Gandhiji was against the prevailing methods of education as they had given excessive importance to information only, were hardly practical, giving less importance to nationality, and to ethical living. He suggested work and oriented and nationality relevant basic education. He said that there should be a sufficiently big group of translators to translate important, useful knowledge of the world into Indian languages. He advised the development of research and science for helping the country and its masses rather than help a few rich..

### **Implementation of Gandhian Economics in India**

During India's independence struggle as well as after India's independence in 1947, Gandhi's advocacy of homespun khadi clothing, the khadi attire (which included the Gandhi cap) developed into popular symbols of nationalism and patriotism. India's first prime minister, Jawaharlal Nehru totally differed with Gandhi, even before independence and partition of India. Gandhi did not participate in celebration of Indian

independence, he was busy controlling the post partition communal violence.

Several Gandhian activists pursued the Gandhian economics both in the public and private spheres. Eminent Gandhians such as Vinoba Bhave and Jayaprakash Narayan were involved in the Sarvodaya movement, which sought to promote self-sufficiency amidst India's rural population by encouraging land redistribution, socio-economic reforms and promoting cottage industries. The movement sought to combat the problems of class conflict, unemployment and poverty while attempting to preserve the lifestyle and values of rural Indians, which were eroding with industrialisation and modernisation. Sarvodaya also included Bhoodan, or the gifting of land and agricultural resources by the landlords (called zamindars) to their tenant farmers in a bid to end the medieval system of zamindari.

Vinobha Bhave and others promoted Bhoodan as a just and peaceful method of land redistribution in order to create economic equality, land ownership and opportunity without creating class-based conflicts. Bhoodan and Sarvodaya enjoyed notable successes in many parts of India, including Maharashtra, Gujarat, Karnataka and Uttar Pradesh. Jayaprakash Narayan also sought to use Gandhian methods to combat organised crime, alcoholism and other social problems.

There were some followers of Gandhi among industrialists. Some of Gandhi's closest supporters and admirers included industrialists such as Ghanshyamdas Birla, Ambalal Sarabhai, Jamanlal Bajaj and J. R. D. Tata, who adopted several of Gandhi's progressive ideas in managing labour relations while also personally participating in Gandhi's ashrams and socio-political work.

### Part III: Critique of Gandhian Economics

Gandhi was not an extremist. He was a practical thinker. He accepted the foreign economic relation for unavoidable useful things which could not be produced in the country. He also accepted some basic industry on large scale like mines, cement, electricity etc. He also encouraged big industrialists and big farmers with the expectation that they will develop the attitude of trusteeship. He warned them, that if they fail to accept trusteeship they will have to face bloody revolution. He also explained, with a real experience, about ideal labor union activities.

Gandhi had many followers though Gandhian economics is not without its critics. Critics range from his opponents to his closest followers like Nehru. Criticism against Gandhi's economic thought centres round the following eight themes.

**1. Philosophical Contradictions:** Critics point out that Gandhian philosophy is full of contradictions. Like socialism, Gandhism supports the idea that every individual should be provided necessities of daily life. But at the same time, it opposes the socialist principles of nationalisation and mass production. Like communism, it condemns capitalism, but at the same time it is not in the favour of ending it. Like anarchism, it considers state as an evil, but at the same time it is not in favour of abolishing it.

**2. Lacs Originality:** Critics hold that Gandhism lacks originality. It simply restates the old principles in a new form. It is a mixture of different religions and ideas of different philosophers and scholars. It incorporates the principles of individualism, anarchism, liberalism, socialism and communism. It offers no new philosophy or ideology.

**3. Fallacious understanding of human**

**nature:** According to Gandhi, man by nature is very good. He has the inherent power for the full development of his life. The possibilities of development are the same in every person. But this picture of man is idyllic and it is far from reality. Man by nature is social as well as selfish. He is mostly a self-centered person. He cooperates with others to the extent his own interests get promoted. At times, he does not refrain from harming others for his self-interests.

**4. Non-violence has its limitations:** Non-violence, which is the key principle of Gandhism emphasizes the use of peaceful and non-violent means for the attainment of goals. However, in this world of dominance and struggle for power, it is very difficult to achieve success only through non-violence. All men are not saints. It is impracticable to face brute force with moral force. It is impracticable for a state and its government to be non-violent, when other states are getting armed to wage a war.

**5. Questionable Practicality:** Gandhism advocates the use of Satyagraha for facing evil, injustice and tyranny. However, it is very difficult to make a proper use of this 'weapon'. A Satyagrahi is required to have high quality of moral force. Such men are rarely found. Gandhiji himself admitted that Satyagraha is a dangerous weapon and it should be used very cautiously.

