

# Modi's India: Gujarat and the Illusion of Development

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**This Guest post by SHIPRA NIGAM is a review of a volume of essays edited by Atul Sood *Poverty Amidst Prosperity: Essays on the Trajectory of Development in Gujarat* (Aakar Books 2013).**

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This volume of essays is the outcome of a detailed study by a team of contributing research scholars led by Atul Sood. This timely evaluation provides an insight into many crucial questions: What are the constituent elements of Gujarat's growth story? To what extent can the successful features of Gujarat's growth story be attributed to the political regime fashioned by Narendra Modi? Is it possible to replicate even this limited success story at the national level – as Modi's starry eyed upper and middle class following would like to believe? More significantly: what are the implications of Gujarat's Development Model in terms of its sustainability and its desirability? What happens when we assess this development through a set of comprehensive measures, judge its implication for the average citizen's material wellbeing, and see what it means for the political and economic rights of citizens?

The study proceeds through a meticulous examination of existing official data sources on investment, infrastructure, agriculture, manufacturing, employment, poverty, inequality, education and health expenditures and a set of other indicators of development. These are then used to explain various developmental outcomes in the state in relation to national averages and the performance of other states which have also experienced high growth rates recently, such as Maharashtra, Haryana and Tamilnadu. Atul Sood's cogently argued and insightful introduction brings together the different strands of the study, weaving the detailed findings into a coherent narrative. The picture that emerges interrogates both the normative implications of the 'Gujarat development model', and offers a powerful critique of its actual performance even judged in terms of its own self projections.

Unsurprisingly there is little that is new in Gujarat's developmental model. Its market led growth operates within the new-liberal paradigm that has for some decades been touted by the IMF, World Bank and inc as the panacea for all ills in developing countries. It is a frame that has been widely contested, critiqued and discredited for its abysmal failure in bringing in sustainable, equitable and participatory growth within the developing world. In fact, the paradigm has been held responsible for inducing and aggravating the enormous difficulties faced by many of the developing countries. As the analysis in the book confirms, the 'Gujarat Development Model' is nothing more than a fervent

adaptation and implementation of this chosen path favoured by the Indian state itself since the mid-1980s. Hence, along with the imminent candidature of Narendra Modi as BJP's prime ministerial nominee, the celebration of this developmental model by India Inc assumes ominous significance .

### **An Investment Fatigue?**

The initial chapters by Ruchika Rani, Santosh Kumar Das, Pankaj Vashist and Gaurav Arya explore various aspects of Gujarat's GDP growth, investment flows and infrastructure development. While Gujarat's average GDP growth rates in the past decade are higher than the national average and slightly above those of other high performing states, the gap has been narrowing overtime, which also coincides with an '*investment fatigue*' that has set in recently. Since Gujarat's infrastructure is not markedly different from other industrially competitive states, the substantial difference in investment levels is frequently attributed to the 'investor friendly governance structure'. For instance, the biannual 'Vibrant Gujarat Global Investors Summit' is often highlighted as an example of the state's proactive role in promoting investment. However its success seems to be waning in recent years. Out of the total MOU's signed under these successive summits, the share of projects implemented and under implementation have continuously declined from about 73 % in 2003 to 13% in 2011. Moreover, the state's share in investment intentions in terms of IEMs ( Industrial Entrepreneur Memorandum), letters of intent (LOIs )and Direct Investment Licences (DILs) has declined from early 20's in percentage in 2005 to less than 10 % in 2011. A slowdown in overall investment climate, saturation of best investment opportunities and a more realistic assessment of the 'efficiency' of the state administration – are all posited by Sood as the possible explanations behind this decline in both investment and output growth in the most recent years. So the sustainability of even the much vaunted higher growth rates and investment flows has increasingly become suspect. To put it another way: the investors are also suspicious of the sustainability of returns.

