

# **Political Economy of Small-Town Growth in India**

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## **Abstract**

Urban trends have marked a departure from the traditional large city-led to small towns-led urban growth in India. Urban scholars have argued that the growth of small towns results from the trickle-down of economic activities from large cities, pushing the growth of small towns in the vicinity of large cities. However, analysis of census data shows that most small are growing away from large cities, and their growth does not depend on spillover from the large cities. These studies show that liberalisation of the economy has led to the retreat of State subsidies, reduced public investments in agriculture, and climatic changes led to the decline of agriculture. It has forced people to look for alternative livelihoods in the non-farm economy of small towns and large villages, leading to an unprecedented growth of small towns in India. Furthermore, several studies, industry reports, and popular media articles indicate sociocultural changes in the villages along with the weakening of agriculture, which has also created a strong desire to become urban among villagers.

The dissertation is motivated by the existing literature, which highlights the changes in the notions of rural households around agriculture, upward mobility, social status, and rural and urban lifestyles with the penetration of mass media and interactions with returning migrants. While the decline in agricultural income has been an anchor of rural and small-town studies in the past few decades, the sociocultural changes in rural areas have not received enough scholarly attention. It has stymied the development of a concrete understanding of small-town growth in India, especially away from large cities. Therefore, this dissertation builds a non-economic understanding of small-town growth by linking the sociocultural processes in neighbouring villages rather than fixing upon dualistic and reductionist economic models.

This thesis aims to recognise the non-economic factors as drivers of urban growth along with economic determinants established in the literature. Using Census and UDISE data of more than 3,260 small towns in India, we show that a higher number of high schools and

better access to colleges were essential to the growth of small towns during 2001-2011. While the effect of other determinants, such as physical and financial infrastructure and the non-farm economy, is either statistically inconclusive or minuscule. Further, small towns in the districts with weak rural educational infrastructure grow faster than others, which indicates the importance of educational infrastructure for villagers in India. Thus, merely economic determinants cannot explain the growth of small towns and aspirational change in rural India has also played an essential role in the growth of small towns.

For analysing the linkages between education and urbanisation in small towns, this thesis has adopted the “aspirational capacity” framework. It enables us to locate the rising demand for education within the aspirational change in rural India. To understand this phenomenon, we have conducted fieldwork in *Nadbai*, a class-III town in north-western Rajasthan that has earned fame for private schooling in the local region. Fieldwork was done over six months, during which semi-structured interviews were conducted with school owners (n=12), teachers (n=6), students (n=8), and parents (n=4) in Nadbai. Also, parents (n=3) and students (n=5) were interviewed in their native villages to analyse the relationship between education and aspirations. In addition to this, we interviewed hostel and mess owners (n=5), traders (n=4), school workers (n=3), bank officials (n=1) and government officials at the urban local body (n=2) and education department (n=1), to understand dynamics of schooling industry.

This dissertation examines the centrality of social interactions in their near geography in shaping demand for education. In doing so, it first builds an understanding of aspirational changes in rural areas through the continuous circulation of images of urban consumption, desires, and competition, which has fundamentally transformed the notions of upward mobility and social status in villages. Our analysis reveals that the dissemination of “success” stories of education in their immediate geography has made education the most critical and socially sanctioned vehicle of upward mobility for rural households. These success stories generate social capital regarding know-how, guidance, and information access, shared in the local geography through everyday interactions. Hence, education has become the most practised and socially sanctioned path for upward mobility and a secure future in these villages, leading to an unprecedented demand for private education. The unavailability of ‘good’ private schools in villages has pushed these villagers to small towns like Nadbai, where

entrepreneurs have invested in private schooling to capture this demand. Investments in private schooling and students' arrival have initiated the "studentification" of Nadbai.

Furthermore, this thesis also explores the business practices of school entrepreneurs to understand the political economy of new businesses like education in small towns. School entrepreneurs in Nadbai have used their communitarian/occupational ties in the initial phase of their business, and these ties have helped them to lower entry barriers and manage labour. Further, school entrepreneurs have transformed their social institutions into economic/financial arrangements, illustrating the processes referred to as "fraternal capitalism". However, in the later phase, our study reveals that the utility of community networks has withered away due to changing market conditions and state policies. School entrepreneurs quickly withdrew from traditional community networks and built new partnerships to maintain their comparative advantages. Hence, capital in small towns opportunistically keeps participating in or dissociating from networks based on their utility in a particular market situation, policy environment, and other factors. Therefore, reducing the nature of small-town economies to community-based institutions may not hold ground in all cases. It depends on the sociocultural environment, market conditions, and other enabling factors.