



# CHRONICLE 26

Quarterly

Newsletter

2011

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Editor

C. Gasper

Compiled by

Tilak Baker

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FROM THE DIRECTOR

I am pleased to note that we have had yet another interesting quarter at the CDS. The Centre's faculty have been travelling the world presenting their research and we have ourselves been receiving

academic visitors. There have been workshops and seminars here, and the students have hosted an active discussion forum. Finally, a new journal has been launched from the Centre.

Pulapre Balakrishnan

SEMINARS

**V. N. Balasubramanyam**

Lancaster University Management School,  
Lancaster, UK.

**India's Foreign Direct Investment**

21 April

**Vikramaditya Khanna**

Professor of Law, University of Michigan Law  
School, USA.

email: vskhanna@umich.edu

**Law and Economic Development in India**

30 April

**D. Narayana**

Centre for Development Studies,  
Thiruvananthapuram.

email: narayana@cds.ac.in

**The Pricing Problem of  
Public Transport in Kerala**

6 June

**Ravinder Singh Bhalla**

FERAL, New Delhi.

email: bhalla@feralindia.org

**Bridging the Shenkottah Gap**

10 June

**Chinnappan Gasper**

Centre for Development Studies,  
Thiruvananthapuram.

email: gasper@cds.ac.in

**Public Expenditure on General Education in  
Kerala during the Post-reforms Period**

17 June

CONFERENCES / WORKSHOPS

**Capacity Building Workshop for  
Safe and Legal Migration**

Co-ordinator: S. Irudaya Rajan

4 May

Labour migration from India has risen rapidly since 1980. About 11.4 million Indian migrants are working abroad currently. India is the second largest manpower exporting country in the world

today. India is also in receipt of largest amount of remittance from abroad. It should be noted that this amount of remittance is contributed mainly by the unskilled and the semi-skilled migrants working in 3D jobs (Dirty, Dangerous and Degrading jobs) in construction and household sectors in the Middle East countries and Malaysia. In recent years, there is high rise in the migration of skilled labour from India. They go particularly to the United States, Australia, Canada and European Union Member countries.

The Indian migrant labourers face innumerable number of problems right from the beginning. They have very limited knowledge about various processes involved in getting migrated. As such many of them are easily cheated by unscrupulous recruiting agents. Further they are not aware of the living and working conditions and the rights and duties of labourers prevalent in the destination countries. Lack of knowledge is yet another reason why many aggrieved migrants have not resorted to legal actions in order to alleviate their sufferings. Hence it is very much essential to identify the ways and means of informing the potential emigrants about the problems involved at different stages of migration.

The International Organisation for Migration (IOM) in India organised a workshop at CDS on 4<sup>th</sup> May, 2011. It was financially supported by the Ministry of Overseas Indian Affairs

(MOIA), Government of India and the European Union. Dr. Pulapre Balakrishnan, Director, CDS inaugurated it. Mr. T. Manoj Kumar, Secretary, NORKA gave the inaugural address. Fifty participants attended. Some of them represented the Government of India, State Governments, non-government organisations, civil society organisations and research institutions. Ways of promoting safe and legal migration, capacity building at institutional and individual levels, role of community based organisation in generating awareness on legal migration and the experience of IOM in promoting legal and safe migration were the major issues discussed.

S. Irudaya Rajan

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### **Workshop on Monitoring the Implementation of Social Security for the Working Poor in India's Informal Economy**

Co-ordinator: K.P. Kannan

20 -22 June



The Centre for Development Studies organised a three-day workshop during 20<sup>th</sup> to 22<sup>nd</sup>, June, 2011. This was the third workshop organised in connection with the HIVOS-funded CDS-ASSR Project on Monitoring the Implementation of Social Security for the Urban Poor in India's Informal Economy. It took into discussion eleven papers. These papers were based on studies that were in the advanced stage of completion. They elaborated on the implementation of social security schemes in five states in India, viz. Punjab, Gujarat, Andhra Pradesh, Kerala and Orissa. Two of them related to macro-level studies. They investigated the issues concerning the implementation of the National Rural Employment Guarantee Act (NREGA), 2005 and the Rashtriya Swasthya Bima Yojna (RSBY). Various sessions in the workshop were chaired by Professor Jan Breman and Professor K.P. Kannan, the Project Co-ordinators.