### **Whose developmental vision is it anyway?**

Far more damning is what the book reveals about the growth story itself. It shows how the state renounces any responsibility of ensuring growth with equity when it relies entirely on the play of the market forces and on private investors to meet its development needs. As Sood points out, In Gujarat this has entailed that **the investor is no longer just the source for resources but the one who determines the priorities of development and this has had serious consequences for the sustainability and distributive justice of the entire growth process.** The path of growth, its trajectory, is not defined by the state, or any planning body of economists; it is decided by investors, financial institutions, and corporate firms. The book shows how the economy of Gujrat has been given over to the corporates. They invest in it and they also sing all the praises of the development model.

37% of the total investment in Gujarat in the last two and a half decades has been in infrastructure development. The state's infrastructure development strategy involves two basic components: 1)promoting private intergrated investment to develop ports, rail, road and power sectors and 2) developing large enclaves for industrial and service sector growth as 'greenfield sites' with world class infrastructure. In all cases this is sought to be done through massive concessions, rebates, subsidies and even direct handing over of financial control over revenues to attract the private sector. These include initiatives like the Investor Support Systems (ISS), the Public Private partnership (PPP) model, establishment of Special Economic Zones (SEZs) and Special Investment Regions (SIRs) to create 'world class infrastructure' and several mega projects (units with minimal

investment of 1000 crores in core industrial sectors and 5000 crores in infrastructure projects). The 2009 industrial policy of the Gujarat state locates these initiatives within a larger central government framework to create Delhi-Mumbai Industrial Corridor (DMIC), utilizing its coastal proximity and geographical location within this project. The DMIC plan itself is full of references to setting up industrial areas and infrastructure in Greenfield sites at Dhar, Pune, Alwar, Surat, Rewari and Muzzafarnagar and is integral to Gujarat's own infrastructure and development strategy.

So what's the big problem over here? – the same as with all such green field projects which instead of strengthening infrastructure where it is needed, prefer to establish development enclaves neglecting existing human habitations, *with serious implications for equity and huge environmental and human costs*. For instance, the DMIC plan on groundwater indicates that Gujarat would have to allocate water for industrial uses by diverting water away from irrigation and domestic purposes. Further, the plan envisages migration figures of 94 million workers by 2039. But nowhere in its sweeping grandeur does the plan state how the consequent multiplication of urban demand for scarce water and other resources would be met, how would the water be distributed and who would pay the price? But the answers are not difficult to guess.

In implementing this development strategy Gujarat has sought private investment across the board. Key sectors – traditionally held to be the preserve of the state – such as ports, roads, rail and power have been handed over to corporate capital. This has meant, inevitably, that *the government has abdicated all decision making powers, as well as functional and financial control over such projects*. Nowhere else in the country has this abdication of responsibility been so total, nowhere else has the state given over the economy so entirely to the corporates and private investors. For instance, the BOOT (Build Own Operate Transfer) policy initiative for port development involves royalty holidays instead of revenue sharing, permission to investors to adjust royalty against capital costs, freedom to developers to collect charges and tolls, land acquisition for private investors, 30 year window to make profits, special arrangements of forward linkages to private consortiums and SIRs and so on. The policy restricts the role of government to minimum and allows complete operational and tariff freedom to the investor. Not surprisingly, Gujarat leads the country in terms of private investment flows in projects implemented and underway for port development. Private initiative is similarly promoted in case of development of roads and railways under the PPP mode. Most of the investment in expanding the communication networks has gone into improving access of new ports, SEZ's and SIR's falling in rural areas, with most connectivity gains from the vantage point of human habitations coming from Central funds (under PGSY). Similarly the upgrading of 630 km of rail tracks from narrow gauge to broad gauge has also meant improved rail connectivity to ports.

