

Why Focus Should Be On Districts To Drive Reopening

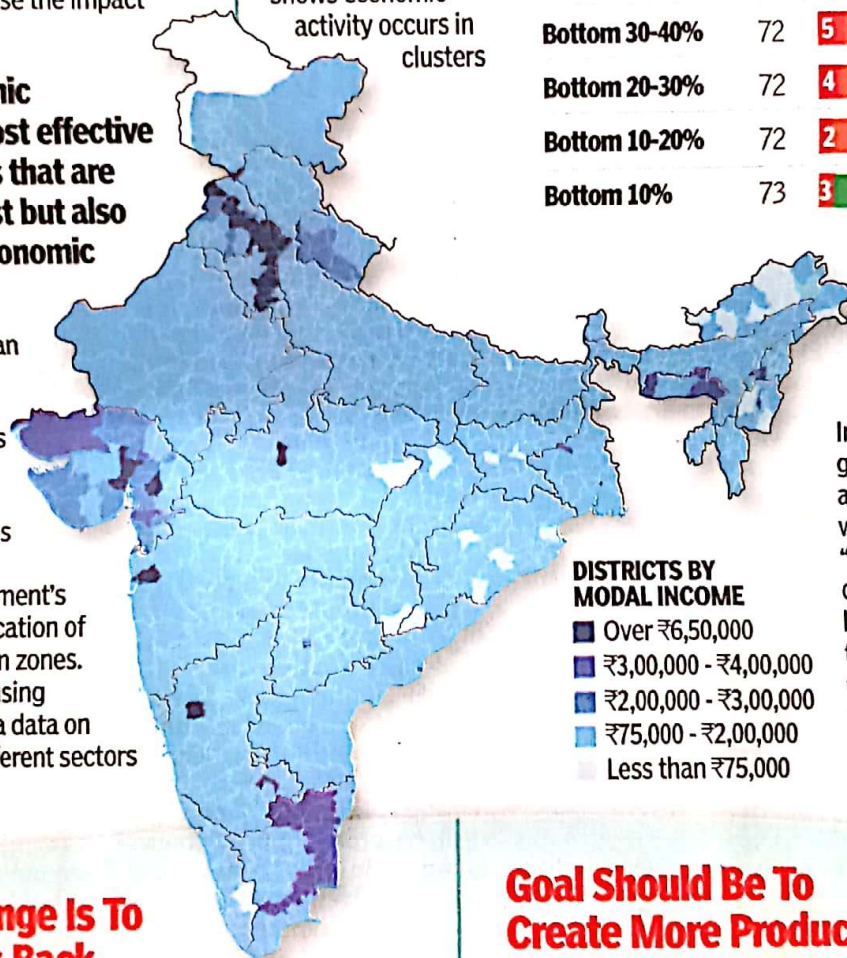
As India moves closer to reducing curbs, the focus should be on how to revive economic activity in a way that will have the maximum impact. That will mean looking at districts, rather than the whole country. But the 'safest' districts may not have the most economic potential. So, the aim must be to not only reopen green zones but also figure out how to restart businesses in red zone districts where most economic activities are located

Economic Activity Not Uniform Across India

A strategic approach to reopening the economy will require policymakers to identify districts by the level of economic activity in each, says consulting firm Akara in a note. Knowing where economic activity is concentrated, combined with the knowledge of where Covid-19 cases are concentrated, will enable the government to maximise the impact of reopening

Resuming economic activity will be most effective if done in districts that are not only the safest but also have the most economic potential

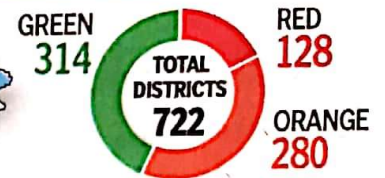
Akara has designed an index of economic activity (IEA), categorising districts by intensity of economic activity into percentile groups of roughly the same sizes and the government's Covid-19 risk classification of red, orange and green zones. The index was built using Reserve Bank of India data on "credit offtake to different sectors at the district level"



Districts by index of economic activity and Covid-19 risk

The table shows, for example, that the top 10% of economically active districts is largely made up of red and orange zones, while the bottom 10% mostly green zones. This trend holds true across the spectrum. The table shows economic activity occurs in clusters

IEA PERCENTILE	DISTS	RED ZONE	ORANGE	GREEN
Top 10%	73	48	24	1
Top 10-20%	72	24	36	12
Top 20-30%	72	18	40	14
Top 30-40%	72	15	41	16
Top 40-50%	73	10	34	29
Bottom 40-50%	71	2	32	37
Bottom 30-40%	72	5	29	38
Bottom 20-30%	72	4	29	39
Bottom 10-20%	72	2	12	58
Bottom 10%	73	3	0	70



In the most active districts, economic growth has brought in labour from across the country. The note says while that makes these clusters "competitive in terms of operating costs", the consumption economy has spread via "purchasing power transferred through remittances" from these districts. That has led to the income group Rs 75,000 - Rs 2,00,000 per year being the modal household income in most districts

DISTRICTS BY MODAL INCOME

- Over ₹6,50,000
- ₹3,00,000 - ₹4,00,000
- ₹2,00,000 - ₹3,00,000
- ₹75,000 - ₹2,00,000
- Less than ₹75,000

A Key Challenge Is To Get Migrants Back

Flagging the issue of reverse migration of labour from key economic centres like cities and industrial hubs, the note says efforts should be directed at ensuring these workers can be moved back quickly when the red zones, where the majority of economic activity is concentrated, begin to reopen. One solution suggested is a registry or system of identifying migrants in their states of origin, where they might have returned

Goal Should Be To Create More Production Hubs

The note points to the opportunity to "enable recovery-oriented measures to yield long-term benefits" adding that infrastructure projects to be taken up should be oriented towards strengthening economic activities and making Indian value addition globally competitive. Bringing in the district level focus, it points to the need to focus, at the outset, on districts that are dominant in one or two sectors. The example cited is that of Anand and whether other centres can be developed to attain the Gujarat city's scale of production in dairy sector



Source: Recovery From Covid-19: Identify And Act Upon The District Level Economic Activities