



mintessay

India at 70: how are we doing?

At independence, many doubted if the new nation would survive. In the seven decades since, India has emerged as a robust democracy and a rising economy but it also has a long list of unfinished tasks for the future

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India is observing several milestones that are nested one into another. The Modi government completed three years of its term in May earlier this year. July marked the completion of 26 years of economic reforms. The 15th of August earlier this week marked the 70th anniversary of our independence. In 1947, there were many who doubted whether the new nation would survive. Yet here we are today, a robust if somewhat chaotic and noisy democracy. A good time to look back and take stock of what has been achieved and what has not, which sets the agenda of unfinished tasks for the future.

Taking stock through the lens of economic performance, the average Indian is more than seven times richer today compared to 70 years ago. Per capita income is now Rs82,269 compared to Rs11,570 in 1950-51, measured at constant 2011-12 prices (Chart 1). The pace of change has been uneven over time. Real per capita income doubled during the first four decades, rising from Rs1,570 in 1950-51 to Rs24,634 in 1990-91. But it more than doubled again within the next 20 years, rising to Rs60,476 in 2010-11. It then increased by a further one-third by 2015-16.

A part of this growth acceleration was the natural consequence of structural changes as the faster growing sectors gained in weight compared to the slower growing sectors. However, the sustained increase in growth observed during the last three decades compared to the first four is attributable in large measure to a paradigm shift in the policy regime. The dysfunction of the "licence permit" control regime had already become evident since the mid-1960s, and some reforms were initiated during the 1980s. But comprehensive reforms in industrial policy, trade and exchange rate policy, fiscal reforms and financial sector reforms were initiated only after the 1991 balance of payments crisis. It has subsequently been sustained by successive governments under different ruling parties.

The large rise in real per capita income despite the growth of population from 339 million to 1.3 billion over these 70 years reflects an even faster rise in national income. It rose from under Rs5 trillion to over Rs120 trillion at constant 2011-12 prices over the same period (Chart 1). In nominal dollar terms, India is now a \$2.3 trillion economy, the seventh largest in the world. It is the third largest after China and the US in purchasing power parity (PPP) terms. India is also now considered the fastest growing major economy in the world with growth rates averaging over 7% in recent years, though some experts question that figure. Thus, while the pace of change has varied between different periods, India's overall growth performance during the past 70 years is clearly impressive.

The country has also registered significant gains in health and education standards during the seven decades. On the education front only 18% of the population was literate in 1951. That figure has now risen to over 74%. The gross

enrollment rate in elementary education has risen from 32.1% in 1950-51 to 96.6% at present (Chart 2). In health, the infant mortality rate has declined from 146 in 1951 to 37 at present. The maternal mortality rate estimates available since 1997-98 indicate that it has gone down from 398 to 167. A more comprehensive measure of the health status of a country is the expectation of life at birth. Data available since the 1970s shows that this has gone up from only 49.7 years in 1970-75 to 66.1 years during 2006-10 (Chart 3).

That was the good news. Now look at the other side of the picture. Its impressive growth performance notwithstanding, with a per capita income of \$1,709, India is still classified as a lower middle-income country, ranked 134th by the World Bank. Compare that with China which had a per capita income similar to India's in 1951. After decades of very rapid growth, China is now ranked 75th with a per capita income of \$8,125. At \$11 trillion, five times the size of India, it is the second largest economy in the world after the US, and the largest in PPP terms.

The poverty of India's population below the Tendulkar poverty line has declined from over 45% in 1993-94 to 21.9% today. But that still means there are nearly 270 million people living on the margins of survival. India is home to the largest share of the world's poor.

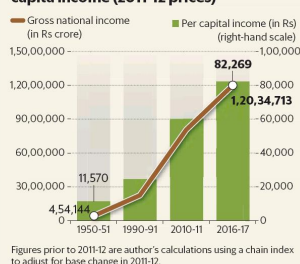
Underlying this grim statistic, there is the challenge of employment, the single most important economic challenge facing the economy today. Unfortunately, the three most important sectors requiring urgent reforms to address this challenge were simply bypassed by the reforms of the past 25 years, i.e., agriculture, education and health.

Agriculture was the main focus of reforms in the late 1960s, when India was food deficit and desperately begging abroad for food aid. But after India became self-sufficient in food, agriculture has been neglected. Similarly, while the indicators show improvement in the education and health status of the country compared to 1951, the pace of improvement over 70 years has been excruciatingly slow. Hence India shamefully is still ranked at 131 out of 188 countries in the Human Development Index rankings. Besides, there is a large variation around the improving national indicators, such as they are, and many states are lagging far behind. But these sectors have also not been included in the post-1991 reform agenda.

