The Challenges of Inclusive Growth in Indian Context

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Abstract:
Inclusive growth is a very complex idea because inclusive growth encompasses various facets of growth process wherein different segments and sections of the society are given equal & fair opportunity. The process of development becomes one sided if such opportunity is not provided to different sections of the society. In India inclusive growth has become a major challenge due to various socio-economic & cultural constraints. It is very easy to talk about giving fair opportunities of equitable participation to different sections of the society but when it comes to practice, equity and equality turns out to be a most complex ordeal. This is mainly due to idea blocks and cultural restraint.

India is a land of great devoid. The country is divided in different sections such as caste, creed, religions and regions and languages. Every section wants a better and higher share, in the growth process, resulting in uneven and unfair distribution of wealth and resources.

The Planning process also is not focused to give justice to the concept of inclusive growth in its totality. Initial phase of planning process has resulted in giving impetus to the growth but at the same time it has restricted participation of all segments in the meaningful manner. Initial thrust area of planning process was improving growth related infrastructure. As such the planning process has not taken into account the requirement and expectation of all stakeholders.

However, now growth has become a part of social and economic development. It becomes essential to share the benefits of growth process to all concerned. Growth should give equal & fair opportunities to all. One sided growth cannot be termed as development. From this point of view inclusive growth has become now a buzzword.

Keywords: Inclusive growth, Participation of all stakeholders, Total approach to development Implications of inclusive growth and Menace of exclusive growth.

Introduction: India has adopted the planned economic development in early 50’s. In the last 6 decades the country has made remarkable progress. Development is given a priority over other targets. As such one can witness a great transformation in Indian Society. However, a thorough and careful scrutiny will help us to understand many facets of this growth story of which some definitely are not worth appreciation. The growth process has remained uneven and imbalanced. Absence of uniform approach, lack of equity in distribution process has created islands of growth in a great ocean of scarcity, hunger, poverty and unhappiness. It is here the concept of inclusive growth becomes important. In the present paper the author has discussed few important challenges related with economic exclusivity and its impact on growth process

Objectives
1. To examine the necessity of inclusive growth in the present day context : Plan for Financial Inclusion
2. To identify the constraints in promoting the concept of inclusive growth.
3. To examine the challenges in the process of establishing the concept of inclusive growth.
4. To suggest measures to incorporate the concept of inclusive growth.

Premises
The present paper is based on following premises:
1. Inclusive Growth is a mechanism that can enhance the possibilities of development immensely due to larger participation of larger section.
2. Financial exclusion is a socio economic evil resulting in decay of the society and disturbing the growth process.

Working Definitions
1. Inclusive Growth: “Inclusive Growth means giving fair & equal opportunity of participation, to all concerned segment in the growth process.”
2. Development Process: “The Development Process means transformation of social strata or segments from one particular lower stage to higher level by giving fair and overall opportunity of enhancement of capacity, resources and growth prospects”

Discussion
1. Plan for Financial Inclusion
a. Spread of financial literacy programmes.
b. Increasing overall consciousness of the need for financial inclusion.
c. Increasing connectivity in the rural banking.
d. Greater experimentation for financial inclusion.
e. Greater collaboration in the banking system.

We study rural markets. There are over 600 million mobile subscribers around the country only 40% of the population still hold bank accounts, only 30% of the bank branches operate in the rural areas that house 72.2% of the country’s population, further rural India accounts for just 9% of total deposits, 7% of total credit, 10% of life insurance. Therefore, there is an urgent need to touch financial inclusion as quickly as possible.

Significance of Financial Inclusion:
i. Access to affordable banking services is required for inclusive growth with stability achieving financial inclusion in a country like India with a large and diverse population with significance in rural and unorganized sectors.
ii. Political and social stability are also driving financial inclusion.
iii. Financial inclusion is not merely providing reliable access to an insufficient payment system. In India financial inclusion primarily implies access to bank account.

1. Constraints or Issues of Inclusive Growth in India
i. Poverty Reduction: One important sign of inadequate inclusion is that poverty reduction has been muted in the last decade even with rising growth. The poverty rate has declined by less than 1% p.a. over the past decade, marked below trends in neighboring countries such as Nepal and Bangladesh where both average income levels and growth are lower. In the beginning of the 21st century, India thus remains a country where more than 300 million still live in deep
poverty at less than a dollar (in purchasing power parity terms) a day, posing one of the most significant challenges to achieving the global millennium development goals. Another sizeable 350 million people are just above the poverty line, with incomes below $2 per day and with not much assets or incomes or human capital to distinguish them from those below the poverty line. Half of India’s children remain malnourished (worse than in sub-Saharan Africa). India’s 40% illiterate people, the significant gender, ethnic and regional differences in human development and poverty reduction have raised concerns about ‘two India’s’ – one which is on a fast development track and the other caught in a low level development trap.

