THREE IS A CROWD

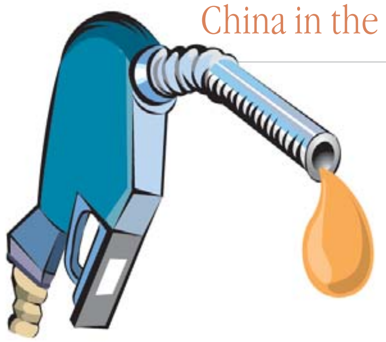
Fifteen years after liberalisation, the 3Ps of poverty, pollution and population continue to plague India

Sunder Ramaswamy

On August 14, 1947, Jawaharlal Nehru, delivered the famous speech, "Long years ago we made a tryst with destiny, and now the time comes when we shall redeem our pledge.... The service of India means the service of the millions who suffer. It means the ending of poverty and ignorance and disease and inequality of opportunity. The ambition of the greatest man of our generation has been to wipe every tear from every eye." All of us familiar with development outcomes in India would agree that despite substantial accomplishments in many fields prior to the start of liberalisation in 1991, and more so under the new economic climate, these tasks that Nehru and most policy-makers since his times have dutifully voiced, remain unfinished. For sure, the intensity of many of these deprivations has been reduced, but to paraphrase one of Nehru's favourite poets, Robert Frost, "India still has miles to go...."

Our perennial problems of the 3Ps—population, pollution and poverty—remain but we have made notable

553 m metric tonne of oil equivalent was India's energy consumption in 2003, compared to 1,410 m metric tonne for China in the same period



100 m mobile phone users in India in 2006, compared to 194.5 m in the US in 2005

Rs 1,81,000 cr is what India attracted in FDI till 2004, while China received Rs 11,39,000 cr for the same period

BANDEEP SINGH

71 days and 11 procedures are required to start a business in India, compared to just 5 days and 5 procedures in the US

Rs 14,862,000 cr was the total purchasing power of Indian households in 583 districts and 100 urban centres in 2003, almost twice the 1999 figure of Rs 7,634,000 cr

Rs 7,85,000 cr the value of India's forex and gold reserves. It's Rs 43,00,000 cr for China.

2% loans written off in India, compared to 20% in China

576 bn passenger km were covered by the Indian Railways in 2004-5, compared to 571 bn by the Chinese railways

264 hours taken to prepare and pay taxes by an Indian enterprise, compared to 325 in the US

33 is India's Gini Index, a measure of income inequality on a scale of zero (perfect equality) to 100 (perfect inequality). At 41,45 and 59, it is higher for the US, China and Brazil, respectively

Rs 1.5 lakh* the per capita income in India; it's Rs 19.4 lakh in the US. This means an average family of four in India brings home Rs 6.1 lakh annually, compared to Rs 77.7 lakh in the US

670 m share transactions are held every day on BSE and NSE, compared to 3,450 m in the US on Nasdaq and NYSE

All figures have been rounded off.
** per capita income is in purchasing power parity terms*

Rs 25,60,000 cr market capitalisation of stock exchanges in India in 2005, it was Rs 36,30,000 cr in China. Sensex touched a record high of 12,611.71 points on May 11, 2006, and a low of 8,929.44 on June 13

Rs 1,86,000 cr worth of India's service exports in 2004, up from Rs 21,400 cr in 1990, an 870 per cent rise. For China, it was Rs 2,90,000 cr in 2004, up from Rs 26,700 cr in 1990, an 1,080 per cent rise.

