



Inclusive Growth in India : Dream or Reality

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ABSTRACT

In India, first three decades of development since 1951 (viz. 1951 to 81) the economy grew at a painfully slow rate of 3 to 3.5%, followed by the moderate growth rate of 5 to 6% in the next two decades, viz. 1981 – 2001. Tenth Plan (2002-2007) ushered in the era of rapid growth and the economy achieved over 8% of growth rate. This high growth rate which reached as high as 9% in the eleventh plan (2007-12), however suffered a setback due to worldwide recession and adverse global Economic environment which clearly reflects the need to find a sustainable balance between growth and inclusion. Inclusive growth can be viewed as the process of economic growth, which focuses not only on achieving a higher growth rate of GDP, but also non endeavors to ensure that economic development leads to a broad improvement in quality of life of people especially the poor and the Marginalized groups such as scheduled castes (SCs) Scheduled Tribes (STs), Other Backward Classes (OBCs), the minorities and the women. The main challenges, behind inclusive growth in India are poverty, unemployment, social injustice, Gender Inequity etc. To overcome from there challenges India must have to followed inclusive growth.

KEYWORDS

Inclusive Growth, Capability, Decentralization

Introduction :

The growth of Indian Economy over the part many decades was high and satisfying, but did not make much differences to the lives of the multitude of India' poorer masses, many continued to remain miserable and pathetic. It seemed that the development process had just by passed them or excluded them from its ambit. And this happened because the poor and the weaker sections were not Empowered enough to participate in the development process. They were illiterate, ignorant, unskilled and thus, unfit to take part in development programmes and draw any benefits from schemes and projects meant for uplifting their living standard. It was with the objective to end this 'exclusion' of the poor and the weaker sections from the ambit of development and the eleventh plan came with the vision of 'inclusive growth'.

I would like to propose a definition of inclusiveness that involves four attributes.

(I) **Opportunity** : Is the economy generating more and varied ways for people to earn a living and increase their income overtime?

(II) **Capability** : Is economy providing the means for people to create or enhance their capabilities in order to exploit available opportunities?

(III) **Access** : Is the economy providing the means to bring opportunities and capabilities together?

(IV) **Security** : Is the economy providing the means for people to protect themselves against a temporary or permanent less of livelihood consistent with this definition, 'inclusion growth' is a process in which, Economy growth measured by a sustained expansion in GDP, contributes to an enlargement of the scale and scope of all four dimensions.

Elements of Inclusive Growth : The five interrelated elements of inclusive growth are :

1. Poverty Reduction and increase in quantity and quality of employment
2. Agricultural Development
3. Social-Sector Development
4. Poor quality delivery systems

5. Social indicators are much lower for scheduled castes and scheduled tribes.

Needs for Inclusive growth :

The inclusive growth strategy was, therefore, adopted in the Eleventh Five-Year Plan

(2007-12) to address these basic issues that are mentioned below.

1. The Poor did not benefit from Growth : Over half a century of economic development, it was observed that benefits of growth were not widely depressed to make much difference to income and living standards of the poorer and the marginal sections of society, including the Scheduled Castes (SCs), Scheduled Tribes (STs) and minorities. The development process seems to have largely by passed these people. They have neither been able to actively participate in the development process, not have they shared in gains of socio-economic growth. Thus, the development process has not been able to carry the poor and marginalized social groups along the growth path or that growth not been sufficiently inclusive.

2. Low Human Development : Indicators of human development such as literacy and education, and maternal and infant mortality rates, show steady improvement, but they also suggest that the progress is slow and we continue to lag behind several other Asian countries. Though literacy rate has gone up from about 18 percent in 1951 to about 65 percent in 2001, but India's still has the highest number of illiterate persons (304 million in 2001) in the world. Life expectancy at birth has increased from about 32 years (both for males and females) in 1951 to about 64 years for males and 67 years for females 2001. But this is still far below life expectancy of around 80 years in countries of Western Europe and 72 years in China.

3. Low Availability of Essential Social Services : Delivery of essential social services such as education, health, nutrition, clean drinking water, sanitation etc. has been so inadequate and inefficient that instead of mitigating, it has actually contributed to poverty, ill health and deprivation amount the poorest groups of the society. All these indices show that growth has not been a cause of much satisfaction, or celebration because a whole lot of poor people, minorities and many

sections of society have not gained anything from this development process.

