

INCLUSIVE INDIA: DOES MARKET OFFER A SOLUTION FOR GROWTH?



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There are three hotly contested concepts in the title itself. Inclusion. Growth. Market. Uncharitable critics of a particular leaning may also include India as the fourth contested concept, but the country has proven itself as vibrant and viable entity, if not always a cohesive one, over the last sixty three years.

To cut to the chase, the answer to the question is a yes. To understand why the answer is in the affirmative, and not a no or a maybe, it is necessary to examine various dimensions of the three concepts, and their multiple and often contradictory meanings, and arrive at a definition that holds true in most circumstances for a large section of Indians -- quite a tall order in itself.

Inclusion is the Name of the Game

First up, what does the term inclusion mean? And, as a logical corollary, can the term have the same meaning for all people, groups and communities? The story goes that when Ratan Tata was going home one rainy evening after a long day in office he saw a typical Indian urban middle-class family -- husband, wife and two kids -- precariously balancing themselves on a two-wheeler, getting drenched and risking their lives, going home. That set him thinking and the result is the awe-inspiring Nano.

India is a curious amalgam of cultures and sub-cultures, each with its own sub-text and imagination, often accentuated by a vibrant oral culture, including the much maligned word-of-mouth constructs. So while the story of Ratan Tata chancing up his game changer might be apocryphal in nature, or not, the underlying truth of inclusiveness of thought that represents every Nano that rolls out cannot be disputed.

The question, then, is whether Nano represents the inclusiveness that holds true in most circumstances for a

large section of Indians? Does Nano represent a ready solution for those Indians who still do not make enough to shell out Rs. 1,20,000 and have to depend on an unreliable and fraying-at-the-edges public transportation system? The straight answer to that is a No. Nano for such an India, no doubt, is aspirational and inspirational, but is not an immediate solution.

But what Nano has unequivocally established is the Market's ability to synchronise the logic of fortune at the bottom of the pyramid¹, a C. K. Prahalad derivative, even if distant, of Adam Smith's principle of private capital, with the largely social tenets of accessibility, mobility and empowerment. Till a few years ago the market's potential for creating affordable accessibility, one of the tenets of an-encompassing inclusiveness, would be summarily dismissed without as much a dissenting voice.

But Nano, despite being a game-changer and world beater, still does not fulfill the parameters of an all-encompassing inclusiveness. For instance, the car quite obviously doesn't fulfill the survival needs of a marginal farmer owning less than an acre of land, which is over 65% of India's population. A typical farmer would rather prefer information about

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monsoon updates, procurement price in the Mandi, information about subsidised seeds and fertilisers, agricultural loan and such. Such a basket of interconnected information is empowering for the farmer and would go a long way in ensuring a certain degree of predictability for his livelihood. So the next logical question that arises is: Has the Market been able to bring about for a product or a service affordable acces-

sibility, fulfilling the parameters of an all-encompassing inclusiveness. The straight answer to that question again is a Yes.

In popular imagination Dhirubhai Ambani is your archetypal rags-to-riches story, one of bold innovativeness, diligent enterprise and big dreams. His achievements, and quite rightly so, in the petroleum and petrochemicals sector has acquired mythological status, inspiring countless young entrepreneurs with practically nothing in their pockets to dream big. That's the inspirational power of do-it-yourself billionaires; a power which cannot be measured by the

conventional yardsticks of wealth and pelf.

But in the razzle and dazzle accompanying his achievements, a disservice is often done to the man who is not recognized enough for bringing in the mobile telecommunications revolution in India. In a time and age where mobile phones were clunky and each call cost upwards of Rs. 10, Dhirubhai publicly declared his dream of making a call as affordable as a postcard -- 40 paise or less. Of course, he was in for a fair degree of ridicule, but then history has a funny way of getting back at those who laugh out the loudest.

Today, at the last count, the total number of mobile subscriptions had surpassed 600 million, with over 400 million of these subscriptions in the rural areas. The average cost of call is less than 20 paise and the phone has metamorphosed into an instrument of change that few, apart from Dhirubhai and select others with foresight, would have envisaged.

In my extensive travel into the rural interiors of Uttar Pradesh, unarguably one of the laggards if one were apply any parameter of governance, the mobile phone has willy-nilly become a device of empowerment and knowledge. Farmers, marginal and otherwise, routinely use it to get their produce to the best paying local Mandi, in addition to getting information on agricultural loans and subsidised seeds. In several instances the mobile phone has been used to break the information vacuum created by an indifferent bureaucracy and vested interests.

