

Sustaining the Growth Trajectory

A VISION OF INDIA IN 2020

In the mid-1990s, I was given the task of chairing the Technology Information, Forecasting and Assessment Council (TIFAC). I recall that in our very first meeting we decided that TIFAC must evolve a plan for transforming India into an economically developed nation by the year 2020. India in the 1990s was different from the one the world knows today. Through the previous two decades (1970–89) the nation had seen slower growth rates and been subject to numerous fundamental problems such as unemployment, economic instability, conflicts and a food crisis. Given the then prevailing economic and social conditions of the country, when the suggestion was first mooted for an economically developed nation, everyone speculated over India's ability to embark on this long-term mission. But that was the right time: the then prime minister and his government had just announced economic liberalization and growth measures for the Indian economy, and the impact was beginning to get felt.

The council, consisting of many young members, was excited and energized by the idea and for one full day we discussed how we could translate thought into action. At a time when the economy was growing at around 5–6 per cent per annum in GDP, we had to envisage a growth rate of at least 10 per cent per annum, consistently for over ten years, to realize the development vision for 1 billion democratic people with multilingual, multi-religious and multicultural characteristics. This really ignited the minds of all of us in the council. The members of TIFAC at that time included the principal secretary to the prime minister; nine secretaries to the Government of India; the chiefs of the Confederation of Indian Industry (CII), the Associated Chambers of Commerce and Industry of India (ASSOCHAM) and the Federation of Indian Chambers of Commerce and Industry (FICCI); the chairmen of the Industrial Bank of India (IDBI), the Industrial Credit and Investment Corporation of India (ICICI) and the Industrial Finance Corporation of India (IFCI); the chairmen of public sector corporations and the chief executives of a number of private sector institutions; the vice chancellors of different universities; and scientists from the Department of Science and Technology (DST). We debated and formed seventeen task teams with over 500 members who held consultations with more than 5,000 people in various sectors of the economy. Committees worked for over two years, resulting in twenty-five reports which we presented to the then prime minister of India on 2 August 1996.

The idea which we were pursuing was to formulate an action plan for the whole nation to replace the hesitant 'Can we do it?' with the assertion 'We can do it!' The reports included vision on areas such as agro-food processing; advance sensors, civil aviation, electric power, waterways, road transportation; telecommunications; food and agriculture; engineering industries; health care; life

science and biotechnology; materials and processing; electronics and communications; the chemical process industry; services and strategic industries. As we formulated India Vision 2020, the group also studied what the possible driving forces could be and the associated impedances and roadblocks which would need to be addressed.

Transforming India into a developed nation implied that every citizen of the country lived well above the poverty line; that education and health were of a high standard; national security was assured; and that core competencies in certain major areas would enable the production of quality goods for home consumption and for exports, competitively; and, above all, that there would be prosperity for all citizens. The additional thrust would be on creation of employment and development of skills. Based on various inputs, the government announced a vision statement that India would become a developed nation by 2020. The issuing of such a statement was unusual since every government is elected only for a period of five years, but the stance taken by the Parliament and the government of committing themselves to a programme over a twenty-year time frame set a new precedent for the nation.

The visualization of India in 2020¹ consists of an integrated development based on the following ten pillars:

A DISTINCTIVE PROFILE OF THE NATION

1. A nation where the rural–urban divide has been reduced to a thin line.
2. A nation where there is equitable distribution and adequate access to energy and water.
3. A nation where agriculture, industry and the service sector work together in symphony.
4. A nation where education with a value system is not denied to any meritorious candidate through societal or economic discrimination.
5. A nation which is the best destination for the most talented scholars and scientists and investors.
6. A nation where the best health care is available to all.
7. A nation where the governance is responsive and transparent.
8. A nation where poverty has been totally eradicated, illiteracy removed, and none in society feels alienated.
9. A nation that is prosperous, healthy, secure, safe from terrorism, peaceful and happy, and continues on a path of sustainable growth.
10. A nation that is one of the best places to live in and is proud of its leadership.