Further, it is difficult to give a practical shape to Gandhian economics in modern states. Payment of tax by doing labour is theoretically a good principle but it cannot be given a practical shape. The principle of trusteeship of property is morally sound it is idealistic and Utopian. There is little chance that the capitalists can really come forward to use their private property for public welfare. It is just a dream. In the modern age of science,

machine and technology, it is very difficult for village and cottage industries to compete with modern industries.

#### **6. Gandhism Favours Capitalism:**

Communists allege that Gandhism supports capitalism as it rejects the principles of class struggle and nationalization. They also argue that It wrongly advocates that the capitalists or owners and workers can work together with co-operation and good-will. It wrongly considers capitalists as the trustees of social property. All these ideas are in the interest of capitalists and against the workers. Further, communists hold that in reality the interests of capitalists and workers are always antagonist. The capitalists always want to earn more profit and naturally they always pay less wages to the workers. Capitalism is a system of exploitation of labour. Workers demand for more wages always means less profit for the capitalists.

Ironically the proximity of Gandhian economic thought to socialism has also evoked criticism from the advocates of free-market economics. To many, Gandhian economics represent an alternative to mainstream economic ideologies as a way to promote economic self-sufficiency without an emphasis on material pursuits or compromising human development. Gandhi's emphasis on peace, "trusteeship" and co-operation has been touted as an alternative to competition as well as conflict between different economic and income classes in societies. Gandhian focus on human development is also seen as an effective emphasis on the eradication of poverty, social conflict and backwardness in developing nations.

#### **7. Mixing of Religion and Politics:**

Gandhism considers religion and politics as very near and related. For elevating politics,

Gandhiji advocated spiritualisation of politics. But the meaning of religion which Gandhiji understood is beyond the comprehension of a common man. The notion of an ordinary man regarding religion is very narrow and self-centered. Critics point out that religion is a personal affair and it is concerned with the conscience of the individual where as Politics is a public affair and it has no relationship with morality. The interference of religion in politics can give birth to religion-mixed politics of middle ages.

**8. Gandhism is Utopian:** Critics also point out that Gandhism is a Utopian philosophy. The ideal state Ram Rajya which Gandhism visualises cannot be established on this earth. It can exist only in heaven. Stateless democracy is an emotional idea. For the state to be a non-violent agency is an idea away from reality. It is impossible for the military and the police to be non-violent. Political problems cannot be solved only on the basis of morality.

#### **Conclusion**

Gandhi had a original vision in economics that is distinct from both the capitalist and the socialist visions. He propagated a novel way of thinking in science of economics by integrating economic aims and activities with morality and nonviolence. He also integrated our successful past experiences with the recent development process. He was keen to use the labour force, live stocks and rural economy for the nation's smooth progress. He was the first thinker from the east who analyzed and rejected mechanization, capitalism and communism that are all western in origin. He was the first man in the world who provided a practical alternative economic system against the prevailing economic system. The village based economy

of China and Israel, the small scale industry base economy of Japan are the living examples that are nearer to Gandhian economics in some aspects.

His economic ideas are practical, useful and relevant in the present world. A growth model for economic development is shown on the basis of Gandhi economic thoughts. This model is applicable to developing economies and India. His ideas are helpful for backward and developing economies in the world. His ideas are also useful for solving problems in capitalist economies. This proves Gandhi as a unique and practical economist of the world.

Mahatma Gandhi not only stood for non-violence and secularism but for ethics in economics. Gandhian economics symbolizes simplicity, equanimity and love for the suffering humanity for which Mahatma toiled in his lifetime. Gandhi will continue to stay on for his mass appeal since he is the ultimate saviour of the suffering humanity. The maladies of the modern society can be cured with the Mahatma's principle of smallness, simplicity, nonviolence and production by the masses. "The earth can produce enough to satisfy everyone's need, but not everyone's greed" is the immortal sermon of Gandhiji for economists of all generations to come. His ideas are original, simple, practical and are relevant for our troubled times. Gandhiji was truly a people's economist

When Mahatma Gandhi was assassinated on January 30, 1948 his worldly goods consisted of a pair of glasses, a pair of sandals and a white homespun loin cloth. Here, as in the Swadeshi movement, we see Gandhi as a pioneer of economics. He deliberately reduced his possessions to an absolute minimum in order to demonstrate that there is no connection between personal merit and material goods. Like the economist-

sociologist Thorstein Veblen, Mahatma Gandhi told us that we must stop using material goods as a means of social competition. We must start to judge people not by what they have, but by what they are.

The United Nations has befittingly adopted October 2, the birthday of Mahatma Gandhi, as the "International Nonviolence Day" for the entire world. This is the greatest tribute to him and an endorsement by the global community of the relevance of his economic thoughts in all times to come. As observed by E.F. Schumacher, in his book 'Small is Beautiful', Mahatma Gandhi is the greatest people's economist.

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