Again in the case of the power sector, huge concessions in terms of tariff and transfer of operational control to private sector through legislative changes has resulted in substantive private investments in power plants and a 34% increase in overall power generation. But this has been achieved largely through an increase in the capacity of private *captive power plants for industrial use*. The power tariff structure also favors commercial and industrial use over agriculture when compared with national averages. Thus, as Sood points out:

“Road and rail expansion is less focused on increasing access of human settlements but more about improving and strengthening access to SEZ's and minor ports... In addition the private investment in infrastructure is dovetailed and integrated with the industrial corridor, which in itself is suspect in terms of gains it will bring to the local people and its implications for groundwater in water scarce regions... Gujarat seems to have internalized the two falsehoods mentioned earlier, to turn to private sector for addressing infrastructure and second to give preference to 'Greenfield sites' rather than address the aggregative challenges of infrastructure inadequacy.”

## **Of Corporate Agriculture, Landgrabs and Capital Intensive Manufacturing**

And rife in this story is the speculation in land fuelled by legislative changes brought about ostensibly to promote infrastructural and agricultural development. Sucharita Sen and Chinmoyee Malik's chapters map the increasing emphasis on corporatization of agriculture which has made agriculture a highly profitable activity with an average growth two-and-a-half times faster than the national average. Improved market access, technological dissemination, infrastructure development and a filip from the growth in other areas, have all contributed to this growth. However its distributive effects largely depend on land ownership and land use patterns and small farmer participation in high growth crops. It also comes with crop specific and area specific challenges thrown in by a growth driven by privatization and liberalization of agricultural procurement, pricing and marketisation policies. There has been a shift in cropping patterns away from food to non-food and high value crops in terms of acreage, output and value. Data on land allocation and farmer participation reveals that cotton cultivation and high value crops have benefited large farmers disproportionately. If we look at farmer groups by land size, in Gujrat, the number of households of the smallest farmer group has increased, but not the acreage they control, while the largest farmer groups have gained in acreage, indicating worsening inequalities. This is contrary to the trend at the all-India level. The position of STs and SCs has also deteriorated overall except in case of SCs in the highest income size class leading to a rise in intra-caste inequalities within the latter. While incidence of landlessness has reduced overall (though starting from a much higher initial base as compared to national averages), it has increased in tribal areas ( in particular in Panchmalal, Dahod and Dang regions ). These also happen to be the most underdeveloped regions in the state lying largely outside the loop of the recent agricultural growth.

These changes could be indicative of worse times ahead given the recent modifications and amendments in land legislation. The rise in overall profitability of agriculture comes with a shift in land policy from ideas of ' Land to the tiller' (a legacy of the post-independence era upto the days of the KHAM alliance) to those of 'land de-regulation and liberalization' over the past two decades. As has been widely documented, even the earlier phase of land reform policies (land ceilings, surplus distribution etc) had come in Gujarat with measures like a complete ban on tenancy which led to the middle peasantry benefitting at the cost of lower peasantry and dalit farmers. Progressive measures over time, such as the Jinabhai Darji Commission suggestions through a KHAM alliance initiative in the early 1980s, never took off in the state. Now, with rapid upward mobility of the same peasantry in this story of privatization and liberalisation, the stakes in land have risen and legislative changes relating to land use which began under BJP-Janata alliance reflect the changing power dynamics and new ground realities (this includes the lifting of the 8-kms ban on land purchase and allowing non-local, non-farming groups to enter the rural land market). These have been brought in under the pressure of the rich farmer/agro-industrialist lobbies - who wanted speculative gains from land markets in the Narmada Valley Projects' proposed command area - and the demands of builder lobbies for land for non-agricultural purposes. The policy shifts were consolidated and further strengthened under Modi's regime by 2005. Legislative measures under his regime also facilitated the transfer of village commons and wastelands for private use, displacing marginalized communities who lost their de facto and de jure rights over pastoral lands. As sociologist M. Levein points out, the idea of Greenfield sites combined with the privatization of land within the SEZs, has together been responsible everywhere for 'a thinly guised land grab for urbanization by the private sector'. Nowhere has this been more manifest than in the case of Gujarat.