INTEGRATED ACTION FOR A DEVELOPED INDIA

To achieve this distinctive profile for India, we have the mission of transforming it into a developed nation. We have identified five areas where India has a core competency for integrated action:

1. Agriculture and food processing
2. Education and health care
3. Information and communication technology
4. Good quality infrastructure in the form of reliable and quality electric power, surface transport and waterways for all parts of the country
5. Self-reliance in critical technologies

These five areas are closely interrelated, and we have assessed that, harnessed in a coordinated way, they will lead to food sufficiency and economic and national security.

For India to realize this objective, the convergence of technologies and innovation for harnessing the potential of every state, every village and every individual of the nation is required. One of the necessary conditions for achieving this development profile is the economic growth rate (GDP) of 10 per cent per annum, with contribution by all sectors, societal groups and regions of the nation. Such a phenomenal growth rate can come only by continuous economic innovation and a balanced growth of all the three sectors of economy—agriculture, manufacturing and services. It will require dedicated capacity-building missions and the infusion of technology in everyday life. Above all, it will require the knowledge empowerment of the citizens of the nation.

INDIA IN 2011

The 1990s set the tone for the advancement of the nation, and the growth rate achieved during that decade was very encouraging. In 2011, India finds itself less than a decade away from fully realizing the vision of an economically developed nation by 2020. Post-liberalization, the Indian economy has indeed grown at one of the highest rates compared to many other nations.

Such leadership in growth requires out-of-the-box and innovative development missions and policies. In the 1990s, it was the opening up of the economy which spurred international exports and competitive products and services. In the following decade, it was primarily due to the growth in sectors like information technology (IT) and IT-enabled services (ITES); pharmaceuticals and health care; automobile and other services and manufacturing industries. The question that now rises is: What type of socio-economic innovations does the nation require to move forward on a path of sustainable growth in this decade and beyond?

Since Independence, India has witnessed the emergence of global-standard cities in the nation, which contribute to national wealth and trade. The growth of the cities has been rather centralized with a rapid expansion of population and size, due to migration from the rural and the suburban regions. This has also opened up the possibility of the next potential engine for Indian growth—the 600,000 villages. Let us understand the difference between urban and rural growth models and fit it into the Indian context. Such an analysis can be extrapolated to the global context as well.

WHAT IS NEEDED

There has been an asymmetry between the rural and the urban areas. Given the fact that it is the urban areas which are the seat of large companies and politics, the better amenities like education and health care and a good life are seen to be necessarily established first in urban areas. There is a definite evidence of economies of scale present in the urban context. Wealth begets more wealth, and a higher economic and industrial activity begets stronger economies and better employment.

In the past four decades—and more specifically post-1990—the Indian economy has definitely posted significant growth rates. The top three growth rates were recorded in the three Five-Year Plans post-1991, which proves that India's new economic policies have worked in positive directions ([Figure 2.1](#)).

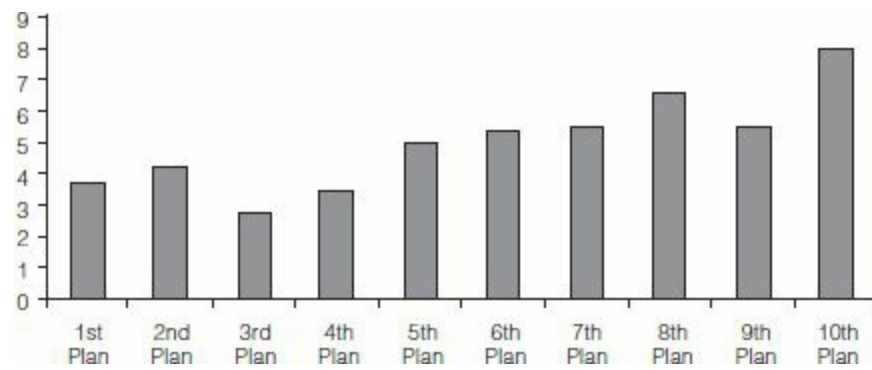


FIGURE 2.1: The GNP growth rate over different plans at 1999–2000 prices

Source: Derived from data available in the India Economic Survey, 2009–10

TABLE 2.1: India’s global ranking in National Product per capita

RANKING BY YEAR	1975	1984	1994	2004
India's relative ranking across all nations	90	89	80	75

The per capita National Product—which is a better measure of individual level prosperity—has risen from Rs 5,700 (US\$125) per capita (at the 1999–2000 price level) in 1950 to above Rs 18,300 (US\$400) in 2003–04, by 3.2 times. But in a relative sense, India has been moving upwards rather slowly in terms of global ranking and, since 1975, has gained fifteen positions over a thirty-year time frame.