Varinder Jain

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### **International Seminar on Innovation, Sustainability and Development**

28-30 June

CDS joined STEPS, Sussex and NISTADS, New Delhi in organising an International Seminar on Innovation, Sustainability and Development in NISTADS, New Delhi during 28 to 30 June, 2011.

This seminar assumes much significance in the context of Indian Prime Minister declaring the current decade (2011-2020) as 'the Decade of Innovation' and the Indian Government taking strong policy measures to promote innovation for achieving inclusive growth.

The seminar was stretched out into eight sessions. It deliberated on various manifestos concerning innovation and sustainable development. Prominent among them were the new manifesto by the STEPS Centre revisiting the Sussex manifesto of the 1970s and the swaraj manifesto. The seminar also discussed the experience of India with respect to innovation and sustainability in different sectors. Greater attention was given to sectors like food and agriculture, health and medicine, Information and Communication Technologies (ICT), low carbon innovations, grass root innovations and traditional knowledge systems. The deliberations highlighted the achievements and limits of the sectors with respect to innovation for sustainable development and presented perspectives for the future. The participants of the seminar included the researchers from various research institutes and universities, the activists from different civil society organizations and the policy makers. For more details please visit <http://anewmanifesto.org/indian-subcontinent/delhi-june-2011-seminar-on-innovation-sustainability-and-development/>

K.J. Joseph

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## EVENTS

**CDS Faculty Review**

25-26 April

CDS has the custom of reviewing the contribution of its faculty members by external experts once in three years. The latest Review has taken place at CDS on 25<sup>th</sup> and 26<sup>th</sup>, April, 2011. It is a comprehensive review of the work done by each faculty member during the past three years (2008-09 to 2010-11). Contributions in terms of teaching M.Phil programme at CDS, guiding M.Phil., or Ph.D., students, undertaking national and international research projects, publishing at print and electronic media and shouldering institutional responsibilities are some of the major items in the agenda for Review.

The team of experts consists of Professors Bharat Ramaswami, Mridul Eapen, Arunava Sen, Padmini Swaminathan, P.S. George and Leela Visaria. The team of experts has discussed with each faculty member separately. Each faculty member's work plan at present and that in future are also discussed in the Review meeting. The Faculty Review has given an opportunity for each faculty member to take stock of one's works and plan for the further. This may be done, probably by taking the view of the experts into consideration.

Soman Nair

**Second Reunion of CDS Alumni**

4-5 June



The second Reunion of CDS Alumni took place at CDS on 4<sup>th</sup> and 5<sup>th</sup>, June, 2011. More than 100 members of CDS Alumni participated. Some of those who could not attend the meeting had extended their support and suggestions in writing. The Reunion provided the members an opportunity to meet each other, refresh and strengthen their relations, share their personal and professional ideas and experiences and jointly reflect on future plans.

Dr. Pulapre Balakrishnan, Director, CDS, welcomed the Alumni and extended the support of CDS for the Reunion and the activities of the Alumni Association. A written message of Dr. Bimal Jalan, Chairman of the Governing Body, offering support and greetings to the Reunion, was shared with the participants. Dr. Michael Tharakan belonging to the first batch of M. Phil., chaired the

Opening Session and shared his experience as a student and as one having long association with CDS thereafter.

Dr. T.M. Thomas Isaac after highlighting the role of CDS as a teaching and research institute in the past reflected on the future role of CDS. Dr. A.V. Jose dealt with the relevance of CDS alumni as a collective body of learners, researchers and practitioners. Dr.C.T.S. Nair reflected on the challenges of Research Institutions like CDS and stressed the importance of strengthening collaboration among the different institutions to address common issues.