If we turn to the experience of industrialization we have another story of skewed development. As the chapter by Sangeeta Ghosh brings out, manufacturing also witnessed high growth rates in Gujarat. In recent decades, the share of manufacturing within the Gross State Domestic Product (GSDP), has been higher in Gujarat when compared to national averages as well as other high

performing states. Yet at the same time, if we look at employment, the picture is the reverse. In Gujarat the share of the manufacturing sector within total employment is below the national average and has been declining rapidly overtime. Growth has been highly capital intensive in nature and concentrated in some sectors, incomes and regions. It favours the more developed regions and has weak backward and forward linkages between the unorganized and the organized sectors. There has been a shift away from the employment generating textile sector to refined petroleum, petrochemicals, chemical, metal and fabricated products marked by very high capital intensities. This shrinks opportunities for ancillarization and sub-contracting and has also raised serious concerns about its environmental impact. Significantly, this growth trajectory links well with the infrastructure story in several ways. For instance, the need for proximity of well developed ports helps in the case of petroleum and chemical industries given their high import content, and surplus power generation the state fosters comes in handy for the highly energy intensive metal related industries.

So the story of corporatization of agriculture and the growth of selective capital intensive manufacturing completes the loop of Gujarat's recent growth experience. Along with the tale of ports, roads, rail and power, this turns out to be a fable 'of the private investor, by the private investor and for the private investor'. What about the average citizen then? And where do the workers, the underclass, the poor, the tribals and other minority groups figure in this haven for investors?

### **On Jobless Growth, Widening Inequalities and Social Exclusion**

As it turns out, their story is integral to understanding the missing pieces of this puzzle. To begin with, the chapter by Ruchika Rani and Kalaiyarasan map the stagnant and socially discriminatory employment conditions that persist in this period of high output growth. There has been a significant mismatch between sources of income and employment leading to low employment elasticities of output and 'jobless growth'. Employment growth in manufacturing and services turned negative in the last 5 years. Whatever growth in employment occurred in the last decade was largely in the category of casual- and self-employment indicative of rising informalisation. There were sharp regional differences in employment outcomes with rural Gujarat experiencing negative growth rates in the last five years. Employment was also unevenly spread across social groups and minorities. Upper caste hindus and a small proportion of SCs had a proportionately large share in regular employment within manufacturing and services, with most of the rise for SCs in services being in casual employment. Meanwhile OBC's, Muslims , other minorities experienced a shift towards traditional sectors when growth was located in modern capitalist structure, indicating a stagnation and even a worsening of their employment conditions. The share of STs in Industrial employment had risen in the earlier decade, but it declined rapidly in the last five years. This decline was absorbed by the agricultural sector at a time when growth was shifting to the Industrial sector, indicating possibly 'distress migration' to agriculture.

Where measures of income, poverty and inequality are concerned, despite its spectacular growth, Gujarat's performance has been average as compared to national averages and it lags behind competing states like Tamilnadu, Maharashtra and Haryana on different counts. Certain features stand out in the chapter by Nidhi Mittal who maps the changes in average per capita consumption expenditure, and calculates the Gini coefficient and headcount ratios for Gujarat. First, the earlier decade 1993 to 2004-05 compared better than the last five years of the decade ending 2010, and these were the years when Narendra Modi's 'growth and development' agenda was unleashed fully. Second, urban inequality has risen much more at a time when most of the rise in growth rates and per capita expenditure is located in urban areas. This implies opposing trends in terms of rise in

consumption levels and rise in inequalities of income in areas of high growth, questioning the dynamics of the recent growth process itself.

This assumes further significance given the increasing gap in average consumption levels between Hindus and Muslims over 2005-10 in urban areas. Also while urban poverty levels for Muslims stagnated, those for Hindus declined by around 4 percentage points. Again, while per capita expenditure grew by 2.5 % p.a in the last five years, the increase for STs was a mere 0.14%, with an exponential widening of gap in growth rates of per capita income levels between STs and the rest. In urban areas poverty has increased for both SCs and STs while rural poverty has declined. However the extent of poverty for STs in rural areas is still two-and-a-half times higher as compared to others. While overall poverty for SCs as a group has declined and they seemed to have gained more than STs, intra group inequalities within SCs have again risen substantially.