Challenges before inclusive growth in India :

Based on the Eleventh Plan Document, we can appoint some of the basic issues and challenges that need to be addressed to make the growth process 'inclusive'.

1. The employment Challenge : Employment has emerged as a major challenge in India's growth process. India is currently passing through that phase of demographic transition where population growth is showing down, but the population of young people entering labour force keeps on expanding. Thus, even with rising employment opportunities, the rate of unemployment as well as the number of people seeking employment continues to increase. Inclusive growth, thus, must aim at creating larger avenues of employment. The Eleventh Plan Year Plan observes.

"The ability to generate an adequate number of productive employment opportunities will be a major factor on which inclusiveness of growth will be judged."

It is, however, essential to produce a growth process in which employment would be available not only for new entrants to labour force but also for workers leaving agriculture for seeking on labour intensive industries, and small and medium scale enterprises will create employment opportunities in industrial and services sectors

Poverty Alleviation : The persistence of poverty on the scale at which it still persists is just not acceptable. The Expert Group Report (also known as Tendulkar Report) estimates India's aggregate poverty at 37.2 percent in 2004-05. Even after six decades of development in a country that has also known some remarkable growth rate of GDP in recent years, the poverty ratio is unacceptably high. The Eleventh Plan, therefore, observes that,

"A decisive reduction in poverty and expansion of economic opportunities for all sections of population is therefore, the crucial element of the strategy of inclusive growth. Rapid growth of the economy is an essential requirement to achieve this outcome since it is an instrument for achieving a steady increase in employment and income for larger number of people."

Social Justice and Empowerment of the Disadvantaged : The vision of inclusiveness must go beyond the traditional objectives of poverty alleviation to encompass equality of opportunity as well as economic and social mobility for all sections of society, with fixative action for SCs, STs, OBCs, Minorities and women. The Eleventh Plan emphasis. **"There must be equality of opportunity to all with freedom and dignity, and without social and political obstacles."**

This freedom of mobility must be accompanied by an improvement in opportunities for economic and social advancement. For this, people belonging to the disadvantaged groups must be provided special opportunities to develop their skills and participate in the growth process. This outcome can only be ensured by creating a feeling of empowerment and participation among these marginalized sections of society. The Eleventh Plan therefore affirms.

"Empowerment of disadvantaged and hitherto marginalized groups is, therefore, an essential part of any vision of inclusive growth."

Gender Equity : It is a matter of great discomfort that females, who constitute nearly half of India's population, remain largely excluded from the development process due to gender discrimination in almost all socio-economic spheres, be it education, health or avenue of employment. Inclusive growth strategy, therefore, attempts to move beyond mere empowerment of women and recognizes women as agents of so-

cio-economic change and growth. While endeavoring to guarantee rights and entitlements of all women, inclusive growth seeks to ensure that their needs, rights and contributions to development are well recognized and adequately emphasized.

Development with Distributive Justice : Inclusive growth is just not the conventional strategy of growth to which some elements of inclusion, such as poverty alleviation and distributive justice, have been added. On the contrary, it is a strategy which aims at achieving a particular type of growth process which will meet the objective of inclusiveness and sustainability.

Therefore, it is necessary that policies for promoting growth are complemented with policies that ensure that more and more people join the growth process. It is also necessary that there are mechanisms in place to redistribute some of the gains to those who are unable to take part in the market-driven development process and thus get left behind. The policies for inclusive growth, thus, must ensure that the nation achieves a high growth rate and that the weakest sections get maximum benefit from this growth.

Social Sector Initiatives : Several programmes, schemes and projects have been

Launched by the Government, both at the Central and the State levels to rapidly promote inclusive growth. These programmes and schemes aim at providing basic education, health care and other essential services to the poor, weaker and neglected sections of the society with a view to empowering them to participate in development activities and improving their employment and ending prospects through self-employment and wage employment programmes. Special attention is being paid to the women, minorities and the backward sections, including SCs and STs and specific schemes are being devised and implemented to improve their economic and social position.