Since the first reunion 12 members, including Professor K.N. Raj departed from the CDS community. The second reunion served an occasion to pay homage to them and remember their valuable contributions. K.P. Kannan, highlighting the current relevance of the contributions of Professor K.N. Raj shared some of the valuable insights and experiences of associating with him and stressed the importance given by Professor Raj on development with social justice.

Rakesh Basant pointed out the contributions of Professor K.K. Subramanian. He also shared his experience of working with him. E.T. Mathew shared many years of his close association with Professor P.R. Gopinathan Nair in the University of Kerala and CDS. While Leela Gulati refreshed the Alumni of the contributions of Laurie Baker, Dr Shakthi Padhi was remembered by Mridul and Professor Marie Bhat by Sudha. Jeemol refreshed the



memories about Shri. Jose Vattamattom and Najeeb. Harilal spoke of Ms. Manswini and Shri. Thomas C. George. Phil Roy shared his experience of working with Mr. Reghuvara Paniker, Mr. Solomon and Mr. Krishnankutty and reflected on their contributions to CDS.

After the lunch, self-introduction by the Alumni followed. During self-introduction, the members of the Alumni highlighted the kind of work that they had done in their professional field and the impact of CDS on them. The event gave an opportunity for a fruitful interaction between the Alumni and the present batch of students at CDS. It was a golden opportunity to share the knowledge of the Alumni's publication. There was an occasion to display and present the books published by the Alumni.

The highly enjoyed cultural programme was yet another memorable event. At the end, the Alumni hosted a dinner for the CDS community. An executive Committee was formed. The Executive Committee deliberated on the kind of activities to be undertaken in future.

T.A. Varghese

## TRAINING PROGRAMMES

### Using Internet for Applied Development Research, Version 7.0 (UIADR)

Co-ordinator: Sunil Mani

27, 28 & 29 April

This is a short course useful for Economists, Management Specialists and other Social Scientists in Academia, Industry, Government and the NGO sectors. The 7<sup>th</sup> version of the programme was held at CDS Computer Centre

during 27 to 29 April, 2011. About 16 scholars comprising of lecturers and doctoral students from Kerala and other states participated. A total of 13 lectures on articulating a research topic, efficient browsing, power searching, content tracking, data analysis, online storage, report writing and collaboration tools were provided. Lectures were delivered by J.Murali, Udaya Shankar Mishra and Sunil Mani.

Sunil Mani

## OUTREACH

- K.J. Joseph presented a paper on 'GINED for Innovation, Technological up-gradation and Capability Building: Case of a Truly Global, Innovative and Networked Firm,' in the *Workshop on Global Innovation Networks*, organised by Centro de Desenvolvimento e Planejamento Regional (CEDEPLAR-UFMG) and Fondazione Eni Enrico Mattei (FEEM) in Belo Horizonte, Brazil during 2-4 May 2011.
- Krishna Reddy Chitteddi presented a paper titled 'Study of Common Stochastic Trend and Co-Integration in the Emerging Stock Markets: With Special Reference to India,' in the *7th International Student Conference*, organised by Izmir University of Economics, Izmir, Turkey, during 14-15 April 2011.
- Sravanthi Choragudi participated in the 7th International Ph.D school on 'National Systems of Innovation and Economic Development' Globelics Academy 2011 in Tampere, Finland, 16-26 May 2011.

- Sunil Mani gave a public lecture on 'Innovation and Growth in China and India' at the IDRC Headquarters, Ottawa, Canada on 5 May 2011, <http://www.idrc.ca/EN/Themes/Economics/Pages/EventDetails.aspx?EventID=66>

He presented a paper on 'Evolution of the Sectoral System of Innovation of India's Aeronautical Industry', at the international seminar on *The International Civil Aircraft Industry, Pulling Ahead, Falling Behind and Catching Up*, organised by Canada Research Chair on Management of Technology, Université du Québec à Montréal (UQAM), Montreal on 6<sup>th</sup> May, 2011. In addition to this he gave two lectures on 'Measuring Innovation' and 'Financing of Innovation' at the 7<sup>th</sup> International Ph.D. school on 'National Systems of Innovation and Economic Development', Globelics Academy 2011, University of Tampere, Finland on 17-18 May, 2011.