### **Privatising Health and Education the Gujarat Way**

Change in the quality of life is always indicative of the nature of economic development. Nowhere is this reflected more clearly than in the case of improvements in health and education, as brought out in the chapters by Sourindra Ghosh and Sandeep Sharma. As Sood points out, these estimates are significant in their ability to capture the influence of a wide array of factors such as quality of food and water, the quality of housing and clothing, ability to earn livelihoods, household decision making, social and health outcomes in any population group. Not surprisingly, in keeping with the larger development vision, the roots of Gujarat's experience lie in an unswerving faith on the private sector even in these areas where today even ardent advocates of free markets would tread with care. Accordingly, the share of expenditure in development, health and education in total NSDP has been falling continuously over the past decades. This is also reflected in lower access to and utilization of government services and a move towards private service providers with rising per capita health and education expenditures.

In terms of aggregate health parameters – such as Infant Mortality Rates (IMRs), male and female life expectancy, vaccination and antenatal care – Gujarat has experienced very average performances vis-a-vis national estimates. In most cases it compares unfavorably with other high growth states such as Tamilnadu, Haryana, Maharashtra over the past decade despite leading them in terms of growth in per capita GDP. What is worrying is that it lags behind even national averages in IMRs and under-five mortality, as well as in the mortality rates for women and people in rural areas. This obviously affects poorer sections disproportionately and social disparity in health has had a more regressive impact on health indicators for the marginalized, in particular the STs.

Again where education is concerned, average figures do not tell the full story. The figures for average literacy levels in Gujarat are higher than the national average. But its ranking in terms of literacy levels has deteriorated between 1999-00 and 2007-08, and fewer children in the age group of 6-14 attend school in Gujarat than the numbers suggested by the national average. For the same age groups – i.e for above primary and secondary school education – the access of women, SCs, STs, Muslims and other minorities is again lower than the national averages, and markedly behind those of comparable states. While Gujarat has experienced higher rates of decline in share of state expenditure on education than national averages, the proportion of people dependent on government aided and government and local bodies run institutions is higher or the same, much more so in rural areas, indicating that the far costlier private-sector-run institutions were unable to substitute the educational needs of people at large. This brings out a clear mismatch in government's policy to rely on and encourage unaided private sector in education and the people's capacity to afford the same.



## **Economics of Growth and the Political Culture of authoritarianism**

So what does the Gujarat Model have to offer to the people of Gujarat and the country at large ? To begin with, Gujarat's success story is crucially linked to its history, its people's entrepreneurial skills, its farmers, its globally recognized and gifted artisans and the legacy of a social reform and cooperative movement which wove together many of these strengths within its social fabric. This history along with a favorable geographical location provided a strong base for the recent growth experience in terms of human capital, social infrastructure and natural advantages. On its own terms, it remains questionable if even this limited success achieved could be replicated or extended as a 'growth model', and whether the policy assumption 'one size fits all' can offer solutions to problems of the rest of India, with its regional specificities, and the diversity of the historical growth trajectories which exist elsewhere. This is something Modi's urban middle-class following seems blissfully unaware of in its mooring for the 'new messiah' of development on the horizon. Especially at a time when even the future trajectory of this story itself is in serious doubt, given that most recent estimates suggest a petering out of existing growth rates and the setting in of an investment inertia.

