

# Asian Resonance

## Issues and Concern's in Achieving Inclusive Growth in India

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### Abstract

In the wake of the economic reform programme undertaken since 1991, distributional issues have received considerable attention and policy concern. In pursuance of such concerns, the government of India has worked a lot through many schemes. Over the last six decades, The Indian economy which has passed through various phases of growth is now all set to enter a different spheres like one marked by a high rate of expansion, combined with 'inclusive growth'. Government of India have initiated and come up with several projects, such as Jawahar Rozgar Yojna, Integrated Rural Development Program, Rural Housing Scheme, Swarnjayanti Gram Swarozgar Yojana and Mahatma Gandhi National Rural Employment Guarantee Act to promote inclusive growth in India. Public sector and private sector involvement is equally important for inclusive of a country like India. The private sector has started contributing with various positive starters, such as the ICICI Foundation having been set up with the sole purpose of promoting inclusive growth. There is a huge demand for the unified approach towards how they can extend, innovate, and collaborate in new ways to drive inclusive growth. This paper elaborates the problems faced in achieving Inclusive growth strategies in India and paper also briefly describes the various steps taken by government for inclusive growth.

**Keywords :** Growth, Employment, Development, Inclusive.

### Introduction

Inclusive growth refers *both* to the pace and pattern of growth, which is considered, interlinked, and therefore in need to be addressed together. The idea that both the pace and pattern of growth are critical for achieving a high, sustainable growth record, as well as poverty reduction, is consistent with the findings in the Growth Report: Strategies for Sustained Growth and Inclusive Development (Commission on Growth and Development, 2008). The commission notes that inclusiveness – a concept that encompasses equity, equality of opportunity, and protection in market and employment transitions – is an essential ingredient of any successful growth strategy. Here we emphasize the idea of equality of opportunity in terms of access to markets, resources, and unbiased regulatory environment for businesses and individuals. The inclusive growth approach takes a longer term perspective as the focus is on productive employment rather than on direct income redistribution, as a means of increasing incomes for excluded groups. In the short run, governments could use income distribution schemes to attenuate negative impacts on the poor of policies intended to jump start growth, but transfer schemes cannot be an answer in the long run and can be problematic also in the short run.<sup>1</sup>

Inclusive growth implies participation in the process of growth and also sharing of benefit from growth. Thus inclusive growth is both an outcome and a process. On the one hand, it ensures that everyone can participate in the growth process, both in terms of decision making for organizing the growth progression as well as in participating in the growth itself. On the other hand, it makes sure that everyone shares equitably the benefits of growth. In fact, participation without benefit sharing will make growth unjust and sharing benefits without participation will make it a welfare outcome.<sup>3</sup>

### Problems before Inclusive Growth Strategies in India

The problem of lacking in inclusive growth is not new in our country. India started facing such obstacles since independence in the way of achieving inclusive growth. The following problems are the major concerns for developing countries like India to achieve the inclusive growth. They are:

## Core Problem of Poverty

Poverty is the core problem in lacking of inclusive growth in country like India. Poverty is the quality or state of being poor or indigent or scarcity of means of subsistence. The criterion used by the 61st round of the National Sample Survey (NSS) was monthly per capita consumption expenditure below Rs. 356.35 for rural areas and Rs. 538.60 for urban areas. 75% of the poor are in rural areas, most of them are daily wagers, self-employed householders and landless labourers.

## Reduction in Employment Opportunities

Employment considered as one of the main problem for reduction in inclusive growth in India. Population has increased at a great speed after independence showed its impact on employment. The unemployment became the big and huge lacking side to the development of the country. Since poverty is much higher than unemployment, employment is the only source to eradicate poverty. The quality and quantity of employment in India is very low due to illiteracy and due to over dependency on agricultural employment. India is also facing the problem of low employment generation in all sectors, regions and for all socio economic groups particularly for poorer sections of population, backward regions, lagging sectors and SC/ST/OBC/women etc.

## Lacking in Agriculture Sector

Traditionally, India is considered as the agricultural based country. Major population of Indians are engaged in agriculture sector for employment, the recent developments in the other industrial and territory sectors decreased this major sector's growth. Some of the problems in Indian agriculture are like decline in per capita land availability, shrinking of farm size, Low labour productivity in agriculture, Decline in yield growth due to land and water problems, poorly defended to world commodity prices, farmer's suicides.

## Constraints in Social Development

Social development is also one of the key and critical concerns for inclusive growth in country like India. Some of the problems in social sector are like regional, social and gender disparities, Low level and slow growth in public expenditures particularly on health, Social indicators are much lower for scheduled castes and scheduled tribes, Malnutrition among children.