What the mobile phone has done, and has the potential to do in the coming years, is a clear-cut example of affordable accessibility, the foundation of an all-encompassing inclusiveness. Its metamorphosis from a simple instrument of a two-way communication to a device of socio-economic empowerment finally sets at rest all debates on the potential of the Market for inclusiveness at a social level.

Why is Growth Such a Sticky Topic?

Yet again, it's necessary to contextualise the issue through a question. Should the primary yardstick of growth be Gross Domestic Product (GDP)? And, as a logical extension, does GDP capture all the nuances of the lives of people and communities? In short, can GDP measure the quality of life

or the vibrancy of a local economy? These questions have over the decades acquired the contours of well entrenched battle-lines that has divided the academic and policy making community. Where you stand depends on how you answer these questions.

It doesn't really serve our purpose here to get into the various dimensions of the development paradigm debate, which are academically well documented. But what requires a

critical re-look is the assumption that economic development is the only measure of growth. This is where the role of the Market in achieving a more holistic growth – better access to healthcare facilities, superior schooling infrastructure, good quality roads, skill development and overall contribution to local economy – is often ignored or marginalised under the supposedly overwhelming logic of mass production

and profit.

As Indian corporate houses transform themselves into global giants, with aspirations beyond bottom-lines, there is a large degree of awareness that growth has to be sustainable, inclusive and environmentally friendly. Just as definitions of inclusiveness and growth are changing for the better, even as we speak, the Market's interaction and engagement with these two concepts is also evolving. So much so that today Corporate Social Responsibility (CSR) seems to be too narrow a concept to capture the new social logic that is, at times, voluntarily determining the actions of Corporate India.

Take the Infosys campus in Bangalore. The last time I met Nandan it was bright Saturday afternoon, and he was still shepherding the Indian IT bell weather. After a long talk he proudly took me around the campus. Infosys has proven to the world about the quality of its intellectual resources and no one would have disputed it any brownie points if it had used its campus to just reflect its pre-eminent position in the IT sector. But it hasn't and that's what the New Indian Market is all about. The entire campus reflects the philosophy of sustainable growth – Nandan puts it down to Narayana Murthy's middle class roots.

Mohandas Pai, who is a member of the Infosys Board and Director of Human Resources, prefers to describe himself as

a “maverick who has survived only because Narayana Murthy was a bigger one”². He puts across the entire philosophy of sustainable growth in a simpler fashion. “When I remember my mother managing our house, what comes first to mind was how nothing was ever wasted,” he said. “Water used to wash vegetables always went to the kitchen garden, vegetable peels went to the compost pit, not a single plastic bag was thrown away – it was always reused, cloth bags were preferred and cobblers were respected because shoes had to be used and reused again.”

So how is Infosys walking the talk? Almost 90 percent of the water used in the campus is recycled. It must be one of the best kept secrets, for very few know about it. The entire campus is designed around a vibrant rain harvesting and water recycling ecosystem. Plastics are actively discouraged and

employees are encouraged to cycle around the campus. Of course, for those who physical fitness is slightly suspect there are electric vehicles.

The point being made here is quite straight-forward. Infosys need not have done anything of the above and it would have still remained the highly-respected company that it is today. But the new age leaders of Corporate India are bringing about a paradigm shift in the way they are conceptualising market dynamics, and as a

derivative redefining what constitutes growth. Of course, higher top-line revenues with a good bottom line still define them, but there is a change in the thought-process that is not being documented enough.

The first question that a healthy skeptic will ask at this point is whether a showcase campus is enough of a proof-of-concept to unequivocally say

that the notion of growth as dictated by the logic of market forces is being redefined in a more holistic fashion? In short, can such showcase campuses be scaled up to benefit a larger set of people? My answer to that is a yes and here's why.

Mukesh Dhirubhai Ambani, like his father, is a victim of his own success. He is portrayed as a dynamic entrepreneur, a man who squeezes out the last ounce of value for his shareholders, the architect of mega projects -- the size and scale of which astound the world. And, quite rightly so, he is measured against all of this and more. So when someone needs to give an example of Corporate India's ability to match, and surpass, global standards on project management, the Jamnagar Refinery is the first success story to be mentioned.

