

## Development Challenges: Global Aspirations and Local Realities - The Indian Perspective

Dr. N. K. Thingalaya\*

Gigantic as it is, the Indian economy continues to be a bundle of contradictions. It has the resources, both natural and human, in abundance. Yet it lags behind even many of the smaller countries in attaining a per capita income, which can ensure a decent living condition for a large number of its rural households. Graduating from the low growth rate of GDP for a long time, termed as Hindu rate of growth, it is expected to grow at rates higher than that of many of the developed countries in the west. The coexistence of poverty in its cruelest form and prosperity in its ugliest manifestation are really perplexing. The nation's advancement in scientific explorations and its prowess in cross-border expansion are remarkable. While its global aspirations are being realized in some geographies, the local realities at home are daunting. *The Economist* in its special report on Indian economy, after making a thorough analysis of inherent maladies advises the Indian planners to *Aim Higher* (The Economist 2012(a)).

Indian economy is poised to emerge as one of the top 10 fast growing economies. Yet it has the largest number of people living below the poverty line. As many as 48 Indians find place among the 1226 billionaires in the world according to the latest publication of Forbes' list. Their income exceeds the total consumption expenditure of Government of India. The homeless and jobless millions abound in number. All weather roads are yet to connect most of the villages to towns, but the airports having the state-of-the-art facilities are handling a rapidly increasing volume of air traffic. The costliest imported buses run on the grossly neglected roads, carrying passengers day and night in air-conditioned comfort. Man-driven cycle-rickshaws continue to ply in some metropolitan cities along with the modern metros. While Maruti cars have become omni-present, showrooms of the foreign luxury cars

are being opened even in tier -2 cities. Cycles and wayside cycle-repair shops are disappearing. The consignments of exports from the Indian ports are no longer containing only the primary commodities; motor cars and soft-ware products are increasingly finding their place among them, for moving into different parts of the world.

The import of gold has increased sizably in quantity, supporting the rapidly growing number of jewellery shops in all cities and making its contribution to growing trading gap in global trade. With all its imperfections and limitations, the Indian economy has shown its resilience. When most of the countries in the world suffered heavily during the financial crisis recently, Indian banks have remained unaffected.

### Global Outlook:

To explain in short the current dismal features of the global economy, I prefer to quote the *Approach Paper to Twelfth Five Year Plan*. It says rightly, "Global economic prospects are clouded with uncertainty. The world has avoided a prolonged downturn that was feared at one stage as a possible consequence of the 2008 crisis. The industrialised countries have resumed positive growth after contracting in 2009, but growth in these countries remains anemic with serious macro-economic imbalances and concerns about sovereign debt.

Emerging markets are growing much more robustly, and India has been one of the leaders in this process. However, concern about sovereign debt and fiscal unsustainability in industrialised countries not only weakens the prospects of an early return to robust growth in these countries, but also creates uncertainty about the export markets in industrialised countries. An adverse development globally, which affects India

---

\*Chairman, Academic Council, JKSHIM, Nitte. Article based on the Presidential Address delivered at the Valedictory Session of the International Conference held at JKSHIM, Nitte on December 30, 2012.

directly, has been the rise in oil prices, and also the prices of other commodities, including food. Economic management over the next two to three years will have to cope with this uncertainty" (Government of India, 2012(a)).

Against this back drop, the Approach Paper presents an optimistic picture, quoting the projections made by the World Economic Outlook Database of the International Monetary Fund. The interesting forecasts relate to the growing shares in the Global GDP of the developing countries including that of India for the next two decades. One of the most important points emerging from these projections is that India's global GDP share at current prices is expected to increase from 2.8 percent in 2011 to 4 percent in 2016 and to 7 percent in 2025. The share of advanced economies is expected to decline from 79 percent to 51 percent during this period. In the case of developing Asian countries, there would be a positive improvement from 7 percent to 29 percent.

However, to realise this potential, Indian economy has to attain sustained rapid growth. The Approach Paper asserts that "the evidence suggests that India has now developed the potential for sustained rapid growth over the next two decades, provided appropriate supportive policies are put in place. These policies must promote and support changes in many sectors. Our infrastructure, industrial sophistication, management of cities, and also management of a whole range of knowledge promoting institutions, particularly the universities, will have to change dramatically. Institutional changes will be necessary. These changes take time to bring about, but it is important to begin now, if we want the Indian economy to occupy its rightful potential in the world".