## Issue of Regional Disparities

Regional disparities are also a very important concern for India due to different culture and traditions. Traditional cultures, caste system and the rich & poor feelings favoured some specific groups which leads to the regional disparities has increased in India before and after independence. Some of the regional disparities problems are like Per capita income is highest in some states and lowest per capita income in other states in the same country, Female literacy and Female infant mortality varies from state to state.<sup>2</sup>

## Review of Literature

- 1) Surjit S. Bhalla (2011), This paper has attempted to investigate several aspects of the "inclusive growth" story in India. This paper taken into consideration the relationship economic facts and inclusive growth. This paper taken into account the various regional inequalities and inequalities in growth as a whole India. But the current paper talks about what are the various problems in the way of Inclusive growth and what measures were taken to remove it.
- 2) Ganesh Rauniyar, Ravi Kanbur (2010), The first and major task is the definition of inclusive development, in particular distinguishing it from growth, pro-poor growth and inclusive growth, and differentiating these from each other. The second task is to discuss the relationship between rural infrastructure and inclusive development. The third and final task is to draw out the implications of the recent literature on development assistance and its effectiveness, for donor support of rural infrastructure with the objective of inclusive development. But the current paper talks about what are the various problems in the way of Inclusive growth and what measures were taken by government to remove it.

## Strategies Taken For Inclusive Growth

The key components of the inclusive growth strategy included a sharp increase in investment in rural areas, rural infrastructure and agriculture spurt in credit for farmers, increase in rural employment through a unique social safety net and a sharp increase in public spending on education and health care. The various measures taken for the inclusive growth in India are:

1. Reduction in core problem of Poverty
2. Hike up in quantity & quality of employment generation
3. Up gradation of Industrial Sector
4. Positive change in Social Sector
5. Reduction in core problem of regional disparities
6. Protecting and maintaining the environment.<sup>1</sup>

## Reduction in Core Problem of Poverty

Poverty is a key issue in all the developing economies of the world. Apart from the hardship that it causes to the poor people, it also entails social and political instability. For measuring Poverty, the Planning Commission has adopted the Tendulkar Committee estimates which, Apart from the caloric consumption, has also included expenditure on health and education. Table presents the poverty ratios in Bihar and India, for the years 2004-05 and 2011-12,

As estimated by the Tendulkar Committee. The poverty ratio of Bihar is higher in both 2004-05 and 2011-12, compared to all-India level. The ratio for Bihar is 34.1 percent for rural and 31.2 percent for urban households in 2011-12, implying an overall poverty ratio of 33.7 percent. These poverty ratios are much higher than that for India. From the table, it is also seen that, between 2004-05 and 2011-12, the poverty ratio declined by 20.7 percentage points for

Bihar as against 15.3 percentage points for all-India. The pace of reduction of rural poverty has been faster

than that of the urban poverty, in both Bihar and India.

**Table: Poverty Ratio of Bihar and India**

State	2004-05			2011-12			Reduction in poverty Ratio (in % Point)		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Bihar	55.7	43.7	54.4	34.1	31.2	33.7	21.6	12.5	20.7
India	42.0	25.5	37.2	25.7	13.7	21.9	16.3	11.8	15.3

**Note: Poverty Ratio as per Tendulkar Committee Methodology**

The poverty ratio (based on the Monthly Per Capita Expenditure (MPCE) of Rs.816 for rural areas and Rs. 1000 for urban areas in 2011-12 at all India level), has declined from 37.2 per cent in 2004-05 to 21.9 per cent in 2011-12. In absolute terms, the number of poor declined from 407.1 million (40.71 crores) in 2004-05 to 269.3 million (26.93 crores) in 2011-12 with an average annual decline of 2.2 percentage points during 2004-05 to 2011-12.<sup>4</sup>

### **Hike Up in Quality & Quantity of Employment Generation**

In India, during the 1990s agriculture virtually ceased to employ more labour and so did the organised, or 'formal', non-farm sector. These two segments together – agriculture and the organised sector – accounted for close to 70 percent of all employment in 1999-00, and yet they contributed almost no new jobs. The result During the 1990s, the burden of providing additional employment to the growing labour force fell upon the unorganised (or informal), non-farm sector, which accounted for only 30 percent of employment in rural and urban areas combined. The result was that rural employment growth rates collapsed to less than 0.7 percent, pulling down the overall (rural plus urban) employment growth rates to unacceptably low levels, pushing up recorded rates of unemployment and easing some people out of the labour force altogether.

