

The Hindu Business Line : Touching the rural landscape

[Tenth Anniversary Special](#) - Economy

Touching the rural landscape

Nirupam
BajpaiJeffrey
D. Sachs

The Government's commitment should be that every village will be assured at least clean water, a road to the regional market, reliable power, and minimal telephone service.

THERE is a vast amount of economic reform that can be carried out to improve conditions in rural India, especially in the Gangetic valley. There is no reason for expensive and counterproductive charity for the northern States, and still less any case for holding back the fast-growing coastal regions. In India, Tamil Nadu, Maharashtra and Gujarat have the potential to grow as the fastest growing Chinese coastal provinces of Fujian, Zhejiang and Jiangsu.

Perhaps the key step in the Gangetic plain is to improve the most basic infrastructure so that the vast rural populations can take part in more rapid national economic growth. They will do so through increased exports to coastal States, and greatly improved productivity for local production. We should stress that while China's hinterland has lagged behind the coastal regions, the Chinese hinterland too has enjoyed rapid economic growth.

State governments need to adopt a strategy for rural India in which there will be a reliable infrastructure supplied at commercial rates rather than given for free.

The Government's commitment, both at the national and State levels, should be that every village will be assured at least clean water, a road to the regional market, reliable power, and minimal telephone service; but every village will be responsible for covering the commercial costs of those services on a normal user-fee basis. In particular, Bihar, Uttar Pradesh, Madhya Pradesh and Orissa are in desperate need of reform.

Bihar is the most underdeveloped State of India, perhaps followed by Uttar Pradesh. These States are land locked and have very high birth and death rates, poverty ratios, illiteracy and maternal/infant mortality rates.

These States also have very low rates of school enrolment and their per capita net state domestic product is among the lowest in the country.

As high as 42.6 per cent of Bihar's population and 31.1 per cent of Uttar Pradesh's was below the poverty line in 1999-00. Among the other major States, Orissa and Madhya Pradesh have very high poverty ratios.

The 2001 census highlighted the grave demographic situation of Uttar Pradesh. Sixteen per cent of India's population lives in Uttar Pradesh, although the State accounts for only 7.5 per cent of the country's total area. In March 2001, the State's population was 166 million, with a very high population density — 689 persons per square km.

The State's population density is more than twice the national average, which is 324. Uttar Pradesh's population has increased almost three-fold since Independence. It is increasing at 2.3 per cent per

The Hindu Business Line : Touching the rural landscape

year, up from 2.28 per cent during 1981-91. That is, Uttar Pradesh is now adding about 3.8 million people per year. If the population growth rate in the State is not checked, in 30 years,

UP's population would have reached 340 million, which was the population of the entire country after partition in 1947.

On the political front, while there seems to be some degree of consensus on the basic direction of reforms, however, there have been several instances when the political parties have supported reforms when in power, and opposed them, when in opposition.

Since 1991, every ruling party has supported reforms while the same party when in the opposition has tried to block them.

For instance, the BJP opposed the opening-up of the insurance industry when the Congress wanted to do so, and later the Congress opposed the same reform when the ruling BJP wanted to open-up the insurance industry. Of course, the Congress agreed eventually and the insurance reforms went through.

Similarly, the BJP had a tough time privatising a state-owned aluminium firm Balco as the Congress opposed this move. Once again, even though the firm did get privatised, it was not until a Supreme Court judgment came through.

An important aspect of the unfinished agenda should, therefore, be wide dissemination of information and debate about the necessity of reforms, which should include a frank discussion on some of its temporary negative consequences and ways of ameliorating their impact.