

# Preface

## *Structure of the book*

Economic development is generally viewed as a continued socio-economic growth associated with a set of interrelated changes in the structure of an economy. These changes involve the composition of domestic demand, production and employment as well as the composition of foreign trade and capital flows. These ongoing structural changes taken together define the societal transformation of the predominately *traditional* socio-economic system to a predominately *modern* one. In a closed auto-centric capitalist economy or a fully planned socialist economy, the highest degree of *articulation* among a society's modes of functioning may exist. However, in reality, a certain degree of 'disarticulation' of any type (sectoral or segmental) exists in the societal formation of almost every society—economically developed or less-developed. But the degree of *disarticulation* is usually more acute in the case of emerging/developing countries that are in the transitional phase—from a predominantly pre-capitalistic or pre-socialistic 'traditional' society towards a 'modern' one. As a result, *structural dualism* has become, in reality, a common feature at the very aggregate level of these disarticulated societies. The co-existence of a *modern* and a *traditional* segment does exist side by side within the same geographical territory of almost all the developed and the emerging/developing societies. Although the degree of co-existence in the form of *structural dualism* varies from society to society, there is, of course, no doubt that this is much more accentuated in the case of the emerging/developing societies.

Chapter 1 focuses on the concepts of societal articulation or disarticulation (segmental/social), economic equilibrium (market/system), nature and laws of dualistic societies, as well as main characteristics of a dual economy. During the transitional phase of the contemporary emerging/developing countries, their political authority or regime has been mostly applying the ideology of either *state capitalism* or *state socialism* in order to guide the future course of socio-economic development. The regime under *state capitalism* borrows socialist ideology—political (one-party state, socialist rhetoric, etc.) and economic (state ownership, planning, etc.)—to accomplish capitalist ends, i.e. the realisation of profit on the basis of exploitation of the wage labour within a class society. The regime under *state*

*socialism*, especially involving a public–private mixed economy, makes effort to incorporate capital into the State by negotiating with the capitalists and without adopting any mechanism of labour repression.

Regarding an appropriate development strategy, every emerging/developing country still needs to follow a judicious combination of both planning/policy and market mechanisms. However, the variation in degree of such a combination depends on the circumstances objectively existing at a given historical moment, particularly under the contemporary globalising forces that began to be felt since the early 1980s. It is often argued that the path of socio-economic development under globalisation is becoming mostly a ‘compressed’ one in many developing/emerging economies. This compression has been the result of both blurring the stages of development as well as the simultaneous occurrence of industrialisation and de-industrialisation under the globalising forces. Towards the end of Chap. 1, recent decades’ economic outcomes of the development strategies followed by China and India have been compared, given that they have been primarily following opposite political ideology, although they are world’s two most populous countries and happen to be in Asia. Apparently, from the historical point of view, the path of socio-economic development in China has followed the traditional stages: from agricultural development to industrial development, and then to service sector development, although the industrial sector development has been so fast during the recent decades that it is unparalleled in the world history of industrialisation. In the case of India, the service sector development in the recent decades seems to have leapfrogged the industrial sector development that has been somewhat slow over the decades.

The history of China’s economic reforms since 1978 illustrates that China has come a long way since the days when entrepreneurs were banned and central planning dominated economic life. Her continuous experimentation with market-based development—spontaneous marketisation—has certainly been a proven means for her recent economic prosperity. Today entrepreneurship is taught in Chinese universities, markets set most prices and trade is seen as the way to prosperity. The contemporary Chinese State has essentially been a regime based on State capitalism within a *one-party* political system, which has helped in advancing its economic growth very rapidly in the recent decades. On the other hand, the Indian State, although had initially planned to build a ‘socialistic pattern of society’ after its independence in 1947, but essentially has ended up with a State controlled mixed economy within a democratic *multi-party* political system. Its mixed economic structure jointly with public and private sectors had, however, little success in achieving continuously the targets of planned economic growth until very recently and only during a few of years over the past two decades or so.