The most important reasoning that emerges here is that this economic growth will be unsustainable unless it is inclusive of 70 per cent of the population’s habitat—the villages with 750 million people—which also need to be a site for empowerment and entrepreneurship.

While we fly the best aircraft in the world, ferrying more than hundred million passengers every year between Indian cities,² there are still many villages which lack access to all-weather roads. While international cities like Mumbai boast of the richest individuals on the planet, the villages in the same state have seen more than 41,000 distressed farmers choosing to end their life due to indebtedness and bankruptcy in the past twelve years from 1998 to 2009.³ And while we are now a trillion-dollar-plus economy, with 550 million youths, we must deal with the fact that we have more people living in poverty, more children to bring quality nourishment to, more people to provide with clean drinking water and more people who need to be brought under literacy than any other nation. These are our fundamental challenges for the twenty-first century.

Rural development is not at all a loss-making proposition. What is loss-making is poor implementation—but then that holds true for any type of initiative at any place in the world. During the course of this book, we will cite many rural examples where, consistently over the decades, far higher returns have been achieved than on any stock exchange in the world. With more than Rs 1,00,000 crore⁴ (US\$22 billion) being put into rural development by the government alone, it cannot be claimed that there is a lack of investment in the sector. The only thing which is lacking is, perhaps, an integration of efforts to meet with well-defined and measurable objectives, in a mission-mode

striving towards prosperity.

One clear issue here is that of rural to urban migration. Migration from the rural areas is due to inequality in opportunity and outcome between the rural and the urban areas. The underemployed or unemployed population may move to the cities for better living conditions and higher income levels. Moreover, setbacks—such as financial or medical—can force migration. It can also occur as the desire for better amenities and higher education which is felt in a progressive rural population.

Per se, limited migration for better income and living standard is not bad. However, a better alternative would be the creation of facilities and income assets in rural areas in a sustainable manner and beneficial to the population in their model. Then, every village in the nation would have the productivity and the opportunities of an urban setting with the rural ambience and environment preserved.

There are some fundamental issues to be addressed in this context:

- It is difficult to motivate professionals—doctors, engineers and teachers—to live in the rural regions due to the lack of good living conditions and facilities and capacity-building and capacity-utilizing assets.
- The next challenge is to make these models of rural development financially sustainable and eco-friendly.
- For them to succeed, it is necessary to make them available to all—in terms of economy, quality assurance and physical accessibility.

A REVIEW OF ‘URBANIZATION’

The asymmetry which has been created due to migration has also taken its toll on cities around the world, as about 37 per cent of their inhabitants live in slum areas.⁵ This figure is expected to reach a staggering number of 2 billion urban slum dwellers by 2030.⁶ The economy of scale which forms the basis of the urban economic juggernaut is confined by limitations of size.

As the population increases, city planning comes under tremendous pressure for expansion of facilities. With most of the existing space above and below the ground occupied, and the population increasing beyond critical mass, any form of expansion becomes extremely costly; there is pressure on real estate and housing, leading to huge price escalations.