- Sunil Mani participated and presented a paper on ‘TRIPS Compliance of Indian Patent Regime, An Analysis of its Effects on Innovative activity at the Macro Level’ at the project meeting on *TRIPS Compliance of National Patent Regimes and its Impact on Innovative Activity in Developing Countries*, Columbia University, New York, on 24 and 25 May, 2011. He also gave a lecture on ‘Have China and India become more Innovative since the Onset of Reforms in the two countries?’, at the National Centre for Science and Engineering Statistics, National Science Foundation, Washington D.C., on 26 May, 2011.
- Uma Sankaran participated in a *Workshop on Development and Inequality in the Global South: Research and Theory in Comparative Perspective*, held at Brown International Advanced Research Institutes (BIARI), Brown University in Providence, Rhode Island, USA, during 4 to 18 June, 2011.

**I N T O U C H**

- Sunil Mani gave a lecture on ‘Economic Growth and Innovation in India,’ at the SAINTGITA-DUQUESNE University Academic Programme at St Gits Institute of Management, Kottayam, on 11 May, 2011.
- K.J. Joseph presented a paper on ‘Spaces of Exclusion in the Spheres of Innovation and Production: Case of India’s Plantation Sector,’ in the

*International Seminar on Innovation, Sustainability and Development* jointly organised by CDS, STEPS Centre (Sussex University) and NISTADS, New Delhi during 28- 30 June 2011.

**Release of New Journal - INNOVATION and DEVELOPMENT (Routledge) from CDS**



Innovation and Development is an interdisciplinary international journal dealing with the evolutionary and institutional perspectives of innovation and development brought out by CDS by harnessing the Globelics network. The Editorial Board of this journal consists of scholars of eminence in the field of innovation and development studies, policy makers of repute and young promising scholars with the active participation from CDS faculty and CDS alumni. For more details about the journal please visit <http://www.tandf.co.uk/journals/RIAD>

The journal was released on 28 June 2011 by Shri. Jairam Ramesh at the India International Centre, New Delhi, The meeting was chaired by Prof. N. R. Madhava Menon and the first copy of the journal was received by Prof. G. K. Chadha. Prof. Deepak Nayyar, Prof. Ashok Parthasarathi, Dr. Parthasarathi Banerjee and Dr. Rajeswari Raina addressed the audience.

K.J. Joseph

### K.N. RAJ LIBRARY NEWS

During the past three months, the library granted borrowing memberships to eight external candidates, three internal candidates, one Alumni member and one Institutional member. It granted reference memberships to 246 candidates. During the same period, 256 books, 30 working papers and 11 CD-ROMs were added to the library.

The blog launched by the Library for providing subject based information service ([cds.ac.in/lib](http://cds.ac.in/lib)) functions very effectively. Information is gathered from internet systematically and the blog is updated by library staff frequently. Google Analytics based tracking of the blog has been provided to monitor the usage. During the period from 1<sup>st</sup> April to 30<sup>th</sup> June, the blog has received 7544 visits. Of these, 4930 visits are from India and the remaining is from other countries in the world. All are requested to make use of the blog and provide constant feedback.

Ms. Shobha Kannan participated in the training programme, '*Using internet for Applied Economic Research*' conducted by CDS during April 27-29, 2011.

The B.LISc students (24 students and 2 teachers) from School of Library and Information Science, Rajagiri College of Social Sciences, Kochi visited CDS library as part of their study tour. The students were

given an orientation about the library. This included a power point presentation and live demo of database and online resources, and visit to the library to meet the staff and familiarise the library activities and services.

The library is in the process of reorganisation. Maintenance and electrical rewiring works are being done in the old building.