65.8% of GDP was India's total debt in 2004, compared to 38.1% for the US and 70.7% of GDP for France

64% is what consumption accounts for in India's GDP, compared to 55% in Japan

260 m Indians live on less than Rs 50 a day

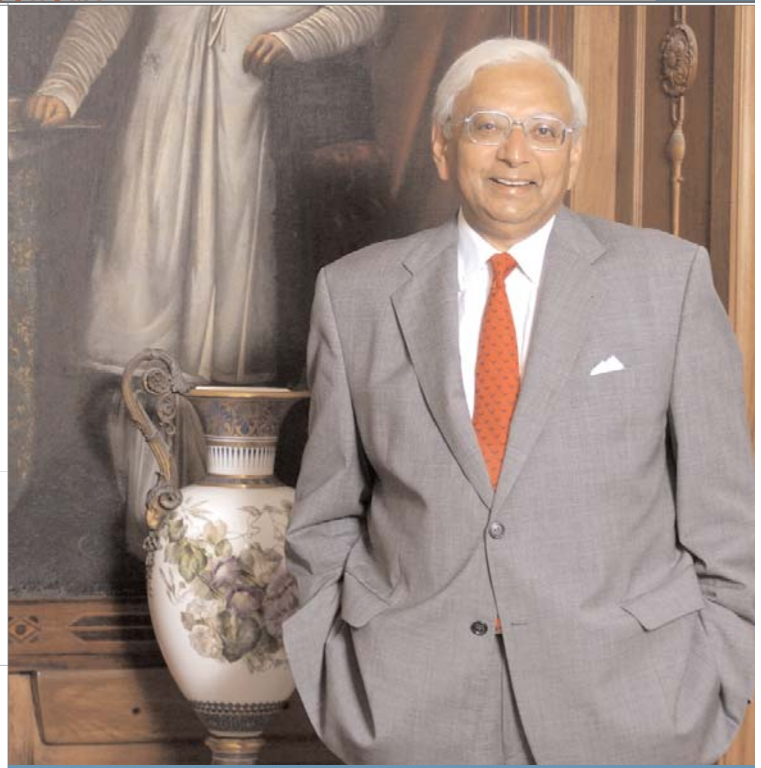
3 motor vehicles per km of road in India, compared to 36 in the US and 48 in Russia

strides. We can also rattle off the accomplishments of the last decade—all enviable, when contrasted with experiences in other parts of the developing world like a strong 6 per cent plus growth rate, relatively low inflation, high savings rates, large foreign exchange reserves, explosion of choices for consumers, worldwide presence in particular sectors like ITES—the list is long and creditable. However, most economists would agree that to sustain this, we need to maintain a stable macroeconomic umbrella under which the economy at a micro level has to be dynamic.

India's pride in the developing world has been its longstanding commitment to empowering its democratic institutions. But it is a sobering proposition when our very own Capital, set to host the 2010 Commonwealth Games, has to worry about having shops shut at 7.30 p.m. because of power shortages. Fifty-nine years after Independence, and 15 years after unleashing market-friendly reforms, we still face problems as far as infrastructural development is concerned—whether it is physical infrastructure (like roads, power, ports) or civic (like hospitals, potable water, schools). The focus should be not only on outputs, that are physical, and outlays, which are monetary, but also on outcomes. And for that there should be proper assessment, and investment of money, effort and expertise.

The distinguishing feature of a less-developed economy is typically taken to be its dualism. "Dualism" refers to the common situation where a developing economy consists of a small, high-productivity "modern" industrialised sector and a large, "primitive" agricultural sector. In modern India's context, dualism simply juxtaposes the hi-tech boom areas with the vast tracts of the economy that have barely been touched by post-1991 reforms. Catchphrases like India Shining, Bharat Gloomy,

BHASKAR PAUL



TAKING STOCK: Brokers like Premchand keep the dream alive

A Broker's Legacy

As the fourth generation of Mumbai's oldest business family, the 61-year-old chairman of Premchand Roychand Group, Sushil Premchand embodies India's spirit of enterprise dating back to the nineteenth century. The group's founder, Premchand Roychand, was one of the pivots of Bombay's economic activity in the 1850s, when merchant princes Jamsetji Jeejeebhoy, Jamsetji Tata and David Sassoon energised Indian capitalism.