For instance, Mumbai, India’s financial capital, has one of the highest real estate rates in the world, as more than 1.8 million people live in a crescent bay. This reflects a population density more than thrice that of the Japanese capital, Tokyo. Such high densities with peak population increase the cost of living and bring down the comfort level of the people. Driven to the urban peripheries by the escalation in costs, many citizens travel several hours every day—by a variety of transport and at high cost—to reach their places of work. The excessively crowded roads and local railways in urban cities also make daily commuting risky. As an example, on an average every day, about ten people lose their lives on Mumbai’s local trains⁷ and approximately five fatalities occur on Delhi roads.⁸ The high cost of transport, commodities and real estate makes entrepreneurship costly and precarious, and creates the ‘urban poor’ whose living standards are often characterized not only by deprivation but also the poorest ecological conditions. The urban poor are often the most exploited in the economic sense as well. Studies show that the underprivileged and needy, as compared to the economically well-off in the city of Mumbai, end up paying about thirty-seven times more for

municipal grade water, more than eight times for certain medications and about seventy-five times more for credit services.⁹ We believe these observations go beyond political borders, and every nation is grappling with the pressures of excessive migration.

Is such an intensely concentrated population growth necessary to maintain a staggering growth? Cities and civic amenities can find alternative ways of growth. Let us look at modern industries and the scenario emerging out of them. The mass production of yesterday is confined to only a few areas now. Today, it is possible to have well-networked but decentralized industries which adhere to world-class standards and integrate with each other to emerge as a globally competitive industry. With more than 475,000 villages in India that have access to electricity, most of the nation can now be electrically powered. The vital telecommunications and IT infrastructure enable a global exchange of information—easy, fast, reliable and cheap.

It is possible to connect clusters of villages by annular roads or other transport mechanisms, with well-designed traffic to facilitate movement from one village to the next. This will enable agro-industries, service and even high-tech knowledge industries to relocate in the villages, supported by the movement of some government offices and the provision of necessary incentive structures. Market forces will also take care of further development. Each of the clusters has to be managed in an entrepreneurial and innovative manner involving local panchayats,^{*} professionals, the administration, business concerns and key local human resources. Such clusters can be replicated all over the nation.

Each of these rural clusters will have to ensure the provision of not only better income levels and quality jobs but also cost- and quality-competitive social assets and amenities, where the augmented income levels can be used for better living conditions. The clusters will also have to consider the issue of preserving the cultural heritage, human values and environmental assets present within them. Technology and innovation will play a huge role in achieving this ambition. At present, several technologies exist to make this possible provided we use the multiple connectivity approach as brought out in Technology Vision 2020. The Indian experience clearly demonstrates that the true handicap suffered by the rural areas is poor connectivity, which can be rectified. The conventional tendency of people to move from rural to urban areas, leaving the vast rural potential underutilized, will have to be reversed. A new way of urbanization—where urban jobs, urban income levels and urban amenities reach and expand into the clustered rural areas—needs to be realized.

THE PATH AHEAD

India's greatest strength is its 550 million youths who have to be empowered with knowledge and quality value-adding employment across the nation. It is estimated that by 2020 three out of every ten additions to the global workforce will be Indians.¹⁰ India's sense of purpose to achieve a developed and inclusive economy has to be matched with its action for building capacities, harnessing competencies and undertaking an integrated development mission across the nation. The innovative development tool for achieving the vision for an empowered society will essentially require ideas and actions in:

- Harnessing core competencies and customization: In each state, district, city and village of the nation, core competencies need

to be identified, nurtured and developed as a sustainable economic entity. This will require customization of solutions to fit local needs and strengths. Decentralization of the last mile solution will be the key.

- Integrated development and empowerment: Development can be sustainable only when it is multi-pronged and when it focuses on the empowerment of the needy rather than merely on alleviation of poverty. Capacity-building is the key ingredient and it will help ensure permanent income generation and skill sets that are universally applicable for employment.
- Objective assessment and accountability: It is important to establish transparent, objective, participative and accountable ways of measuring the effect of a particular development initiative. The impact should be expressible in real gains of outcome rather than on outlay.
- Entrepreneurial approach: During the next decade, the development tool for empowered development should be entrepreneurial in spirit and action. It would mean maximizing yields and returns by using management techniques, opening access to markets and by quality consciousness.
- Infusion of technology: Technology is the tool which can lead to non-linear growth trends if applied correctly. We would require technological tools which are adaptable, user-friendly and customized to local needs and skill sets.

