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GROWTH AND CHAOS

- Roadblocks in development

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The Modi government won the general election on the promise of development. Its focus in office seems to be on it. What is not in focus is also important. That is the rising wave of Hindutva and anti-Muslim propaganda. If the government is not careful this could swamp the development agenda. To repeat the development mantra: development must result in improvement in living standards, better health services that are accessible and affordable to all, more educational institutions and greater focus on their quality, improving livelihoods through a massive programme of skills development, and constantly expanding the numbers in employment. India is a country with very many poor who lack basic comforts, sometimes not even enough food, and poor services for health, education, skills development and nutrition. Clearly, any rational expectation must be that economic growth and development will result in more consumption of goods, and also of services like health, education, and so on. This must reflect in an increasing volume of the production of consumption goods (from agriculture and manufacturing). There must also be a greater availability of services.

Thus, services in the Gross Domestic Product have two aspects: those that are directly consumed and those that enable consumption. Health services, education, skills training, rail transport and other public transportation, hotel and restaurant services, retail stores are services that are directly consumed. But there is also the other aspect, that they have to be constructed. For that there has to be investment in buildings, classrooms, roads, railways, hospitals, shops and so on. This construction provides employment. A different quality of employee is required to deliver these services to the consumer.

Surprisingly for a poor country, the primary and secondary elements in

the net domestic produce (at 2004-05 prices), namely agriculture and allied products, mining and quarrying, manufacturing in both registered and unregistered enterprises have varied between 40 and 50 per cent. Transport, communications, hotels, trade, finance, insurance, real estate, public administration and defence make up the rest, and are higher than the primary products. One would have expected that, as a country develops and consumption expands to more of the population, primary products would account for a growing proportion. In this, manufacturing is low.

To quote from a forecast by Indicus Analytics, "By 2020, agriculture will become a far smaller part of the economy and will finally account for less than 10 per cent of the Indian economy. Together, agriculture, mining and manufacturing would account for barely 25 per cent of the GDP; services would be three-fourths of the Indian economy. The utilities (electricity, gas and water supply) will grow but not by that much... The percentage share of food and related products in total household consumption would fall from 40 per cent now to 34 per cent in 2019-20. Transport, education, health and recreation would all be among the most rapidly growing items of consumer expenditures."

For those among the large number of very poor at the bottom of the income pyramid, buying manufactured products will be spasmodic and of low-priced items. We can safely say that the growth of the economy over years has been, and will continue to be, driven by the growth in non-physical goods, what are loosely called 'services'.

Let us now shift gear and consider what can come in the way of this growth and development. Clearly, it will first be the speed with which the capability to deliver services is created. Second will be the quality of delivery of the services to the final consumers. In both we are already experiencing serious problems. Construction of infrastructure services is tardy: power plants, roads, metros, flyovers, mining, mass housing, to name a few. This can be seen and experienced in all parts of India. The situation has got worse in the last ten years.

What is worse is that even when at last ready, the quality of the construction is usually poor and requires frequent spending on

repairs, renovation and even reconstruction. We have seen this with national highways, metro projects, power projects stranded without fuel, and more. Delivery to consumers is getting worse. Railway and bus travel, air travel, many hotels and restaurants provide deteriorating service to the consumer. This is concurrent with the expansion in demand and availability. There is a considerable gap in the availability and use of the training that service delivery demands. A good example is the airlines business. Air India was once the epitome of good service. That has not been so for many years. Jet Airways grew rapidly with good and punctual service. No longer. One can say this of almost all airlines. At some point in their growth they are unable to coordinate and maintain the quality of service delivery. We can multiply this experience to almost all other service sectors.

A new player in the services sector is the instant delivery of products ordered on the internet -- Amazon, Flipkart, Big-Basket and others. In a country where urban demand is growing fast and there is a lot more disposable income, the problem for consumers is the difficulty of commuting because of dense traffic, the still fairly low ownership of personal transport, and the convenience of ordering from home if the quality is guaranteed. The trick is in adequate product descriptions, guarantees that an unacceptable product will be taken back and the money returned, and prompt delivery. Such companies develop their own delivery services instead of depending on the postal services. Again, there is need for training on a continuing basis and adequate supervision to ensure that there is no slippage in service.

We have come a long way from the composition of the GDP. It appears however that there will be a symbiotic relationship between manufacture of products and their delivery through various services. This will also penetrate rural markets as it did in the United States of America. The ease of ordering and delivery will add a fillip to manufacturing. If the millions of small and cottage producers can join this delivery network, it could do their businesses much good. The concurrent development of infrastructure, both physical and in terms of education and skills development, is essential. After all, the odd composition of GDP in a poor country, where one would expect manufacturing products to grow fast, may just be what is needed in our chaotic country.

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