More significantly, as Sood points out, even this limited success story is questionable in terms of its desirability for Gujarat's own development trajectory. The painstaking analysis in the book reveals how the regime of governance unleashed in the last decade has at its heart an unabashed dependence on the private sector, and state support and policies prioritizing growth in infrastructure and investment aimed at strengthening the requirements and profitability of the private investor. The developmental model has meant neglect of human habitations and needs of ordinary citizens in improving access through rail, ports, road for Industry, SIs, SEZ's; promotion of selective and capital intensive manufacturing growth; jobless growth and falling share of wages in total income; corporatization of agriculture, neglect of small farmer and privatization of village commons; legislative changes in land-use norms reinforcing speculation in land; neglect of public policy and expenditure and a misplaced dependence on private initiative to even address inadequacies in social infrastructure. All of which is manifest in deeply exclusionary social and economic outcomes as reflected in extensive environmental degradation, widening regional disparities, neglect of the rural sector and increased marginalization of workers, women, STs, Muslims and minorities in social and economic outcomes within the state. The book then offers us a damning indictment of this path to development.

As Atul Sood concludes, the roots of these uneven outcomes lie in the 'neoliberal framework' within which this development trajectory itself is located, which 'inherently negates the possibility of a level playing field.' However, while the social and economic manifestations brought out in this study are the classic hallmarks of the 'market led' path to development, they have been renewed in the last decade in Gujarat with a zeal stamped all over by Narendra Modi's authoritarian style of governance itself. In crucial ways it represents a fundamental shift away from Gujarat's own history of Gandhian humanism, liberal welfare programmes and democratic social engineering of the KHAM (an experimental alliance between Kshatriyas, Harijans, Adivasis and Muslims in the 1980s) days.

It might be illustrative to conclude with a reference to the mention of industrial unrest in Sood's introduction over here. Where workers are concerned, the state witnessed not merely jobless growth but also the lowest share of wage income in total income, one of the highest use of contract workers in organized manufacturing and rising trends of casualisation of workforce. Not surprisingly, Gujarat topped the list as the 'worst state' for labour unrest in the Economic Survey 2011, witnessing the maximum incidences of strikes, lockouts and other forms of unrest on various financial and disciplinary grounds (wage and allowances, bonus, personnel, discipline and violence) at a time when these were actually declining in the rest of the country. At the same time, investors and

industrialists from all over, be it Maruti or Tata, are vying with each other to shift their production plants and activities to designated sites within Gujarat. Under such circumstances, an investment boom and Industry's soaring confidence in Modi government's ability to control any undue disturbance by establishing the 'rule of law' is indicative of the crucial link between the 'Gujarat Development Model' and, what some might see, as the totalitarian roots of Modi's governance regime.

Parita Mukta has traced the genesis of this rule of law in Gujarat right from the times of resistance to development projects like Narmada Valley Project. She brings out how this acquired a distinct flavour with the invocation of the river goddess to reinforce the visions of grandeur and prosperity for the rich farmers and industrialists of the state in the preachings of RSS ideologues ("Worshipping Inequalities-Pro-Narmada Dam Movement" Economic and Political Weekly October 13, 1990)

During Narendra Modi's regime, it has all come together as never before in a self fulfilling prophecy of an effective, pro- corporate, investor-friendly governance build on consolidating a 'political culture of authoritarianism', a 'brash pride to demonstrate, brute force', and a belief in 'worshipping inequalities'. This package is marketed to us via powerful media and advertising giants like APCO worldwide which counts dictators and global Investment firms as its clients. See for example Aditya Nigam on *Spin Doctors and the Modi Make-over* [1], and Binoy Prabhakar on how *an American Lobbying Company markets Modi* [2].

Gujarat's development experience thus suggests the deep authoritarianism that made specific aspects of the recent growth experience possible is not so delinked from its fascist manifestations in spectacular forms of violence against religious minorities, scheduled castes and tribes and lower castes that the state has witnessed in its recent past.

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\* Kafil: <http://kafila.org/2013/05/23/gujarat-and-the-illusion-of-development-shipra-nigam/>

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## Footnotes

[1] <http://kafila.org/2013/04/18/spin-doctors-propagandists-and-the-modi-make-over/>

[2] <http://economictimes.indiatimes.com/news/news-by-company/corporate-trends/how-an-american-lobbying-company-apco-worldwide-markets-narendra-modi-to-the-world/articleshow/17537402.cms?intenttarget=no>