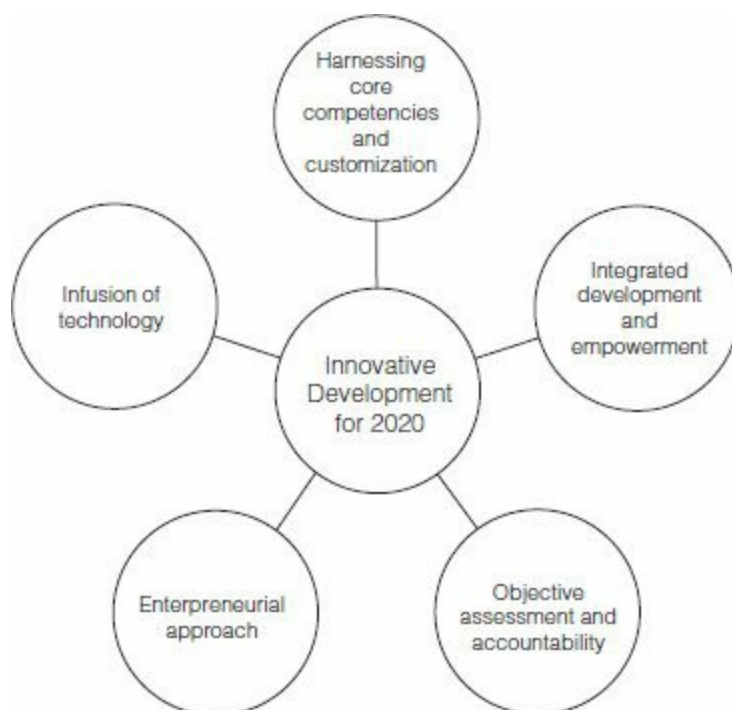


FIGURE 2.2: The multi-pronged necessary action approach

In the year 2000, we envisaged India Vision 2020 which identified key initiatives and devised the growth plan for transforming India into an inclusively developed nation. This version can be attained and sustained only when we bring together the resources and skills of the more than 600,000 villages of India in an integrated and well-planned manner.

While most of the cities of the world and the nation are now saturated, the full potential of the rural areas is yet to be realized. Each village, endowed with its uniqueness, presents a great opportunity for entrepreneurial ventures and social initiatives. The marginal return on investment in rural areas is far more than that in urban areas, owing to the inequality between them. Many private and public ventures are already capitalizing on this phenomenon.

RURAL INDIA: OPPORTUNITY AND CHALLENGE

Rural India has 638,588 villages in its 612 districts. With about 750 million rural Indians, India has

the largest rural population in the world. At present, the net domestic product of the rural economy stands at over Rs 13,70,000 crore (US\$304 billion) with a rural GDP of about Rs 15,46,018 crore (US\$343 billion). With information and communications technology (ICT) reaching the rural masses (209 million mobile phone users in rural India in 2007, and 643 million rural subscribers to wireless technology in 2008),¹¹ the villages of India are increasingly achieving equality in terms of access to information, technology and markets. With the proper skills-building and technology interface for harnessing the potential, this ‘electronic connect’ can lead to a seamless flow of knowledge and economic returns.

THE 600,000+ VILLAGES OF INDIA HAVE:

- 94.8 per cent of land area;
- 70 per cent of population;
- 50 per cent of National Domestic Product (NDP) of India;
- 42 per cent of services and industrial sectors;
- 40 per cent target for rural consumers in the mobile user segment;
- 20 per cent of all the professional colleges in the nation;
- More than 500 million youths below thirty-five years.

There is a significant thrust at the policy level for strengthening the rural base in terms of financial services which includes priority lending. In fact, under the policy regulation, at least 18 per cent of the net bank credit has to be towards agriculture and 10 per cent for the weaker sections of society.¹²

Owing to improving connectivity, better ambience and economical factor costs, many industries and academic institutions are now based in rural areas. About 40 per cent of colleges and 20 per cent of professional colleges are located in rural areas, a share which is now increasing.¹³ All these institutions provide a pool of knowledge volunteers and even potential entrepreneurs who can bring in better technology, greater integration and more efficient management for the conversion of competencies into income and human development.

