

Inclusive Growth in India: Major Challenges

Abstract

India has adopted the path of planned economic development since independence and is now attaining the status of one of the fastest growing economies of the world. The policymakers have expected that the growth process would include all sections of society. But the expectation has been falsified and a large section and area has been deprived of benefits of the growth process. Hence, idea of inclusive growth was adopted during the Eleventh five year plan. But poverty, unemployment, gender disparity, illiteracy, rural backwardness and regional disparities are major challenges. Government, private sector, NGO's and society can work together in bringing prosperity in the lives of disadvantaged people and areas and thus making growth more inclusive.

Keywords: Inclusive growth, poverty, unemployment, gender disparity, regional disparities.



Shelly Shrivastava

Associate Professor,
Deptt.of Economics,
Govt. P. G. College,
Noida

Introduction

India has embarked on the path of planned economic development since independence and has now started emerging as a global economic power. The Indian economy is growing from the status of an underdeveloped country to one of the fastest growing economies of the world. The World Bank has projected India as the world's fastest growing economy. This journey has not been very smooth and the growth rate faced many ups and downs. The growth rate was quite low during 80's. According to the Planning Commission the gross domestic product grew only at 5.5% during Ninth plan period. It accelerated in Tenth plan period to 7.7% and to 8% in Eleventh plan. Hence, there has been a significant improvement in growth rates. The policy makers have expected that economic growth will benefit all sections of society and will receive their contribution in the future development. However, the expectation has not been fulfilled and a large area and segment of the economy has been bypassed during this process. The country's progress on various fronts has not resulted in the overall development of the weaker and poor sections and areas. It has resulted in problems of poverty, unemployment, gender disparity, regional imbalances, poor health and educational status. India has a rank of 119 in the Human Development Index ranking done by UNDP in 2010. Thus, a need has arisen to make economic growth faster, broad-based and inclusive so that the excluded segment of society gets benefitted by faster growth process.

Aim of the Study

The paper aims to discuss the concept of Inclusive Growth and various challenges in the path of inclusive growth in India. It also makes an attempt to provide suggestions to overcome these challenges so as to make economic growth more inclusive and sustainable.

Inclusive Growth

Inclusive Growth has been made a main objective in the Eleventh five year plan. The plan document states that, 'The target is not just faster growth but also inclusive growth that is, a growth process which yields broad-based benefits and ensures equality of opportunity for all'. This target and objective has been further extended in Twelfth five year plan. 'Inclusive growth should result in lower incidence of poverty, broad-based and significant improvement in health outcome, universal excess for children to school, increased excess to higher education and improved standard of education, including skill development. It should also be reflected in better opportunities for both wage employment and lively hood, and in improvement in provision of basic amenities like water, electricity, roads, sanitation and housing. Particular attention needs to be paid to the needs of the SC/ST and OBC population.' (Planning Commission, 2011).

Inclusive growth generally means a process which not only lay emphasis on economic growth but also ensures that the benefits of this process reach to all sections of population. As per Ianchovichina and Lundstrom (2009), "Inclusive Growth refers to the pace and pattern of growth. Rapid pace of growth is unquestionably necessary for substantial poverty reduction but for this growth to be sustainable on the long run, it should be broad-based across sectors and inclusive of the large part of the country's labour force". According to OECD, "Inclusive growth is economic growth that creates opportunities for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non monetary terms, fairly across society". Thus, the basis of inclusive growth is equality of opportunity and participation in growth by all. Both micro and macro determinants of the economy should change along with economic growth for inclusive development.

In India, concept of inclusive growth has been adopted since Eleventh plan period i.e.2007. However, several studies done indicate that the target has not yet been successfully achieved. Motiram and Naraparaju (2015) in their study used consumption expenditure surveys of NSSO to assess inclusiveness. They found that between 2004-05 to 2011-12, both in rural and urban areas, the growth in expenditure of poor is slower as compared to rich and middle income groups. Hence, Indian growth has not been inclusive. Suryanarayan and Das (2014) also concluded that "inclusiveness of the poorest in the Indian mainstream growth process is still a forlorn hope". According to WEF's Inclusive Growth and Development report, 2017 India has been ranked 60th among 79 developing economies in the Inclusive Development Index. This indicates that growth strategy adopted by the Indian policymakers has not been successful in increasing economic growth and reducing inequality at the same time. It calls for a need to examine the major challenges in the path of inclusive growth so that changes can be made in the policy adopted so far.

Major Challenges

Poverty

Poverty is a serious challenge for inclusive growth. Poverty eradication has been one of the major objectives of the planning process in India. It was believed that the benefits of the robust economic growth would reach to the poorest section of economy and result in reduction of poverty. But the belief was falsified as 21.9 % of the population in 2011-12 is still living below poverty line, 25.7% in rural areas and 13.7% in urban areas. Hence, the number of people living below poverty line is still far more than acceptable. The above data clearly indicates that a large section of population is still deprived of benefits of the economic growth and it doesn't let them to contribute in economic development of the country. Moreover, a large number of people, who are above the poverty line, are also at subsistence level. Thus, there is a need to restructure strategy of poverty alleviation in order to ensure a better living for all.

Unemployment

For inclusive growth it is necessary to include the vulnerable segment of people who are left behind by the growth process through unemployment. As per Fifth Annual Employment and Unemployment Survey unemployment rate was 5.1 % in rural areas, 4.9% in urban areas and 5.0% at the All India level under UPS approach. Moreover, unemployment rate for female is higher than for males. According to UPS approach, urban unemployment rate for females is as high as 12.1% as against 3.3% for males. A major concern is that a large portion of the employed population is in informal sector with low wages, low productivity and no social security. The share of informal sector employment in total employment stood at 91.9% in 2011-12. Hence, there is a formidable challenge to restructure and develop policies for employment intensive inclusive growth which can take care of the left out groups and regions of the country.