Wide interstate contrasts in both rural and urban employment growth characterised the period 1993-94 to 2004-05, as the coefficients of variation. Farm employment growth rates in particular varied extremely widely. Rural non-farm employment growth rates varied far more than urban non-farm employment growth rates did. For all sectors combined, the rural interstate contrasts are substantially greater than the urban ones.<sup>5</sup>

During 2004-05 to 2011-12, employment growth (Compound Annual Growth Rate [CAGR]) was only 0.5 per cent, compared to 2.8 per cent during 1999-2000 to 2004-05 as per usual status. Based on current daily status (CDS), CAGR was 1.2 per cent and 2.6 per cent respectively for the same periods. However, unemployment rate in India continued to be around 2 per cent under usual status (principal+subsidiary) and fell under CDS steeply from 8.2 per cent in 2004-05 to 5.6 per cent in 2011-12.<sup>6</sup>

### **Positive Change in Social Sector**

Social Sector and Human Resource Development is one of the most rewarding investments available to promote national development. Education contributes to improving national and individual welfare through multiple pathways like helping people to become more

productive and earn more (their human capital), improving health, enriching lives through empowerment and giving more people better opportunities and thus greater equity through opportunity. Many of the world's states, through international conventions and commitments, have recognised education as a human right.

NCG acknowledge that human resource development and in particular, equal educational opportunities, should be provided for all groups within a society, including persons with disabilities, women and girls and other - often - socially excluded groups. Due to lack of resources in many countries, innovative approaches must be developed in order to improve the capacities of the public education system. In order to do so, methods of organisational development and resource management for education are important issues. In response to the above NCG conducts research and analysis in the fields of

1. National and regional sector studies, reviews and evaluations on core issues related to human resource development
2. Studies and reviews of strategies and programme related to primary, secondary and tertiary education
3. Studies and reviews of technical and vocational education and training
4. Sector planning and programming
5. Studies and reviews of curriculum development and textbook design
6. Studies and reviews of teacher training programmes and institutions
7. Studies and reviews non-formal approaches to education
8. Strategic guidelines for reaching most-at-risk groups
9. Review of education programmes in post-conflict areas

With in the **health sector**, NCG has enhanced its competence within the fields of health system support and management, HIV/AIDS, sexual and reproductive health and rights, gender-based violence and harmful traditions. NCG's consultants are experienced in assessments throughout the programme/project cycle: sector analysis, appraisals, reviews, and evaluations.

### **Reduction in Core Problem of Regional Inequality**

To look at regional (state-wise) variation in economic growth we focus on 16 major states, which account for over 90 percent of India's population and close to 90 percent of its domestic product. These states comprise Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa,

Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.

These states vary considerably in real per capita income—they varied from Rs.11, 000 to Rs. 57,500 in 2009/10. Despite this variation in per capita income, growth acceleration during 2004/05–2009/10 was shared by all states. Even though growth varied across states, all states in the sample witnessed higher average growth during 2004/05–2009/10 compared to 1993/94–2004/05 period. For example, the average growth rates in Bihar and Uttar Pradesh (two states with low per capita income) almost tripled. Assam, Madhya Pradesh, Maharashtra, Punjab, and Tamil Nadu grew two times faster during 2004–2009. However, growth rates in Himachal Pradesh and West Bengal remained similar to those witnessed during 1993/94–2004/05.

If we compare with 1993/94–2004/05, the degree of dispersion in growth rates across states decreased during 2004/05–2009/10. The coefficient of variation of growth rates decreased from 0.35 in the first period to 0.28 in the second. The range of variation in the first period varied from a low of 1.4 percent per year for Assam to a high of 5.2 percent per year for Kerala, a ratio of 3.9 between the highest and the lowest. In the second period, the range increased from a low of 3.4 percent per year for Assam to a high of 9.6 percent for Tamil Nadu, decreasing the ratio to 2.8.

During 2004/05–2009/10, all high- and middle-income states except Himachal Pradesh and Punjab grew faster than the national average. Amongst the poorer states, Bihar witnessed a relatively high growth of per capita state domestic product during 2004/05–2009/10. However, most of the poor states (Assam, Rajasthan, and Uttar Pradesh) grew much slower than the national average (growth in these states was also slower than the national average during 1993/94–2004/05).

Consumption patterns across states reveal that faster-growing states generally experienced stronger private consumption growth similarly, states with relatively low levels of real consumption in 2004/05 experienced slower consumption growth. Moreover, some poorer states such as Assam and Bihar barely experienced any real consumption growth during 2004/05–2009/10. At the same time, richer states such as Himachal Pradesh, Kerala, and Maharashtra experienced strong income as well as consumption growth.<sup>7</sup>

### Up Gradation of Industrial Sector

The main highlights relating to industrial performance are as below:-

1. The latest gross domestic product (GDP) estimates show that industry grew by just 1.0 percent in 2012-13 and slowed further in 2013-14, posting a modest increase of 0.4 per cent. The key reasons for poor performance have been contraction in mining activities and deceleration in manufacturing output. Manufacturing and mining sector GDP declined by 0.7 per cent and 1.4 per cent respectively in 2013-14. The underlying

cause of the poor performance of these two sectors has been considerable deceleration in investment particularly by the private corporate sector during 2011-12 and 2012-13. Further, slowdown in construction activities has resulted in capacity underutilization in the steel and cement sectors. Steel and cement consumption rose by just 0.6 per cent and 3.0 percent respectively in 2013-14. As per the use-based industrial classification of IIP, the index of capital goods declined by 6.0 per cent in 2012-13 and further by 3.6 per cent in 2013-14. Continuing slowdown has impacted the performance of the corporate sector. Sales growth of the corporate sector particularly in respect of listed manufacturing companies for the private sector, declined considerably from 25.3 per cent in Q1 of 2011-12 to 5.0 per cent in Q4 of 2013-14.