#### **Aspirations and Achievements:**

The Indian industries were known for their out-dated technologies and less-productive unionized labour force. The legacy of alien rule has crippled the initiative of Indian entrepreneurs. A paradigm shift has taken

place in the industrial sector, where the new generation of entrepreneurs is daring to look beyond the geographic borders. Some of the well-established industrial houses have shown them the way. It is an irony of history that the Indian industrialists were considered as a threat to British industries. This is vividly reflected in the observations made in *The Economist*. It is reported: "Tata UK is now the country's biggest manufacturer, with almost 40,000 workers - just ahead of British Aerospace. Add in Tata's service industries, such as consultancy, and the payroll tops 45,000. Its presence in Britain is part of a growing trend. Britain is second only to America as a destination for investment by emerging-market firms, many of them from India. Tata's purchases of Corus and JLR, as well as earlier takeovers of Tetley tea and the Brunner Mond Chemical works, raised eyebrows, a few anxieties and at least two big questions: what does Tata want from its acquisitions; and what does the firm's stewardship of JLR and its stablemates mean for British industry?" (*The Economist* 2012(c))

In the United States of America, Indian companies have already made a mark. The survey report *Indian Roots, American Soil: Adding Value to US Economy and Society*, released by the Confederation of Indian Industry (CII) explains the significant economic and social impact made by Indian companies on American communities. (CII, 2012)

Indian companies operating in 40 American states have invested over \$820 million in manufacturing facilities in the US, creating thousands of jobs. Mahindras are manufacturing the largest selling tractors, which are used extensively by the farmers in the US. There, farm mechanization reduces the percentage of population engaged in agricultural sector considerably, while in India it continues to remain high.

The perennial power shortage in India has induced some of the domestic corporates in the private sector to *acquire* mining companies abroad. The National Mineral Development Corporation, a public sector

company, also is in the race. Huge acreages of land are purchased or taken on lease in some of the African countries for cultivating maize and jatropha for developing alternative sources of fuel.

Indian banking sector also has expanded its cross-border operations by not only increasing the branch network but also promoting banking subsidiaries abroad. The public sector banks have their presence now in widely diversified economies like Russia, Viet nam, Uganda and West Indies, in addition to the United Kingdom and USA. Their customer bases are broadening to go beyond ethnic Indian population.

### **The Domestic Scenario:**

Many developmental programmes have been implemented, with varying degrees of success, covering a wide range of welfare-oriented projects. It is true that the massive programme of assuring employment for at least one person from every family for 100 days in a year under Mahatma Gandhi National Rural Employment Guarantee Act has improved the incomes of rural households to some extent. In the agricultural sector, it may be noted that there is a large number of casual labour force, whose earnings are very irregular. During the last 15 years, their number has not declined, despite out-migration. It has marginally increased from 81.2 million in 1993-94 to 82.9 million in 2009-10. Incidentally, the size of casual labour force in the non-agricultural sector has doubled during the same period from 23.4 million to 50.9 million. As to how many days in a year these two groups of casual labourers manage to get wage employment would decide their fate of classification, above or below the poverty line as defined by the Tendulkar Committee.

However, the rural population is not insulated from the inflationary trends making an inroad into their meager incomes. The purchasing power of Rs.26 diminishes without there being any compensatory benefits like the dearness allowance of the working class in urban areas. The free primary education and the provision of mid day meals to school children are

no doubt very beneficial. Medical care, however, is a costly affair as primary health centres are generally either without the required basic facilities or attendant doctors. Travelling to the towns for medical help is doubly taxing. The *Health for All* programme in the Tenth Five Year Plan permitted new medical colleges to be established, for augmenting the number of doctors. Medical colleges came up, but the medicos are openly demonstrating their reluctance to work in the rural areas. The recent report of a reputed medical college in Karnataka makes a shocking revelation that the medical graduates are unhesitatingly pay the penalty fees of Rs.6 lakh rather than serve for two years in rural areas, after completing their studies. (Thingalaya 2011). Thus, medical facilities remain a mirage for the poor villagers, while these young graduates, whose studies are subsidized by the State, make big money in the cities. Bare foot doctors cannot be found in villages, while barefoot bankers can be seen in many villages now.