Dr. T.K. Subramoni worked as Chief Librarian in K.N. Raj Library during 2008-10. Prior to that, he had a long and distinguished career with the British Library. During 2010-11 he worked as Consultant Librarian at CDS. He demitted office at the end of his tenure on 31<sup>st</sup> May, 2011. During his tenure, he introduced best practices in the library system. It was during his period, the new wing was incorporated into the Library. We wish him a happy and productive future.

V .Sriram

### CAMPUS NEWS

#### Alumni Meet

CDS Alumni Meet was one of long awaited events in the history of CDS. Ever since I joined CDS, I had been hearing a lot about my predecessors - their life in CDS, their intellectual debates, late night addas and songs. Hence it generated inquisitiveness in me to meet my predecessors and to know more about them.



The interesting part of the event was getting the floor ready for the event. Our preparations began a month before the event. There were frequent meetings with Prof. K.J. We discussed, “how do we go about, what are the things to be done and what are the gifts to be presented (here comes Mr. Phil Roy with a galaxy of ideas and suggestions), where can the meet be hosted, what could be the best entertainment during the meet and so on”. The students were grouped into different committees (registration, food, accommodation, gift and cultural). It was a wonderful experience to work in a group.

After running around for making preparations, the day came on 4<sup>th</sup> June 2011. This was the day eagerly awaited by the present students for meeting the alumni. Similarly this was the day that the alumni were in expectation for meeting their old friends and the present CDS.

The CDS campus that used to be very calm and wearing a deserted look suddenly became very active. People’s presence was felt everywhere in the campus; there were a lot of exchange of pleasantries; students

were running around to ensure that everything went on smoothly; and the alumni was busy in search of nostalgia. Warm smiles can be read on the faces of every one; there were handshakes and hugs everywhere. Professor K.J. and others were busy in welcoming one and all. All these added to the beauty of CDS campus.

CDS auditorium became the venue for the gathering. Breaks for tea or lunch in-between formal talks provided space for the alumni to meet their old friends and present students and share their experiences with them. The cultural programme and the cocktail dinner were the sweetest and the unforgettable part of the alumni meet. The cultural evening enabled the alumni to recollect their good old days of drinking, dancing and singing. It was the day of happiness and joy and a day of celebration for CDS. Undoubtedly it remains one of the best enjoyed days of my life in CDS.....and eagerly awaiting the next best day.....

Kiran Kumar Kakarlapudi  
Ph.D. 2010

**From the Administrator’s Desk**

Professors K.P. Kannan and K. Narayanan Nair have retired from the Centre on 31<sup>st</sup> May, 2011 and Professor K. Pushpangadan on 30<sup>th</sup> June, 2011. However, they will be available at the Centre for one year from the date of their retirement to complete their research projects.

Soman Nair

## STUDENTS SPEAK

**Discussion on Land Acquisition**

In the recent years, land acquisition for industrial projects has been facing continuous socio-political uprisings which are considered as one of the constraining factors for industrialisation. This often leads to time-lags, cost overruns, business uncertainties, and in most of the cases witnessed recently, shelving of the projects.

This, however, is not true for all private projects. Evident from the successful land acquisitions attempts by various private houses, the key factor for success is 'social consent to operate' which simply means securing the free, prior and informed consent of the communities affected to give up or share their resources and also the consent to do business in their community.

What essentially required by the project proponents is to try to avoid agricultural and fertile land, have direct and clear cut negotiations with the locals. The land owners should not be ignored. The benefit sharing between the company and the affected communities should be equitable. As often observed, the improper and unacceptable rehabilitation package turns out to be the root cause for protests and agitations against land acquisitions. If company officials approach the locals in high profile, they may fail to acquire the requisite land. Because their appearance may tend to increase the expectations of the affected communities and middlemen about

the compensation package. Further it is also essential to keep political alignment to its minimum and avoid wrong or confusing communication signals for a successful acquisition process.

