

Minimum Size of an Economic Unit (Structural Reform 1. For Indian Economy)

[Based on VOT Concept: Creating Viable, Organized and technically advanced Economic Units]

As per the census 2011, India has 640932 villages (597608 are inhabited and 43324 are uninhabited) and 7933 towns. As we can see in the below census 2011 table, nearly 70% of the Indian population (83 crore out of total 121 crore) lives in the villages. Agriculture & allied activities (animal husbandry, forestry, logging and fishing) is the main occupation of the villagers. Though agriculture contributes only around 17% to Indian GDP (less than other sectors) but its role is very significant as it provides food security to all the Indians and provides employment to nearly 60% of the total workforce.

Table.1. A-1 [Number of Villages, Towns, Households, Population and Area](#) (Census 2011)

Total Inhabited Villages	597608	Total Uninhabited Villages	43324	Towns	7933
Population	833748852	Population	0	Population	377106125
Households	168612897	Households	0	Households	80888766
Total Population		1210854977			

A-3 VILLAGES BY POPULATION SIZE CLASS

Table.2. [Source](#): Table created using data from Census 2011 Population Enumeration Data

Population Range	Number of Village	Village % of Total	Population	Population % of Total
Less than 200	82151	13.75%	8179551	0.98%
200-499	114732	19.20%	39685424	4.76%
500-999	141800	23.73%	103321330	12.39%
1000-1999	139164	23.29%	197536058	23.69%
2000-4999	96428	16.14%	288773884	34.64%
5000-9999	18652	3.12%	123877458	14.86%
10000 and Above	4681	0.78%	72375147	8.68%
Total Inhabited Villages	597608		Total Population in Inhabited Village	833748852

Following are the Statistics from Table2:

- a. 56.67% (338683) of total inhabited villages has population less than 1,000 and 18.13% (151186305) of total village population lives in them.
- b. 80% (477487) of total inhabited villages has population less than 2,000 and 41.8% (348722363) of total village population lives in them.**
- c. 96.10% of total inhabited villages has population less than 5,000 and 76.46% (637496247) of total village population in India lives in them.
- d. 3.90% of total inhabited villages has population more than 5,000 and 23.54% (196252605) of total village population in India lives in them.

Using VOT concept, let's first check the viability of Indian villages as an economic unit.

Need of Public infrastructure and services: For good and inclusive economic as well as social growth, Infrastructure like Power, Education, Healthcare, Irrigation, Telecommunication infrastructure and Transport & financial Services must be present in every economic unit in today's time: a school up to senior secondary education, a modern hospital for basic healthcare, banking services for financial inclusion and road infrastructure for connectivity to areas around, digital infra are the some of them mentioned above. To build this infrastructure large investment is needed. Per capita cost matters lot in this case and size of an economic unit decides the per capita cost. Smaller the size of the unit, high will be the per capita cost to build the infrastructure and more will be burden on the public exchequer. Large size of an economic unit makes it viable to build the above mentioned infrastructure and services.

Size of Market for Economic activity: Market size matters much for the economic activities in an economic unit. To start, every business has some fixed costs, now if the size of the market is very small, entrepreneur will really hesitate to make the investments to set up a business.

Conclusion: Population of nearly 80% of the Indian villages is very less. (Point B above in red color). Minimum Size of economic unit will make them more viable. Following is recommended structural reform for the Indian Economy:

Minimum Size of an economic Unit: I recommend having a policy of minimum size of an economic unit and target to have minimum 5-10 thousand population in all Indian villages by 2050. I recommend merging the small villages with other small village or medium sized villages, to make them viable economic units. This structural change must not be done in small time period and not by forced displacement. Small villages as whole and individuals from these villages need to be educated about the benefits they are going to get from the merger.

Benefits of Minimum Size of Economic Unit:

- More employment generation opportunities due to large size of an economic unit.
- Less per capita cost for public infra & services.
- It will help in decreasing the disparities in the distribution of services & infra projects (grant in aid). Nearly equal minimum cost for all economic units (Cost disparities will decrease).
- Cost estimation and prediction will be easy.
- It will increase productivity of economic unit at every front.
- Minimum market size will ensure the good economic activity in every economic unit.

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