The rest of the chapters are focused on growth and development processes exclusively of the Indian society over the past 70 years (1947–2017). The structural forces that the Indian society inherited from its pre-colonial and colonial past had contributed primarily to its *social disarticulation* i.e. essentially a mismatch between the rate of economic growth and the distribution of income from the economy’s demand-side point of view. After the independence from the British

colonisation over nearly two centuries, the Indian government's initial development strategy was of higher agricultural growth as a preparatory task for industrial development, but soon the plan strategy turned to growth in heavy industry. Despite India being a labour-surplus agrarian economy, its agricultural sector development strategy was nowhere near a comprehensive one. The initial planning process of such a supply-side focused growth strategy within a mixed economic framework contributed to a periodic, shorter-run maladjustment in social allocation of capital, which led to a shorter-run segmental/sectoral disarticulation in the form of disproportionalities at different levels of the Indian society. The disproportionality at the macroeconomic level and particularly because of low effective demand became prominent. From Chap. 2 onwards, the concept of *structural dualism* as a snapshot of the above dynamic process of disarticulation has been used. This approach follows the footsteps of the earlier generations of development economists who were very concerned with the society-wide holistic development of the decolonised less-developed countries with acute *structural dualism* during the post-Second World War period. Because growth rate of employment generation could not keep pace with growth rate of labour force over the past seventy years, there has been hardly any sizable dent on the intensity of *structural dualism* in labour surplus Indian economy. The focus on *structural dualism* is, therefore, expected to serve the book's purpose of analysing Indian society's overall achievement or failure in terms of firstly, the periodic integration of its *unorganised* (or *traditional*) segment into its *organised* (or *modern*) one, and secondly, the application of information and communication technology (ICT) for bridging its *digital divide*. While the former has direct implications for tackling *structural dualism* through socio-economic channels (e.g. direct measures for poverty eradication, resource and income redistribution across states/regions), and the latter has indirect implication for the same through technological channels (e.g. setting up of Community Information Centres, making Government services accessible at affordable costs through National e-Governance Plan, and technology-enabled Direct Benefits Transfer to the social welfare recipients).

Chapter 2 identifies major structural changes and analyses their consequences as a result of India's development plans (long-term) and economic policies (short-term) adopted during 1947–1980. In order to see any clue for the genesis of prolonged *structural dualism* in modern India, the author has looked back to its planned development strategies/policies since her independence in 1947 and until the contemporary globalisation that begins roughly around the very early years of 1980s. This period has been divided into two phases of India's economic strategies/policies:

*Phase I:* Planned development strategies/policies under the Nehru era (1947–64);  
*Phase II:* Dilution of industrial licensing system and import policy, and more controls (1965–79).

Chapter 2 also examines the widely discussed two major socio-economic consequences of *structural dualism* during the period from 1960 to 1980: (i) industrial

deceleration during 1966–79, and (ii) widening development disparity among the Indian provinces or states during 1960–80. The implications of these consequences in terms of the accentuation of India's *structural dualism* have been elaborated in this chapter.

It is often argued that various aspects of *globalisation* are intentional and reflexive, many globalising forces are impersonal and beyond the control and intentions of any individual or group of individuals and even many developing/emerging countries. In response to the contemporary globalisation process, economic liberalisation has been taking place in India—a labour surplus dualistic economy—since the early 1980s. Although India's economic liberalisation during the 1980s was slow, more comprehensive policies of economic liberalisation and social sector development had been adopted by the Indian government under different major political parties or their coalitions since the early 1990s. Chapter 3 records the economic policy changes that have been made by various governments since 1980, which have been divided into three phases:

*Phase III: Policy changes towards liberalisation (1980–90);*

*Phase IV: Policy changes towards comprehensive liberalisation (1991–2004); and*

*Phase V: Policy initiatives under comprehensive liberalisation (2005–17).*

Many argue that the adoption of comprehensive economic reforms in July 1991 was initially, in many ways, erratic, hasty and unplanned. According to the critics, it had eroded the role of the planning process and aggravated the social problems of unemployment and poverty, and had also increased India's external vulnerability especially during the post (comprehensive) liberalisation period of the late 1990s. After highlighting the nature of various changes in the Indian economy, the author has examined the validity or otherwise of the arguments that prevailed then in the 1990s and also the later ones that have emerged afterwards in the twenty-first century. Although the share of the organised segment in India's net domestic product (NDP) (at factor cost) has increased from 30% during 1980–81 to 44.7% during 2012–13, its share in employment has continuously remained very low within a range of only 5 to 9% of total labour force over almost the same period. It continuously declined from 7.89% in 1991 to 5.70% in 2006 before it marginally increased from 5.80% in 2006 to 6.27% in 2012. Consequently, despite the unorganised segment's continuous decline in its share in NDP, it continues to contain over more than 93% of India's labour force (predominantly in the form of self-employment and/or disguised unemployment).