Therefore to my understanding, gaining prior, free and informed consent from the local or the affected communities serves as a key determinant for a successful acquisition process. It is more likely for successfully gaining social consent when the project promoters chose unfertile or less fertile land over fertile and productive lands, opt for more equitable benefit sharing, direct negotiation with stakeholders, avoid alignments with political forces and rent-seeking agents, and finally maintain smooth and easy communication channels.

Nutan Shashi Tigga  
M.Phil (2010-12)

**The Journey to Canada (North America)**

To take stock of the current position of research on South Asia and to identify areas for further research, an international conference was held at Wilfrid Laurier University, Waterloo, Ontario, Canada during 19-21 May, 2011. This was organised by the International Migration Research Centre (IMRC), Wilfrid Laurier University Canada and Simon Chilvers of York University, Ontario Canada. From CDS, Dr. Irudaya Rajan, Dr. V. J. Varghese, Rikil Chyrmang, C. Valatheeswaran and M. S.

Jayakumar participated in the conference.

The film by Harjant Gill on ‘The Roots of Love’ was screened on the first day. This was followed by Panel Discussion and a formal reception. Dr. Max Blouw, the President of Wilfrid Laurier University gave the opening remarks. Dr. S. Irudaya Rajan delivered the keynote address.

We all enjoyed the conference though we faced some difficulty in adjusting ourselves to the new environment which was very cold and the time that differed from Indian standard time by 10 hours. We were fascinated by the new and unique things there. The people’s value for education, their approach towards creation of knowledge and the method of administration were some of the things that attracted us. They had great regard for law and order. They willingly obeyed traffic rules. On the other hand, many people in India failed to follow laws very sincerely.



The visit to the Ontario Lake, the Niagara Falls and the “Maid of the Mist” was a wonderful life experience. It was really a wonderful and great

learning experience for us and for all the Indian participants to bring home the memory of our stay in the beautiful country. This developed nation was full of new experiences for us, where everything works precisely and systematically. It is hard to imagine that India would be able to catch up with the kind of development taking place in Canada. India can still learn how to use its optimum rich natural resources for knowledge production and capacity building.

Rikil Chyrmang

### A Visit to Meghalaya

Meghalaya is one of the naturally rich and beautiful states in the country. It is located amid hills and valleys which are lavishly covered by greenery, particularly by pine trees and other flora. The climate is chilly, breezy, cloudy, drizzly and foggy which indeed gives a pleasant and serene ambiance. Chirapunji, Sohra, Shillong peak, Shillong Lake and Reservoir are popular tourist spots. Waterfalls and streams add beauty to the state.

Majority of the population depends on agriculture, livestock and coal mining for their livelihood. Traditional methods of cultivation are widespread. They differ from that in other parts of India. The Plain areas are used for cultivation of cereal crops. The fruits and the vegetables are grown on sloppy areas of the hills. The state is well known for production of sweet pineapples. There are regular markets. It is also common to find farmers selling fruits and vegetables on the roadsides.

The state is rich in culture. 'Behdiengkhlam' festival is an example of that. Indeed, festivals are celebrated with high spirit and enthusiasm. Wearing traditional along with western clothing is a fashion here. People rejoice singing folk songs, beating drums and dancing. It is a distinct and unique celebration that brings families together, enhances social bonds and implants social harmony in the society.

Meghalaya has a unique food culture that is entirely different from that of other states. *Jadoh*

and *Momo* are the most delicious and well-liked food items. Unlike in other states, food articles are prepared in a more natural way with less spices and oil. In general, people are fond of fashions, western music and football. In short, the life style is simple but is harmonious. This is perhaps the reflection of the age old tribal culture. The matriarchal system is more open and it gives more freedom to individuals. Lastly, I thank Rikil and his family members for the hospitality.

Vijay Korra

## P U B L I C A T I O N S

### Books

Jain, Varinder. 2011. *In the Traps of Subsidy Syndrome: Power Utility in Indian Punjab*, VDM Publishers, ISBN 978-3-639-27038-9.

### Articles

Navaneetham, K. and A. Dharmalingam. 2011. 'Demography and Development: Preliminary Interpretations of the 2011 Census,' *Economic and Political Weekly*, Vol. XLVI, No. 16, April 16. pp. 13-17.