Seven decades of growth have been accompanied by a dramatic change in the production structure. At independence, agriculture, including animal husbandry, fishery and forestry, accounted for 54% of the gross domestic product (GDP), followed by services at 32%, and industry at 14%. Today agriculture accounts for only 15% of GDP, with services accounting for 62% and industry for the balance 23%. But agriculture still accounts for about 49% of the workforce.

Strategically our most important policy failure has been the failure to draw out the growing labour force dependent on agriculture for more

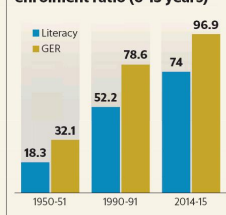
Chart 1: Gross national income and per capita income (2011-12 prices)



Figures prior to 2011-12 are author's calculations using a chain index to adjust for base change in 2011-12.

Source: Economic Survey Volume II, Union ministry of finance, August 2017

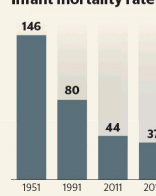
Chart 2: Literacy and gross enrolment ratio (6-13 years)



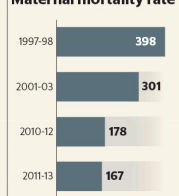
Literacy data for 2014-15 refers to 2011. GER for 2014-15 is provisional.

Source: Census of India, Office of Registrar General and Census Commissioner, government of India; Education Statistics at a glance, Union ministry of human resource development.

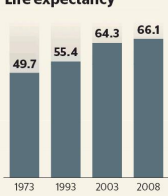
Chart 3: Infant mortality rate



Maternal mortality rate



Life expectancy



Source: Sample Registration System, Census of India.

SUBRATA JANA/MINT

Agriculture, education and health, three vital sectors affecting the bulk of India's population, have been neglected in the reform agenda

productive non-agricultural employment. As I had mentioned in my previous column (goo.gl/7DFt5s), the intense pressure of population on land has pushed the landman ratio down to less than 0.2 hectares per head of rural population. Over 82% of rural households are either landless or near landless, operating holdings of less than a hectare. Optimizing the use of scarce land will require a significant reorganization of agricultural production, a massive expansion of irrigation, which still covers only about 30% of cropped area, a shift to higher value-added products, and complete reform of agricultural markets. So far none of this is happening.

Even if public investment and reforms in agriculture were to happen, it will simply not be possible for all these households to make a decent living out of their tiny plots of land. Thus the challenge of employment will ultimately have to be addressed through the expansion of productive employment opportunities outside agriculture, especially in the organized sector. However, employment has hardly grown in recent

years, according to recent Labour Bureau surveys, and the organized sector remains a little island in a sea of low productivity small and medium enterprises.

The recently released Volume II of the Economic Survey has cautioned that in view of the headwinds facing the economy, even maintaining a growth rate of 7% would be difficult in the medium term, let alone higher growth to step up the absorption of workers in employment outside agriculture.

These demand-side constraints are compounded by a serious reform deficit on the supply side. For workers to be productively employed at decent wages they have to have the necessary skills. But skilling is not possible if the large majority of workers lack the foundation of basic education. Though formally the target of universal basic education finally seems within reach, learning outcomes have remained very poor.

The *Annual Status of Education Report* report for 2016 has again pointed out that half the class V students could not read a class II text or do a simple subtraction meant for class II. Such poor learning outcomes were also confirmed by the well-known global Trends in International Mathematics and Science Study test for 2008, where Indian students have been ranked 43rd and 47th out of 49 participants. Similarly, in the Organisation for Economic Co-operation and Development's globally conducted Programme for International Student Assessment test for 2009, Indian students were ranked at the bottom at 72nd and 73rd out of 74th contestants.

Complete reform of a failing basic education system in the public sector along with effective regulation of the private sector is urgently required. Much the same could be said about the health sector. But both sectors have been largely bypassed by reform.

How is it that agriculture, education and health, three vital sectors affecting the bulk of India's population, have been so neglected in the reform agenda of the past 25 years? Politically the Congress party has been in power at the Centre for a major part of this period and could be held accountable, but the National Democratic Alliance governments have also been in power for several years.

Besides, agriculture, education and health are all state subjects. As former Union minister P. Chidambaram astutely pointed out in a recent article (goo.gl/MQ7uud), the Congress has not been in power in many of the poor-performing states like Uttar Pradesh, Bihar, West Bengal, and Odisha for several years.

So it is not a question of this or that party being responsible for these reform deficits, but more fundamental forces that drive their agendas. Evidently, those who would benefit from the reforms in agriculture, education and health may be numerically large but have lacked any effective political "voice". Do we have reason to believe that this is likely to change?

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