Chapter 3 also closely looks into an often-quoted argument that economic liberalisation in India and its deepening involvement in the process of economic globalisation have created several related adverse trends such as reduced/stagnant employment generation, greater casualisation as well as feminisation (especially in construction and transportation sectors) and deskilling of the work force in general, which have caused erosion of living standards particularly of the impoverished sections of India's unorganised segment. These trends have also given rise to growing income inequality in general and increased regional disparities in particular,

because the diversion of industrial benefits going mostly to the industrially advanced states. Despite India's self-sufficiency in food-grain production, about 21.9% of its population was estimated to be below the poverty level in 2011–12.

Towards the end of Chap. 3, there is a short section on demonetisation policy adopted by the government in November 2016 as well as the introduction of Goods and Service Tax (GST) rolled out on 1 July 2017. While the demonetisation is expected to have potential for integration of a part of the unorganised segment into the organised one, similar implication of the introduction of GST seems to be minimal at least in the short run.

As has been noted in Chap. 2, India's prolonged *structural dualism* with the *unorganised* segment's contribution to the net domestic product (NDP) remained virtually constant around 70 percentage even after three decades of the so-called planned economic development and until 1980. This state of socio-economic under-achievement, as reflected on more than 50% of people living below the poverty line during the 1970s, led the Indian planners to search for an alternative development strategy.

Chapter 4 starts with the government's adoption of a strategy of 'Direct Measures for Poverty Eradication' in the Sixth Five Year Plan (1980–85). Since then, starting with special employment programmes in the 1980s, and then subsequently several social sector development programmes have been in operation targeting both the rural and urban poor. During the 1990s, along with the adoption of economy's comprehensive liberalisation policy, the government committed to an expansion of the scope and coverage of direct poverty reduction programmes. Recognising the importance of proper utilisation of human resources, the government launched a number of new schemes related to the fields of education, health and family welfare, housing, water supply, sanitation and employment generation expected to contribute towards the goals of improving the quality of life and ensuring social justice. There had been a substantial increase in the Central Plan Assistance allocations for social sectors and poverty alleviation programmes. Successive governments continued executing several key projects and legislations, including the National Rural Health Mission (2005), National Rural Employment Guarantee Act (2005) and Unique Identification Authority of India (2006). Understanding that social inclusion requires financial inclusion as an essential condition, and disbursement of benefits needs a systematic channel, the Pradhan Mantri Jan Dhan Yojna (PMJDY), the biggest financial inclusion initiative in the world, has been launched by the current government in August 2014. The current government has also adopted a multipronged policy approach to enable skill development.

Although there has been a steady increase in the social sector expenditure in Central Government's total plan expenditure, total public sector expenditure on important social sector heads (such as health and education) remains low compared with international standards and even with many Asian neighbours. During the post-comprehensive liberalisation period, the Indian governments have also been very concerned of India's continued regional inequality alongside with its increasing GDP growth rates. Chapter 4 has a detailed analysis on the distribution

of Central Plan Assistance to the provincial states during 1980–2014. The financial resource transfers to the states had followed a set of criteria that had been revised over time; such transfers took place until 2014 through fund disbursal by the Central Government via two channels: (i) grants, loans and advances (plan and non-plan) decided by the erstwhile Planning Commissions; and (ii) a share of central taxes stipulated by the Finance Commissions. These funds constituted a strong redistributive element for dealing with regional inequalities and had played a crucial role in correcting fiscal imbalances between the Centre and the states (general and special categories).

Coming to power in May 2014, the current government has updated/initiated a number of social sector-related development programmes with a vision of attaining an inclusive society via proper delegation of responsibility for managing them in co-operation with different levels of government (centre, state and local) as appropriate (*co-operative federalism*). The idea of *competitive federalism* has been later on added to the initial amalgam of government's policy objectives in order to make the states compete each other not only for the attraction of investments, but also for the better provision of public goods and services. As the current government turns three in May 2017, a number of social welfare schemes have been found successful by reaching out to the poorest of the poor. These include (i) Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)—the inherited one from the previous governments, but recast drastically by the current government; (ii) Assistance to Disabled for Purchase/Fitting of Aids/Appliances (ADIP) scheme has become very effective particularly for the elderly people below poverty line; and (iii) Pradhan Mantri Ujjwala Yojana (PMUY) launched by the current government with the objective of providing clean cooking fuel to all parts of India.