### Chapter(s) in books

Mani, Sunil. 2011. 'Promoting Knowledge-intensive Entrepreneurship in India,' in Szirmai, Adam, Wim Naude and Micheline Goedhuys (eds), *Entrepreneurship, Innovation and Economic Development*, Oxford: Oxford University Press, pp. 194-227.

Mani, Sunil. 2011. 'The Performance of India's Telecommunications Industry 1991-2009,' in Nachane, D M (ed), *India Development Report 2011*, pp. 115-130.

Navaneetham, K. and C.S. Krishnakumar. 2011. 'Mortality Trends and Patterns in India: Historical and Contemporary Perspectives,' in Narayana, D. and Raman Mahadevan (eds.) *Shaping India: Economic Change in Historical Perspective*, Routledge, New Delhi.

### Working Papers

Mani, Sunil. 2011. 'The Mobile Communications Services Industry in India: Has it Led to India Becoming a Manufacturing Hub for Telecommunication Equipments?' *CDS Working Paper No. 444*, April.

## POLICY POINTERS

### **'The Mobile Communications Services Industry in India: Has it Led to India Becoming a Manufacturing Hub for Telecommunication Equipments?'**

(CDS Working Paper No. 444, April 2011)

The growth performance of the Indian mobile communications services industry is now reasonably well recorded. It is one of the few industries in India which has travelled significantly from being a monopolistic and somnolent industry from the innovation point of view to an extremely competitive and technologically speaking dynamic industry. This is despite the fact that it's very recent history has been punctuated by a few financial scams of sorts essentially due to the discretionary powers still wielded by the government in allocating the much needed spectrum and so on. Also notwithstanding the very recent distinction that is made between active users and the total number of subscribers (the former is only 70 per cent of the latter); the industry has witnessed a phenomenal increase in the length and indeed breadth of its coverage. There is also quantitative evidence to show that the extent of urban-rural divide too is on the decline. India now has one of the most competitive telecom services in the world and this has positive implications for its outsourcing industry where significant decline in communications costs is tremendously helpful for making this industry too remaining competitive when other factor prices have been showing an increasing trend. While all these augur well, questions had been raised about the ever rising trade balance in telecom equipments as the phenomenal growth of new subscribers that are added per month (in 2010 it averaged 18 million new subscribers per month) was met with equal amount of equipment imports. The increasing share of equipment imports was due to the weak manufacturing base that India possessed; ironic though as telecom equipment production was one of the first manufacturing industries that the Indian state had sought to develop through explicit state participation right after independence. Subsequently the state even attempted to craft a sectoral system of innovation in the telecom equipment industry. However none of these efforts resulted in India being successful in establishing a manufacturing hub. In the context the paper argues that the growth of market for telecom equipments precipitated by the growth of services has jump started an extremely dynamic manufacturing industry, especially over the last five years or so. The dynamism of the industry can be gauged from the fact that for the first time, India has a positive trade balance in mobile handsets facilitated by India emerging as a manufacturing and export base for cheaper handsets. Although the industry is dominated by MNCs, domestic firms have started making an entry into domestic manufacturing and indeed in innovations as well. However there is some evidence to show that most of the manufacturers are now more of assemblers of imported parts and components than manufacturers *per se*. This is further corroborated by the low value added to value of output ratio. So the main policy challenge facing the government is to reduce the import content of domestic manufacturing of equipments. This could only be achieved by developing a component industry domestically.

Sunil Mani



**CHRONICLE 26**  
April - June 2011

**CENTRE FOR DEVELOPMENT STUDIES**

Prasanth Nagar Road, Ulloor, Thiruvananthapuram 695 011, Kerala, India  
Tel: +91-471-2448412, 2448881 Fax: +91-471-2447137 Website: [www.cds.edu](http://www.cds.edu)

*Please send your contributions and responses to the editor: [gasper@cds.ac.in](mailto:gasper@cds.ac.in)*