With 318 members and a membership fee of Re 1, Roychand along with other founders established the Bombay Stock Exchange. This was when trading was conducted under the shade of a banyan tree in front of the Town Hall. He became one of the leading brokers of his time, assisting in framing conventions, ground rules, and procedures for trading, which are respected even today.

Moving from Surat to Mumbai, he founded many institutions after having entered the lists as a stockbroker at the age of 18 in 1849. But it hasn't been an easy journey for the Premchands, having faced many ups and downs including bankruptcy in 1860 due to the Back Bay Reclamation Scheme. For the group's current chairman, though, it has only reflected the history of stock trading in India. As he puts it, "In the early days, the stock exchange had no regulations but only reputation, and that continues even today".

by Malini Bhupta

Malls for All

Shivnarayan, a farmer from Gudbela village, Sehore district, Madhya Pradesh, knows his economics. He shops mostly at Chaupal Sagar near Sehore—a branch of ITC's chain of rural malls—and he's here to pick up fertilisers for his soyabean crop.

The first Chaupal Sagar was launched in village Rafiqganj in Sehore on August 15 two years ago. Three more malls followed over the next year or so—in Vidisha, Mandsaur and Mhow, near Indore. Chaupal Sagars offer prices lower than other retail outlets and have outstripped any other supermarket in the state capital, Bhopal, in terms of range, scale and volume. Manohar, a regular Chaupal Sagar visitor from Bhavkhedi village nearby, says, "The cost benefit we get here is incomparable." That means more bang for the buck for its rural customers.

They are such a hit that frequent travellers on the busy Bhopal-Indore highway often stop by to pick up goods. "I first stopped by when we ran out of tissues while travelling last summer," says Gomati Bhardwaj, an executive with a private sector bank in Indore who frequently zips down to Bhopal by road. She prefers to have a cup of coffee at its spacious and hygienic cafeteria and usually picks up a little knick-knack every time she travels.

From garments, cellphone handsets, watches, shoes, motorbikes, to fertilisers, pesticides, food processors and toiletries, the offerings are almost limitless. At the time of its launch itself the one-stop-shop notched up a daily turnover of Rs 70,000-80,000. The average footfall per day last Diwali was over 2,000 and the sales exceeded Rs 2 lakh.

by Ambreesh Mishra

PANKAJ TIWARI

SPOILT FOR CHOICE: A farmer shopping at Chaupal Sagar in Rafiqganj

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number of airports in India, compared to 14,883 in the US. AAI handles 59 m passengers annually, Atlanta airport alone serves 80 m

5,58,000

sq km was the total land under irrigation in India in 2003, compared to 5,45,960 sq km in China

smack of election sloganeering, but also capture the essence of "dualism" in 21st century India. Implicit in this "dualism" discourse is not just a reduction of the gaps between the haves and have-nots, but ensuring that all sectors and segments of the economy are above some minimally acceptable level of quality of life. I dream of being able to fly over India in a hot air balloon, land in any urban or rural centre and expect to lead a good life. Sure, some areas will have more choices and varieties but all should strive for a minimally acceptable threshold of quality, which itself will change as we develop. This is the only way to ensure that we do not become a society where small islands of excellence, prosperity, and possibilities are surrounded by a sea of mediocrity, deprivation, and discontent.

As I write this, the Indian cricket team is preparing to embark on a tour of Sri Lanka. I have often felt that our "reading" and commentaries on the Indian economy match our obsession with the national pastime. Just as the performances of the team manage to thrill us one day, only to frustrate us the next, so does the economy.

So just as it should be with cricket, let us not get carried away by the hype, whether it is the Goldman Sachs' BRIC report or one more lament about the BIMARU states. The ongoing process of reforms is a momentous challenge facing this generation filled with endless possibilities. Let us acknowledge the positives of our accomplishments and focus on meaningful reforms.

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