But what invariably gets left out in the kudos that Mukesh Ambani gets from the world is the larger impact that the project has brought in for the entire population of Jamnagar. What does this “larger impact” translate into at the ground level? Often economists following a strict quantitative methodology find it difficult to relate to so-called “softer” dimensions of growth. But it's precisely in these softer dimensions – Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR), calorific intake, nutritional levels, literacy rates – that the quality of life, which defines basic and innate humanness, can be accurately measured.

Jamnagar district's value of agricultural production per hectare, at Rs. 12,259, is the highest in Gujarat

Table 1 : Proportion of Gross Irrigated Area and Value of Agricultural Production

District	% Gross Irrigated Area	Value of Agri. Production Rs. Per. ha	Value of Agri. Production Rs. Per. Capita
Ahmedabad	31.98	5,618	655
Amreli	21.58	10,779	4,428
Banaskantha	37.59	3,934	1,794
Bharuch	17.72	2,752	704
Bhavnagar	23.12	7,736	2,108
Dangs	0.53	7,247	1,301
Gandhinagar	72.61	6,980	1,026
Jamnagar	21.10	12,259	5,091
Junagadh	24.95	15,241	4,017
Kachchh	19.49	3,039	1,581
Kheda	60.68	5,861	1,036
Mehsana	53.12	6,283	1,883
Panchmahals	22.42	3,069	549
Rajkot	31.55	10,434	3,369
Sabarkantha	40.15	3,848	1,080
Surat	46.24	15,661	1,914
Surendranagar	18.91	6,230	3,365
Vadodara	33.87	6,352	1,080
Valsad	37.45	11,372	1,624
Entire State	33.88	10,188	2,506

Source: CMIE, Profile of Districts, 2008

Table-2: Human Development Matrix (HDM), Gender Development Matrix (GDM), Gender Empowerment Index (GEI)

HDM-1		
Education	Ahmadabad, Gandhinagar, Navsari, Mehsana, Anand	Banaskantha, Dahod, Kachchh, Dangs, Panchamahals
Health	Rajkot, Navsari, Jamnagar , Vadodara, Bharuch	Dahod, Banaskantha, Dangs, Panchamahals
Housing	Ahmadabad, Surat, Rajkot, Gandhinagar, Vadodara	Dahod, Dangs, Panchamahals Banaskantha
Participation	Sabarkantha, Narmada, Surendranagar, Mehsana, Kheda	Ahmadabad, Dangs, Navsari, Surat, Rajkot
Income	Kachchh, Gandhinagar, Ahmadabad, Navsari, Valsad	Banaskantha, Dangs, Panchamahals, Dahod
HDM-1	Ahmadabad, Gandhinagar, Rajkot, Navsari, Surat	Dahod, Banaskantha, Dangs, Panchamahals
GDM-1		
Education	Ahmadabad, Gandhinagar, Navsari, Surat, Bharuch	Banaskantha, Dahod, Kachchh, Dangs, Panchamahals
Health	Rajkot, Navsari, Jamnagar , Bharuch, Vadodara	Banaskantha, Dangs, Dahod, Patan, Panchamahals
Housing	Aj,adanad. Sirat. Rajkot, Gandhinagar, Vadodara	Dahod, Dangs, Panchamahals, Banaskantha, Narmada
Participation	Surendranagar, Sabarkantha, Narmada, Mehsana, Kheda	Ahmadabad, Jamnagar , Porbandar, Junagadh, Gandhinagar
Income	Porbandar, Junagadh, Rajkot, Kachchh, Amreli	Bharuch, Narmada, Surat, Sabarkantha, Dahod
GDM-1	Rajkot, Junagadh, Porbandar, Ahmadabad, Jamnagar	Dahod, Dangs, Banaskantha, Panchamahals
GEI		
	Gandhinagar, Dangs, Navsari, Valsad, Bharuch	Banaskantha, Bhavnagar, Anand, Patan, Jamnagar

Source: Gujarat Ecology Commission Annual Report, 2009

Some informed sections of the academia and the media are aware about how Reliance Industries Limited (RIL) transformed the barren landscape of Jamnagar by planting over 1,00,000 mango trees over ten years back, while converting the farm into an independent business opportunity³. Called the Dhirubhai Ambani Lakhi Baugh, it has over 37 varieties of mango

Jamnagar’s per capita income 25 years earlier, in the year 1984-85 was 15% lesser than the state’s per capita income

and yields over 450 tonnes and, today, supplies mangoes to Harrods. But that’s not the point here. What is of consequence is that over 2,50,000 households⁴ in Jamnagar have benefited directly or indirectly from the farm. What it means at the ground level is that while the preliminary per capita income estimates for Gujarat in the financial year 2009-10 is Rs. 45,773, Jamnagar is at over Rs. 10,000 higher at Rs. 54,512. Significantly, Jamnagar’s per capita income 25 years earlier, in the financial year 1984-85 was 15% lesser than the state’s per capita income⁵. This is not to say that the refinery has not contributed to the per capita income. In fact a closer analysis does indicate the direct and indirect employment from the refinery contributes more to the local economy in

pure fiscal terms than the mango farm, but where the mango farm scores more is in terms of creating an ecologically friendly alternative economic model that is self-sustaining in its own right.