Gender Disparity

Gender equality is a necessary condition for the inclusive social and economic growth of the country. In India, women are discriminated in all spheres and at all levels of life. The sex ratio is 943 in 2011 and sex ratio for the population age 0-6 is only 918 in 2011. This points out the preference for male child in the society. As per 2011 census of India, in rural areas female literacy rate is 58.7% which is far below than male literacy rate of 78.6% whereas in urban areas it is 89.7% for male and 79.9% for female. Female work participation rate is 21.7% in 2015-16 which is less than one third of male that is 72.1%. Male- female wage differential is also prevalent in rural and urban areas. Regular wage in rural areas for male is Rs. 322.28 and for female is 201.56 in 2011-12. In urban areas it is 469.87 for male and 366.15 for female workers. Crimes and violence against women are also increasing. Due to government initiatives the indicators discussed above are showing an improvement, but gender disparity is still very high.

Illiteracy

It is essential to eliminate illiteracy for inclusive growth as illiteracy restricts a section of population to participate, contribute and get benefitted from the economic progress. In India, literacy rate is 74% which means that still 26% of the population is unable to contribute significantly in the growth process. However, mere literacy does not ensure efficiency and productivity. Skill development is essential to make inclusive growth sustainable. In India there is a massive need for skill development as merely 2% of the total workforce is skilled.

Poor Health Conditions

Access to good health facilities is required to enable productive and long term contribution of country's population in economic growth. Though health services has improved considerably in India and we are successful in reducing death rate to 7 per thousand in 2013 but there are still certain areas where improvement can be made. The infant mortality rate was 40 in 2013 whereas it was 3.3 in Germany and 6.4 in USA. Maternal mortality rate was 190 in 2013 as compared to 32 in China. Similarly, in 2013

life expectancy at birth was 66.4 years in India and 75.3 years in China. Hence, through strengthening the health care services in India, a healthy population can be included in the development process.

Rural-Urban Divide

The urban areas have been majorly benefited through the growth strategy adopted in India whereas rural areas have been slightly bypassed. It is evident from the fact that the poverty ratio was 30.9% in rural areas and 26.4% in urban areas in 2011-12. Unemployment rate in 2015-16 was 5.1% in rural areas and 4.9% in urban areas. Moreover, slow growth in agriculture sector has widened this rural-urban divide. At social front also rural areas are far behind urban areas. Literacy rate, in 2011, was 84.1% in urban areas however, in rural areas it was only 67.8%. In order to make economic growth more inclusive it is essential to develop rural areas and make them economically, politically and socially self-sufficient.

Regional Disparities

Disparities in growth rate and human development in various states in India is also a serious challenge for inclusive growth. During the Tenth plan period all India GDP growth average was 7.6%. The growth rate of states like Jharkhand, Gujarat, Chhattisgarh, Orissa etc. were above average with Jharkhand having the highest growth rate of 11.1% while Madhya Pradesh registered the lowest growth rate of 4.3%. Similarly, the sex ratio was highest at 1084 in Kerala in 2011 and lowest in Haryana at 877. Literacy rate was 74.04% for India but in Bihar it was only 64%.

The above mentioned challenges have posed serious obstacles in the path of inclusive economic growth. Various programmes have been launched and steps have been taken during the Eleventh five year plan to increase the inclusiveness of the growth process but limited success has been achieved.

Suggestions

Hence, there is a need to restructure and reorient the growth strategy. A few suggestions can be given in this regard. There is a need to develop rural infrastructure and increase investment in rural areas. Agriculture and rural non-farm sector development should be given utmost priority. Small and medium industries, especially in rural areas, should be promoted which will provide self-employment as well as wage employment. Various steps should be taken towards women empowerment and reducing gender discrimination. Educational level

should be enhanced with emphasis on skill development. The investment in backward regions, as per their specific needs, should be increased. The delivery system should be strengthened so that the growth of the economy affects all sections and all parts of the country.

Conclusion

It can be concluded that the Indian planning strategy has not been successful in increasing economic growth and reducing inequality simultaneously. Inclusive growth is necessary for sustainable development and equitable distribution of benefits of growth. This gigantic task can be achieved only when government policies are supported by all sections of society. Government, private sector, NGO's and society can work together in bringing prosperity in the lives of disadvantaged people and areas and thus making growth more inclusive and sustainable.

References

1. *Ianchovichina E. and S. Lundstrom (2009) "Inclusive growth analytics: Framework and application", Policy research working paper 4851, Economic Policy and Debt Department (Washington DC: The World Bank)*
2. *Motiram, S. and K. Naraparaju (2015) "Growth and deprivation in India: What does recent evidence suggest on "Inclusiveness"?" Oxford Development Studies, 43 (2).*
3. *Suryanarayana, M.H. and M. Das (2014) "How inclusive is India's reform(ed) growth?" Economic and Political Weekly, XLIX (6).*
4. *Planning Commission of India (2013) "Press Note on Poverty Estimates, 2011-12", Government of India, New Delhi.*
5. *Government of India, Economic Survey, 2014-15, Volume II.*
6. *Government of India, Primary Census Abstracts, available at <http://censusindia.gov.in>*
7. *Government of India, Five Year Plan Documents, available at http://www.planningcommission.nic.in/plans/planrel/fiveyr/11th/11_vl/11vl_ch1.pdf*
8. *Government of India. Report on fifth Annual Employment –Unemployment Survey Vol.2015-16, Ministry of Labour and Employment, Labour Bureau, Chandigarh.*
9. *www.oecd.org/inclusive-growth*
10. *The Indian Express, India 60th in inclusive development index: ranks below China, Pakistan, January 16, 2017.*