

India's Covid-19-led reverse migration could be an opportunity for its Hindi heartland

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From our Obsession

Global Economic Disruptions

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Globalization, automation, and inequality.

The coronavirus pandemic has caused an unprecedented disruption in the global economy. This disruption has forced businesses and investors to reconsider where and how to invest. Such a shake-up opens an opportunity for India, especially for its Hindi heartland.

Since liberalisation, while the south and west Indian states tapped the benefits of globalisation, the Hindi heartland could not. This led to a flight of talent and labour from the region to the southern and western states where better opportunities were to be found. While the region improved in human development indicators, it still has high levels of poverty and an often-unnoticed metropolis vacuum — a large region cutting across north and east India with a population of more than 500 million lacks a major metropolitan agglomeration.

The Hindi heartland should use this disruptive opportunity to address its metropolis vacuum, and focus on reversing the flight by building attractive economic clusters and inclusive markets in the region.

The region is endowed with a young population and many top institutions. Taking inspiration from anchoring universities like Stanford and the University of California San Diego, the government can utilise institutions like the Indian Institute of

Technology (IIT) Kanpur and IIT Varanasi, to anchor enterprises and innovation in the Kanpur-Lucknow and Prayagraj-Varanasi regions.

The region, by identifying and developing multiple economic clusters centered around its many cities, will not only encourage urban development but also promote the development of surrounding rural areas, by promoting the production of value-added and specialised products and services in the hinterland, marketable for a global economy.

There exists a skill gap even among the educated youth because the school/college curriculums are not updated to teach a portfolio of basic skills needed for the digital economy. Massive Open Online Courses (MOOCs) can be utilised to offer (mandated) short online courses that teach students basic skills in areas like time and project management, basic financial accounting, and tools such as Microsoft Excel, PowerPoint, and Word, and video/audio editing.

Ingredients of attractive markets

In order to build successful economic clusters, the region is endowed with some key strengths.

The digital infrastructure, successfully developed in India since the 2000s, has reduced transaction costs. But, in order to fully tap the fruits of the information revolution, the government needs to also improve information delivery especially where market access is poor, and necessary information on how to produce, package and sell goods and services may not be available.

A perception of weak rule of law has marred the region's reputation.

A key driver of location choice today is logistical and supply chain proximity, ie how easily can goods, services, and people be moved from one part of the world to another. Hence, the government now needs to prioritise improved transport connections by building industrial corridors in the region.

For a densely populated region like the Gangetic plain, the benefits of building such modern transport connections are even more crucial as by reducing commute times between twin cities like Prayagraj-Varanasi the region can achieve its rapid agglomeration as a twin-city.

A perception of weak rule of law has marred the region's reputation. There is a need to build strong and steady institutions that protect life and property, provide policy stability, and develop contractual infrastructure that gives the foundation for doing business.

The region has one of the lowest per capita levels of police force, which hampers law & order. Investment should be made to expand and modernise the police force. During times of transformation (a time of uncertainty), governments need strong institutions

that can be built by developing clearly set, well thought out, and unchanging guidelines and regulations from an early period, that are well publicised.

The region is socially hyper-fragmented. Such hyper-fragmentation creates cleavages in society, which are antagonistic to the region's goal of rapid growth and transformation. The region needs to build a common inclusive identity around regional and local pride, in order to build civic citizenship.

One way to boost local pride and engagement is by improving civic amenities, for example, the Indore Swachhta Abhiyan (Hindi). Such a creation of boundary spanning identity is possible, given that Indian voters across demographic groups prioritise similar sets of issues that relate to the economy (jobs), civic amenities, and the local environment.

Choosing the right economic model

There are several growth models of cluster-led growth that the Hindi heartland can learn from.

The Chinese Pearl River Delta has successfully transformed itself into a \$2 trillion economy and the world's greatest manufacturing hub. Such transformation (benefiting Uttar Pradesh as well) is also happening in Delhi-National Capital Region (NCR).

Successful regional clusters enjoy high levels of political autonomy, and the power to set their own policies, future direction, and taxation. The region can follow this model of autonomous cluster formation in regions like Prayagraj-Varanasi and Kanpur-Lucknow.

Economic clusters of the Hindi heartland need to quickly step up in the entrepreneurship and innovation space.

Additionally, it is necessary for the region to look at growth and inclusion as complements. Investor friendly reforms (like labour reforms) need to be balanced with public investments that encourage social mobility and human development.

States in south India and Bangladesh have used their economic growth to generate revenue that funds social and market inclusion through investment in public health, education, and credit, with a special focus on women and social safety net. Such inclusion (with improvements in human development) then further accelerates economic development creating a virtuous cycle of growth.

Economic clusters of the Hindi heartland (outside of NCR), need to quickly step up in the entrepreneurship and innovation space as well, anchored around educational institutions.

The pandemic, the subsequent lockdown, and the return of migrants home open up an opportunity for the region. The time is now ripe for the Hindi heartland to achieve sustained double-digit growth. The governments in the Hindi heartland organise

astonishing governance feats such as the Kumbh Mela. Hence, they hold the governance capability to create dynamic and autonomous economic clusters, with proper emphasis on institutions, transportation linkages, and inclusion.

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