One of the innovations at the mango farm was the extensive use of drip irrigation. Table-1 gives a district-wise comparison of the proportion of gross irrigated area and the value of agricul-

tural production per acre and per capita. Jamnagar paints an interesting picture. Despite having a low proportion of gross irrigated area – its 21.10 percent compares unfavourably with Kheda, Mehsana or even an Ahmedabad, which is primarily an urban conglomeration – Jamnagar’s value of agricultural production per hectare, at Rs. 12,259, and agricultural production per capita, at Rs. 5091, is the highest in Gujarat. It’s even higher than Rajkot, which has over 10 percent more irrigated area and is an advanced agricultural market.

Gondol, which is a city in the Rajkot municipality, produces some of the best groundnuts in the country and has large oil mills⁶.

So how did Jamnagar, which less than three decades ago

was not even in the top ten agricultural markets in terms of yield per hectare and per capita income from agricultural production, rise to the top of the pile? The answer lies in what is commonly known as diffusion of innovation. Drip irrigation techniques have trickled down -- pun intended -- to most of the farmers and are today considered to be a cost effective and efficient method of water utilisation. Drip irrigation as a method also requires the adoption of several other agricultural techniques, which together have contributed to raising Jamnagar’s agricultural profile despite its overall area under irrigation being one of the lowest in Gujarat.

The second “larger impact” in Jamnagar is the result of a more direct intervention from RIL. Table II shows that Jamnagar is the top district in Health both from the perspective of Human Development Matrix (HDM) and Gender Development Matrix (GDM). To put things in perspective, three decades ago that was not the case. RIL has worked directly with the central and the state governments, in several cases evolving robust public private partnership (PPP) models, to ensure that the health infrastructure was strong not only in delivering curative care, but flexible enough to deliver preventive care. The high score in the GDM is an indicator that maternal health, which is more a function of nutritive care, institutional child birth with the right care and a health education that covers both the mother and the child, is of a high priority.

The initiatives of Infosys and RIL show that growth, particularly the one that is fuelled by market forces, is being redefined in much more holistic fashion than what the academia has been able to capture and understand. But to conclude that all market-driven growth is holistic, or will become holistic in a short while, is to live in a fool’s paradise. That is the challenge that the Market will have to surmount

A Transformational New Logic For Market

India has over 350 million people who are defined as middle class. Per capita purchasing power parity (PPP) adjusted Gross Domestic Product (GDP) is the single most common indicator used to quantify standard of living. In 2009, the per

capita PPP-adjusted GDP for India was US\$2,940. According to some estimates by 2025 the Indian middle class will burgeon to over 500 million and their per capita income, on a PPP basis, will rise to roughly US\$7,000 to US\$8,000⁷.

From a pure macro-economic point of view, it’s a rosy picture. The Indian middle class will be powerful force to reckon, second only to the Chinese middle class, and will play a major role in the propelling the global economic spending. And that’s the pie every corporate house worth its salt is vying and fiercely competing for. The logic cannot be disputed. But there is another logic that is taking root, which makes the entire mechanism of market economics empowering and, at the risk of getting brickbats, I would say democratic in nature.

This is not allude that the Indian corporate giants have suddenly developed a conscience – of course they will vehemently say that they always did have a conscience – and decided to make the dynamics of market more empowering, democratic and equitable. While the Indian middle class is a low-hanging fruit, it is the other 800-odd million Indians that

some of the corporate houses have started eyeing. And they are getting interested due to purely economic reasons like first-mover advantage, evolving micro-payment facility through mobile phones and the successful market penetration strategies of companies like Hindustan Unilever Limited (HUL), which has made the shampoo and toothpaste sachet a ubiquitous presence in the village

kiosks and shacks.