The government, at the Central and the state levels, has also been aiding rural development and empowerment through many schemes of different kinds. They include income-generating schemes like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and the Swarnjayanti Gram Swarozgar Yojana (SGSY); societal schemes like the Indira Awaas Yojana (IAY); the Total Sanitation Campaign; and the Sarva Shiksha Abhiyan (SSA). Thanks to schemes like Bharat Nirman, rural infrastructure has been developed, with efforts in place to connect all villages with a population of over 1,000 by means of all-weather roads.¹⁴ Besides these schemes, there are departmental initiatives in the areas of horticulture, food processing, fisheries, agro-research, handicrafts, livestock and others, all aimed at creating better income, better assets and better human life at the rural levels. A recent trend has been that of the private sector coming up as an agent of development through non-profit initiatives under corporate social responsibility and also profitable initiatives like microfinance.

The rural sector also presents unique challenges which need to be tackled. Out of India’s below-the-poverty-line population of about 300 million, 80 per cent live in rural areas.¹⁵ The average rural

consumer expenditure is Rs 625 as compared to Rs 1,170 in urban regions.¹⁶ This further translates into the fact that as much as 53 per cent of the total expenditure of every rural household is on food, while only about 10 per cent is capacity-building expenditure like on health care and education.¹⁷ The situation is even worse for the rural poor—below the poverty line (BPL)—where almost 65 per cent of the total consumption is on food alone.¹⁸

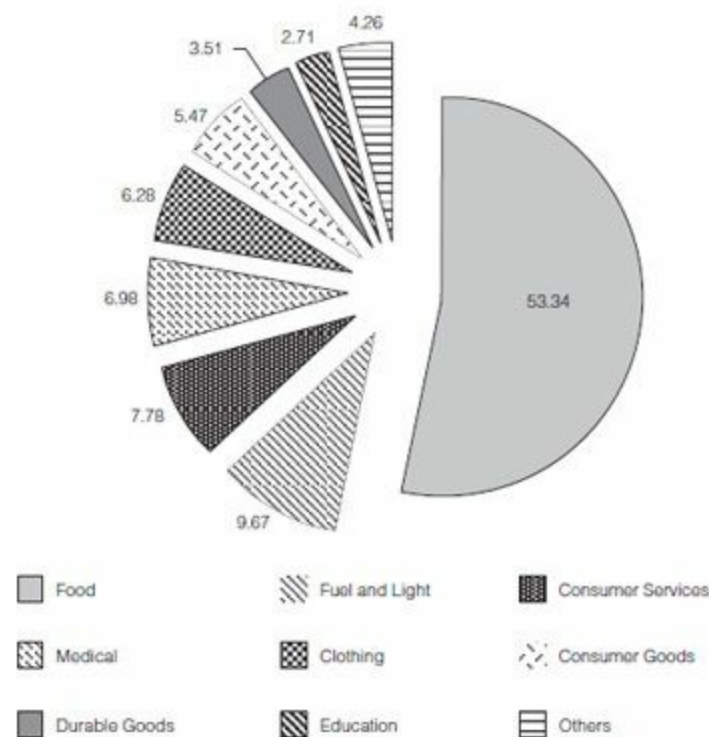


FIGURE 2.3: The spending pattern of an average rural family

This means that any capacity-building initiative has to begin at the level of income-generation and address the problem of underemployment and unemployment. The new models of sustainable development will have to look at how to customize with reference to the ‘present state’, and each rural area will have to evolve a unique path to achieve the ‘desired future’. The other challenge—especially for a development entrepreneur—is the need to find vertical integration and the convergence of various schemes of the public and the private sectors, and match them to the needs and strengths at local levels.

To achieve such a profile of development, we need to have a framework which is integrated and, at the same time, totally customizable to accommodate a variety of stakeholders, beneficiaries, investors, initiatives and technologies, which can make the Indian rural sector a vibrant forerunner for national growth during this decade. We shall formulate it as the Global Sustainable Development System for Providing Urban Amenities in Rural Areas (PURA).