After nearly sixty years of developmental planning, it was realized that the whole planning exercise has not adequately contributed to inclusive development. The banking sector, which was assigned a role in poverty alleviation programmes, was found to be ineffective in ensuring inclusive development. Extension of financial facilities, it may be noted, is one of the many corner-stones of the micro-foundations of inclusive development. There are many other equally important corner-stones that have to be properly integrated into the whole programme pursuing inclusive development.

Rural India is getting integrated into the urban economy, sometime beyond the expectations of the Planners. Though the state-owned power companies could not reach distant villages, solar lights illuminate some of the inaccessible hamlets. Where the landlines of telecommunication are not seen, mobile phones are ringing. According to the latest 2011 Census, 47.9 percent of the rural households use mobile phones. TV has entered into 33.4 percent of rural households. Regarding the accessibility to banking facilities, 54.4

percent of rural households have availed banking services. A decade ago, only 30.11 percent of the rural households could avail banking services, while 35.5 percent of their urban counterparts had access to banking as revealed by the Census 2001.

Constraints are an inevitable part of the developmental process. Converting them into opportunities is the challenge the planners face. Over the years, we have developed enough expertise to formulate sustainable developmental plans. The problem lies not in planning but in implementing them successfully. Even a well-conceived plan like the Integrated Rural Development Programme has failed in its implementation, degenerating into a subsidy-disbursement programme. Mahatma Gandhi National Rural Employment Guarantee Act, which is now being implemented, may also have a similar fate if the proper checks and balances are not put in place. There is the need for a strong political will inspired by visionary zeal to re-write the growth story of resurgent Indian economy.

#### **Happy India:**

Census 2011 data is certainly more authentic than the poverty ratios, which are based on certain assumptions. The former indicates an improvement in the ownership of certain assets by households, both rural and urban during the last decade. It is a positive sign of improvement in the living standard of households, though regional variations continue to suppress many poor households. Besides, enumerating data pertaining to the number of households owning assets like radio/transistor, television, computer /laptop-with or without internet, telephone-landline only, mobile only, or both, bicycle, scooter/motor cycle/moped and car/jeep/van and having electricity connection, LPG, banking facilities, drinking water and latrine facility, Census also furnishes the data relating to the total number of *households not possessing any of these items*. Their number is 4.39 crore out of the total of 24.67 crore households. While 17.8 percent of all households in India own none of these assets/facilities, *22.9 percent of rural households do not own any one of them*. What is more depressing

is the fact that *87 percent of these 'deprived households' live in villages*. Can they live happily in an economy, even if it is poised to grow at a rate faster than that of some of the developed countries? The last mile is still very far.

Recently there was an interesting advertisement in a financial daily captioned - *Happy India* - published by TATA House, which has quoted late Shri J R D Tata, the noted industrialist and a great visionary. His candid view on economic growth was unambiguously reflected in his words as *"I do not want India to be a super power; I want India to be a happy country."* We agree.

#### **Note on Data source:**

*The World Economic Outlook Database of the International Monetary Fund. This data up to 2010 in most cases (up to 2009 and earlier in a few) is actual data. Thereafter the figures up to 2016 are projections by the IMF. The projections for India and other countries beyond 2016 have been made internally in the DPPP Division of the Planning Commission, Government of India, New Delhi.*

#### **References**

- The Economist (2012(a): Aim Higher, Special Report India, September 29, 2012, London.
- (2012(b): Indian takeover abroad- Running with the bulls, March 8, 2012, London.
- (2012 (c): India's Industrial Outpost: Tata for now, April 26 2012, London.
- Government of India (2012(a): Faster, Sustainable and More Inclusive Growth: Approach Paper to the 12th Five Year Plan, Planning Commission, New Delhi
- (2012(b): Census of India 2011, Tables on Houses, Household Amenities and Assets, Registrar General and Census Commissioner, New Delhi.
- Confederation of Indian Industry (2012): Indian Roots, American Soil: Adding Value to US Economy and Society, New Delhi.
- TATA House (2012): TATA Crucible-The Campus Quiz 2012 in *Business Line*, April 14, 2012, Mangalore
- Thingalaya N K (2011): Micro-foundations of Inclusive Development, in *Industrial Economist*, February 2011, Chennai.
- (2011(a): Mocking at Poverty: Indian Style, in *Industrial Economist*, November, 2011, Chennai.