But the biggest reason why corporate India is getting interested is an increase in purchasing power of a large section of rural population, primarily dependent till now only on subsistence agriculture, from the National Rural Employment Guarantee Act (NREGA) schemes. In 2008-09, the NREGA had generated 48 days of employment per household; while the employment rose to 65 days in 2009-10. While the earning per household was Rs. 2795 in 2006-07, it almost doubled to Rs. 5500 in 2009-10⁸. With at least an average of 65 days employment – some states like Rajasthan, Tamil Nadu and Andhra Pradesh surpass the mandatory 100 days of employment by some distance – the marginal and subsist-

ence farmers have some steady income which has led to some sort of food security, livelihood enhancement and water and ecological securities.

Dr. Rita Sharma, Secretary, Ministry of Rural Development at a conference on NREGA and Water Management in the Delhi campus of Observer Research Foundation (ORF) revealed that mobile phone companies, solar energy firms and water conservation technology companies are keen to collect data from the government on the increased purchasing power of the rural population. The NREGA has resulted in financial inclusion with the opening of over eight crore new bank and post office accounts⁹. For the market forces the bottom of the pyramid suddenly makes as much sense as the burgeoning middle class.

The manner in which the Indian Tobacco Company (ITC), for instance, has been transforming itself into an agro- and food-processing based diversified company is a case in point. With its efforts to link its supply chain with the agricultural sector, where over 70% of the 800-odd million Indians are working, through initiatives like the e-choupal, the ITC is one of the first movers to try and leverage the build-up of resources at the bottom of the pyramid. Though ITC's concepts might have been slightly ahead of its time, it is well positioned today to take advantage of any build-up of capacity in the rural sector.

So, what is the new transformational logic of the market? At the risk of sounding simplistic, it's pure market economics intersecting social enterprise and rural capacity building. The academic world seems to be missing this evolution that's taking place at the ground level. This transformation has peculiar Indian characteristics, is blurring the distinction between 'commonly understood' concepts like public goods and private goods, reorienting the role of State and its institutions and is even impacting day-to-day governance.

From a policy making perspective, the transformation has to be first acknowledged, then studied and finally moulded through prescriptions and regulations to suit the larger interests of the country. Like all hybrid creatures, this one also is a mixture of DNAs -- of private profit, social good, individual greed and institutional mechanism. This evolving interplay of social needs and economic forces has the potential to transform India, but if left to fend for itself it can also turn out to be a monster that will accentuate and amplify inequalities leading to widespread social unrest.

In conclusion, the case for an inclusive market-driven growth is clear. How that potential for inclusive and holistic growth through the medium market forces is going to be achieved to its fullest possible extent is the challenge that we as nation will have surmount. [IER](#)

Endnotes and Additional Thinking

- ¹ The concept discusses business models targeted at providing goods and services to the poorest people in the world. It makes a case for the fastest growing new markets and entrepreneurial opportunities being found among the billions of poor people 'at the Bottom of the (financial) Pyramid'. The concept of micro finance can be looked at as constituting an conceptual extension of the fortune at the bottom of the pyramid as it helps the pyramid build capacity for economic activity and livelihood
- ² As quoted in the article written by the author in newspaper Daily News and Analysis (DNA) dated April 22nd, 2007 http://www.dnaindia.com/lifestyle/special_mavericks-at-work_1092311
- ³ As quoted in a Business Standard article carried by rediff.com on May 16th, 2005. <http://www.rediff.com/money/2005/may/16ril.htm>
- ⁴ Hirway, Indira. Mahadevia, Darshini. "Human Development and Gender Development in Gujarat: Some Issue." Swaminathan, R. Ed. Gujarat: Perspectives for Future, Delhi: Academic Foundation, 2007
- ⁵ Multiple sources: India Economic Survey, 2009-10, District Economic Indicators, 2008, Government of Gujarat, Personal Interviews with Prof. Y. K. Alagh, Prof. Rakesh Basant and Dr. Arvind Khudchadker
- ⁶ The oil mill owners of Gondol are considered to be so politically powerful that they are called Telia Rajas. For more information please refer to the article Power in a Nutshell written by the author published by rediff.com on December 14th, 2002
- ⁷ Planning Commission, McKinsey and World Bank reports
- ⁸ Presentation by Dr. Rita Sharma, Secretary, Ministry of Rural Development, to the Observer Research Foundation (ORF) on October 30th, 2009
- ⁹ Ibid

(The views expressed in the write-up are personal and do not reflect the official policy or position of the organisation.)

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