

## Looking back at the IGC-ISI India Development Policy Conference

*The [IGC Growth Week](#) is due to take place at the London School of Economics 23<sup>rd</sup>-25<sup>th</sup> September and will feature research on India and South Asia. To give an insight into the work of the IGC's India Central programme, **India At LSE** rounds up some of the research presentations at last month's IGC-ISI India Development Policy Conference in Delhi.*

### The Environment, Energy, Urbanisation, Infrastructure

This session was chaired by Dr. Pronab Sen (Country Director IGC India Central). The presentations in the session included "How urban is India?" by Arindam Jana (Indian Institute of Human Settlements) and "Leakage in fuel subsidy: Evidence from Direct Benefit Transfer for LPG policy in India" by Prabah Barnwal (Columbia University).

'How urban is India?' presented research findings exploring whether the parameters used in the Official Census to define urban settlements to capture the true extent of urbanisation in India. According to the official census, the three conditions that must be satisfied for settlements to be classified as urban are:

1. Population greater than 5,000 persons
2. Population density greater than 400 persons per square kilometre
3. At least 75% of male main workers involved in non-agricultural pursuits.

The sensitivity tests of the parameters conducted by the authors show that population size and labour conditions have a limiting effect on declaring densely populated areas "urban". In addition measurement errors are likely to arise due to sensitivity to process due to prior identification of "urban" settlements by Census.

The characterisation of extent and location of "urban" India becomes significant in urban policy and infrastructure finance discussions. There are important policy implications in large public sector programs like JNNURM, NREGA, etc. Moreover, a small change in percentage of urban population would imply large changes in resource allocations. The research finds that the extent of "urban" India is sensitive to definition of urban settlement and that the definition in itself is hard to defend.

The research is ongoing and the authors will undertake settlement level analysis for all India, estimate the metrics at various levels of geographical aggregation. The authors also propose defining rural-urban as a range between 0-1 rather than the existing binary where 0 = truly rural, 1 = truly urban.

Comments were received on the urban settlement criterion of economic activity in light of the vast improvement in connectivity in India which allows agriculture related occupation possible even when one is living in urban like settlements. In addition, authors must consider that most of the male population actually hold more than two occupations on average when conducting the sensitivity test of parameters.

*This write-up is adapted from the summary by Farria Naeem, Country Economist, IGC Bangladesh.*

### Governance

The first presentation, from Karthik Muralidharan (University of California, San Diego) and Sandip Sukhtankar (Dartmouth College), focused on the use of biometric smartcards to deliver services to the poor in Andhra Pradesh. Two programs, the Mahatma Gandhi National Rural Employment Scheme (NREGS) and Social Security Pensions (SSP) were evaluated. Working with the government of Andhra Pradesh, researchers used a randomised rollout design to monitor the implementation of biometric smartcards across 8 districts, affecting a

population of about 19 million people. The study, titled *Building State Capacity: Evidence from biometric smartcards in India* found that the new system paid for itself in saved beneficiary time (worth \$4.44 million) and also reduced annual leakage by an estimated \$38.7 million.

The discussants, Santosh Mathew (Ministry of Rural Development, Government of India) and Jayant Sinha (Member of Parliament, Lok Sabha), expanded the conversation to the political economy of “why this works where it works” but fails elsewhere. Mathew asked: “Why are we struggling to make these additional investments to make sure some of our programmes work?” Sinha highlighted the struggles of implementing projects where the “state doesn’t exist on the ground in many areas.”

In the second presentation, Lakshmi Iyer (Harvard Business School) presented a working paper on political identity and religious violence in India. Her work centres on the question “Does increasing minority political representation lower religious conflict?” The paper is based on a new dataset of the religious identity of legislators and an expansion of the Varshney-Wilkinson database on riots to cover the period from 1980-2010. The Q&A session included a discussion of possible mechanisms through which political representation could affect levels of religious violence and directions for further analysis of these new datasets.

*This write-up is adapted from the summary by Mari Oye, Country Economist, IGC Myanmar.*

### **Macroeconomics and Finance**

Chaired by Subir Gokarn from Brookings India, the session on Macroeconomics and Finance covered two research projects on capital flows in India, in particular foreign fund flows and borrowing in foreign currency.

In the second presentation, “Understanding foreign currency borrowing by firms”, Nirvikar Singh (University of California, Santa Cruz) assessed borrowing abroad and the degree of home bias in India estimating propensity score matching and a Tobit model using data of non-financial firms from 2001-2013 with sales greater than USD\$1 million.

Not surprisingly, but significantly, larger firms borrow a greater share of its total liability in foreign currency as they usually have better collaterals and liquidity position. At the same time, the percentage of firms naturally hedged through exports have increased to about 50% of the sample total, making foreign borrowing less risky on average. However, the inability to hedge limits the benefits of foreign borrowing for a sizable number of firms.

Moreover, the Singh concluded that borrowing abroad has an impact on fixed asset growth, but this does not mean a sharp increase in output growth or export growth rates which would be expected in the cases of financially constrained firms. K. P. Krishnan commented on the policy implications this may have. If all firms were able to increase fixed assets by a few percentage points, similar to the growth rate achieved by firms borrowing abroad, this will translate in an overall increase in the country’s output and productivity. This raises the issue of facilitating external borrowing and opens the question of capital control from another perspective than the one normally discussed.

*This write-up is adapted from the summary by Michelle Tejada, Hub Economist, IGC Hub*

### **Human development – Health, Education & Labour Markets**

The 5th session was chaired by J.B.G. Tilak (National University of Education Planning and Administration).

The first presentation by Seema Jayachandran (Northwestern University) tested the premise that gender attitudes are shaped in adolescence. The team is conducting a randomised controlled trial in Haryana amongst 150 treatment schools and 164 control schools, surveying 14,800 students and 6,100 parents in total. The experiment is using a number of tools to measure attitude shift in order to avoid social desirability bias including direct attitude questions, vignettes and implicit association tests. On average, the baseline survey found that while boys and girls tend to agree with pro-boy and pro-girl attitudes (respectively) in adolescence, girls seem to become more pro-male as they age. As for influence, the paper finds that parent’s gender attitudes affect children’s attitudes and mothers more than fathers. Adolescents are also equally influenced by their classmates. The main policy question here is: how do we ensure pro-girl attitudes persist into adulthood?

The discussant, Ratna Sudarshan (National University of Education Planning and Administration) noted that the goal of the study, to change attitudes to sex-selective abortion, is lofty and that any realistic change over a short period of time is impressive. She also challenged the assumption that richer people have more progressive gender attitudes.

*This write-up is adapted from the summary by Helen Sims, Communications Coordinator, IGC Hub.*

*The 5th IGC-ISI India Development Policy Conference took place on 17<sup>th</sup> and 18<sup>th</sup> July and featured 6 research presentation sessions on Human Development, Governance, Macroeconomics and Finance, Energy, Environment, Infrastructure and Urbanisation. Extracts of 4 sessions are discussed in this post – for a full write-up of all sessions visit the [IGC website](#).*

*Image credit: flickr/[The IGC](#)*

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