In this connection mention may be made of the early schemes such as Integrated Rural Development Programme (IRDP), National Rural Employment Programmes (NREP), Training Rural Youth for Self-Employment (TRYSEM), etc. Later on, Jawahar Rozgar Yojna (JRY) Swarnajayanti Gram Swarozgar Yojna (SGSY) and Pradhan Mantri Gramodaya Yojna (PMGY) were launched till the all-encompassing Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) was implemented in 2006. Schemes to build up rural and urban infrastructure were also put into operation to help the poor. The National Rural Health Mission was launched in 2005 to provide quality health services in rural areas. Right to Education Act came into force in April 2010 that seeks to provide free and compulsory education to all children, including the children of the poor and weaker sections. These initiatives are being earnestly pursued for the empowerment of the poor and the pursuit of inclusive growth.

Inclusive Growth and Social Sector Expenditure : For growth to be inclusive, an overall high pace of GDP growth must be accompanied by major efforts to provide access to the poor and weaker sections to basic education and health facilities, clean drinking water, better sanitation, rural roads for better connectivity and other such essential public services. Such social services do not only have a positive impact on welfare of the masses, but they also provide efficient inputs for future economic growth. For example, any person who is denied the benefit of good education and health facilities is automatically excluded from participation in development activities due to illiteracy, ignorance and ill health, untalented area people may be denied the benefits of development, if their villages do not have basic physical infrastructure such as road connectivity with the urban centres or do not have proper communication system to interact with distant markets. Thus, social sector expenditure is necessary for enabling participation of the poor and neglected social groups of society in nations economic progress, to share gains of development

to improve their productivity and competence to make use of growing economic opportunities which even a high growth rate may not automatically provide.

Trends in Social Sector Expenditure : Social sector expenditure on social services includes expenditure of the Union Government as well as State Government on such services as education, sports and culture, medical and public health and family welfare facilities, water supply and sanitation, nutrition, housing for the poor, welfare of the Scheduled Castes, Scheduled Tribes and Other Backward Classes and Minorities. Since a major section of such economically weaker and socially deprived sections live in rural areas, expenditure on rural development is also included in the social sector expenditure.

Central Government expenditure on social services and rural level increased over the past years. As a result, ratio of Government's total expenditure has gone up from 13.75 percent in 200-06 to 18 percent in 2010-11 and is estimated to be about 17 percent in 2013-14. The table which is given below, shows the trends in Central Government sector expenditure.

Since many social services are provided by the States and many welfare schemes are funded by them, it is appropriate to study the trend in social sector expenditure as comprising both the Central Government and State Government and thus analyse the trend in combined social sector expenditure.

Central Government Expenditure on Social Services and Rural development

(As percent of total expenditure)

Item	2005-06	2009-10	2010-11	2012-13	2013-14
	Actual	Actual	Actual	RE	BE
1. Social Services	9.79	13.06	12.61	11.93	12.83
2. Rural Development	3.12	4.27	3.51	2.49	2.57
3. Pradhan Mantri Gram Sadak Yojna (PMGSY)	0.83	1.11	1.87	0.70	1.30
4. Total Social Services, Rural, Dev. and PMGSY	13.75	18.44	18.00	15.12	16.70
5. Total Central Government Expenditure	100.00	100.00	100.00	100.00	100.00

Note : RE : Revised Estimates; BE: Budget Estimates

Suggestions :

- (1) Equity is important for economic development so it should be preferred.
- (2) Agricultural Development is necessary for Economic development.
- (3) Economic reforms are important. But Macro-poor policies should have pro-poor focus.
- (4) Structural change should have followed agriculture – industry – Services requires.
- (5) Economic reforms in relation to socio-political environment.
- (6) Decentralization.
- (7) Importance of women's economic and social empowerment.
- (8) Shift focus of reforms to delivery systems.
- (9) Equality of opportunities (education) should be given.
- (10) South East Asian and East Asian Experience can be based.

Conclusion : It is clear from the above paper that the vision of economic growth in the

eleventh plan is to trigger a development process which ensures bread based

improvement in quality of life of poor masses and neglected social groups. This vision

includes several interrelated components ; rapid growth that reduces poverty and

creates employment opportunities, environment sustainability, gender quality and good

governance.

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