Chapter 5 utilises an analytical composite framework of actor-network theory (ANT) and national innovation system (NIS) approach to capture the essence of the socio-economic dynamics of the evolution of the ICT industry in India. The basis of ANT is the idea that society and technology are composed of networks linking various actors and actants, while the policy-oriented approach of NIS focuses on national-level analysis for examining the impact of technology on society. The development of the ICT industry in India has been receiving considerable state support since the 1980s. Over the past three decades, the policy-makers have felt an urgency for connectivity of India's vast rural unorganised/informal segment with the counterpart of organised/formal segment initially through telecommunication technology and then through mobile telephones, Internet and other wireless technologies.

Along with a comprehensive coverage of the origin and growth of the Indian ICT industry, this chapter focuses particularly on the growth of India's ICT-enabled service sector that began to evolve in the early 1990s. Software development and information technology-enabled services (ITeS) including business process outsourcing (BPO), business process management (BPM), software engineering R&D services and product development has emerged as one of the most dynamic and vibrant sectors in India's economy. The growth of ICT service industries in general has created employment, higher urban consumption growth

and increased demand for technical education, at the both national and regional levels. During the 2000s, there have been various government incentive policies as well as initiatives adopted for bridging the digital divide between the technological haves and have-nots, and also between ICT-intensive and ICT-deficit states.

After recognising the potential of broadband services in the creation of an enabling environment for promoting a knowledge-based society, government had announced a broadband policy in 2004. In order to make sure that the benefits of ICT-related services reach the common people across the country, the government had also announced a programme in 2004 to establish State Wide Area Network (SWAN) up to the block level in 35 states and union territories for providing connectivity for e-Governance, along with setting up of Community Information Centres (CICs) in hilly, far-flung areas of the north-east and Jammu and Kashmir. In 2006, the government approved the National e-Governance Plan (NeGP) for making all government services accessible to the common man in its locality at affordable costs. In 2011, a project of National Optical Fibre Network (NOFN) was approved for providing broadband connectivity to India's approximately 2.5 lakh *gram panchayats* (village governance units). In the same year, another project on the establishment of National Knowledge Network (NKN) as an ultra-high speed backbone for e-Governance was also approved by the government.

In 2012, the Government constituted a high-power National Committee on Direct Cash Transfers in a bid to ensure that benefits flowing out of various governmental welfare programmes go to individuals' bank accounts electronically, curbing pilferage and duplication. Along with the Unique Identification Development Authority of India's (UIDAI) *Aadhaar* programme, the Direct Benefits Transfer (DBT) scheme was rolled in 2013 initially in several identified districts before it was widely applied across the country.

Coming to power in 2014 on the promise of good governance and development for all, the present government continues the previous e-Governance initiatives undertaken by various State Governments and Central Ministries. Recognising the need for further penetration of ICT services domestically, this government envisions 'Digital India' strategy as an ambitious umbrella programme to prepare India for knowledge-based transformation. One of the important components of this programme is the empowerment of the people through availability of entitlements coupled with Aadhaar Authentication Platform. A National Rural Internet and Technology Mission (NRITM) for services in villages and schools, and e-Kranti for government service delivery are the important ones amongst other initiatives. The current government has expanded the previous government's *Aadhaar* program by introducing a potential large-scale, technology-enabled, real-time Direct Benefit Transfer (DBT) system, namely the JAM (Jan Dhan-Aadhaar-Mobile) number Trinity solution. The JAM Trinity is meant to drive the financial inclusion measures as well as make various payments secured through Mobile connectivity, although protection of personal data has been a challenge.

Chapter 6 summarises the recent trends in the Indian society such as overall jobless growth, mass dependence on social sector subsidies, under-funded health and education sectors, relatively higher digital divide, gradual loss of faith on

democracy, and above all increasingly high unproductive military expenses. It is concluded that due to these trends, it is unlikely that the intensity of India's *structural dualism* will be substantially reduced in the very near future.

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