2. As per the latest data available on gross capital formation by industry of use at constant (2004-05) prices, a sharp decline in the growth rates of the fixed investment of mining, manufacturing and private corporate sector has been estimated. The decline is far steeper in case of unregistered manufacturing pointing towards paucity of funds available to the informal sector businesses. During 2013-14, FDI inflow (including equity inflows, reinvested earnings and other capital) was US\$ 36.4 billion. Net FDI inflows had been \$ 21.6 billion during 2013-14. Overall gross bank credit flow to industry has increased by 14.9 per cent in 2013-14, lower in comparison with 20.9 per cent growth achieved in 2011-12 and 17.8 percent growth in 2012-13. Credit flow to mining remained near stagnant as it increased by mere 0.05 per cent during 2013-14.
3. In order to boost manufacturing sector, the government has already announced setting up of sixteen national investment and manufacturing zones (NIMZs). Of these, eight are along the Delhi Mumbai Industrial Corridor (DMIC). Besides, eight other NIMZs have been given in principle approval, viz (i) Nagpur in Maharashtra, (ii) Chittoor in Andhra Pradesh, (iii) Medak in Andhra Pradesh (now Telengana), (iv) Prakasam in Andhra Pradesh; (v) Tumkur in Karnataka; (vi) Kolar in Karnataka; (vii) Bidar in Karnataka; and (viii) Gulbarga in Karnataka.<sup>6</sup>

### Protecting and Maintaining the Environment

Translating the vision of environmental sustainability will require that environment concerns are given a very high priority in development planning at all levels in the Eleventh Plan. The responsibility of enforcing environmental laws will be defined and shared with the States to broad base the enforcement effort. Enforcement mechanisms for dealing with industrial and vehicular pollution will be strengthened on the principle of polluter pays concept.

1. Environmental management (including municipal solid waste and sewage management) is a crucial component of urban planning and has been sadly neglected. Sewage treatment must be

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given focused attention. Recycling of the treated water for appropriate purposes must be incentivized. Efforts will be made to integrate sewage treatment with water conservation. Local bodies will be provided with adequate financial support for the purpose.

2. The River Conservation Programme will be strengthened to ensure that river flows are adequate to provide water of at least bathing quality standards. A Comprehensive Action Plan for Yamuna and a manageable number of important rivers will be implemented urgently with a stiff penalty system for violators.
3. Participating systems will be strengthened for sustainable use of forests in keeping with the global consensus on the need for community involvement for management of natural resources. The livelihood potential of forests will be improved for enhancing the stake of the community in conservation. The scope of wildlife management principles will be extended beyond sanctuaries and national parks. Conservation efforts will include compatible human interface with forests. Scientific aspects of ecology and biodiversity will be the basis of conservation planning.
4. The prospect of climate change presents a serious threat to our development over the longer term horizon. Available scientific evidence suggests that India will be one of the countries that will be severely affected by climate change. We have to evolve a positive stance toward adaptation and also engage constructively with the international community to reach a consensus on mitigation based on fair principles of burden sharing. Development and promotion of low carbon and high energy-efficient technologies with reasonable costs will be a priority. The Clean Development Mechanism (CDM) will be used as an incentive. A National Action plan on Climate Change is being prepared. The government's effort will be towards creating an enabling environment for encouraging energy and carbon efficiency in public and private sectors and towards internalizing climate change concerns in development planning.<sup>8</sup>

## Conclusion

In the wake of the economic reform programme undertaken since 1991, distributional issues have received considerable attention and policy concern. In pursuit of such concerns, Eleventh five year plan and many other major schemes has been undertaken till now which has emphasised on reducing exclusion, social tensions, inequality and improve overall economic development. Therefore, focused government interventions, enlightened civil society including NGOs are important for the success of macro pro-policies, targeted poverty alleviation programmes and to go beyond Millennium Development Goals. But till now India does not achieve its goal of Inclusive growth at its fullest level. So, India needs to take some other major steps in achieving Inclusive growth on major thrust areas like employment and growth in agriculture, increased public expenditure on education and health, infrastructural areas etc. Otherwise the India may lag behind many other countries in achieving broad based inclusive growth.

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