**ii. Growth and Development:** There are several reasons why India’s growth has not been adequately inclusive; the primary among them being: First, growth has diverged across regions, leaving behind the large populous states of North Central and North East India. Second, growth has not been creating enough jobs, provide stable reasonable earnings for households to climb out and stay out of poverty. The vast majority of India’s workers, about 90% labour in the informal sector with low wages or earnings and virtually no benefits. Third, growth in the agriculture sector, which employs more than half of India’s workers, has been anemic 2 to 2.5% p.a, far below national targets. Finally, growth has left behind key sections of the population, women, the 90 million tribal population, some scheduled castes groups in key states such as Bihar and UP, and other minorities all lag behind in job opportunities, earnings, and human development.

**iii. Regional Divergence:** In the past decade and half, while the richest and middle-income states have both grown faster after economic liberalization by about 5% annual increase in per capita income, the poorest states as a group – states such as Bihar, UP, Orissa, Madhya Pradesh, Rajasthan, Jharkhand, and Chhattisgarh accounts to 60% of India have yet to accelerate growth. About 60% of the new population growth will take place in those poorer and slower growing states, which are otherwise rich in natural resources, but where the economies are largely dependent on low productivity in agriculture. If unchecked this trend will sharply increase regional inequality, slow overall growth, and could create political and social tensions.

**iv. Gender and ethnic exclusion:** Scheduled castes and tribes (nearly a quarter of the population), women, other minority groups, and the disabled still face tremendous difficulty in access and opportunity. The significant difference in female to male wage ratios that are unexplained by skills and other factors and low female participation in the work force especially in the poorer regions are all indicators of this exclusion. There is also evidence that districts where the tribal population is significant have systematically lower access to infrastructure and public services. Underlying this is the lack of access to finance by the poor and the excluded groups. A rural finance access survey showed that 87 percent of the poorest households (marginal farmers) do not have access to credit.
2. Challenges in the Path of Inclusive Growth in India: A major concern of India’s development phase today is the challenge of widespread or shared growth. It is to be ensured that growth will ensure wider distribution of prosperity and will rapidly reduce chronic poverty. If even an unprecedented 6.5% annual GDP growth is not going to bring about even one percentage point of annual reduction in poverty, then there are very serious issues, which need to be addressed by the policy-makers. Following are the challenges faced by the inclusive growth of India.

i. Overcoming obstacles to Rural Growth and Urban Transformation: People living in cities earn far more than those residing in rural areas. But that does not change the fact that over 600,000 villages in India are home to nearly 700 million people, the majority of whom live below poverty levels, are malnourished and merely manage to survive. It is this population, almost forgotten by the power brokers, need to be brought into the development scheme. They must be given the option of living and working on jobs in non-agricultural sectors, jobs that guarantee the basic subsistence for themselves and their families. Every major industrialized economy in the world has followed a path beginning with agriculture being the main source of income for the majority of the population and ended with agricultural employment being a very small fraction of the total labour force. Our path to economic development necessarily has to be two-fold. One, we have to develop villages, improve agriculture and agro-industries and infrastructure in rural India. Second, we need to empower the rural people and give them new opportunities and provide jobs outside villages and agriculture. They must have a chance to move in step with modern India, the India that is being talked about around the world, but unfortunately the India that exists only in pockets. This would necessarily take a majority of them into cities and semi-urban areas and the service sector could possibly be responsible for providing a large chunk of those opportunities.

This may be changing. It is heartening to see our planners becoming conscious of the need for inclusive development. The approach paper on the eleventh five year plan is titled “Towards faster and more inclusive growth”. It reflects the need to make growth more inclusive in terms of benefits flowing through more employment and income to those sections of society which have been left out of the economic growth witnessed in recent years. Even earlier, there was an attempt on the part of the Planning Commission to seek some inclusiveness, when in the mid-term appraisal of the 10th five year plan (2002-2007), it devoted nearly 100 pages to ‘human development’.

ii. Social causes of Exclusivity: Exploitation of labour is widely prevalent. Despite the promulgation of minimum wages, the feudal system in the rural areas and industry in the urban conglomerates continue to exploit labour, paying them wages far below those prescribed. In certain areas, politicians and political parties have their own vested interests in keeping people poor and deprived. They have a ready-made electoral constituency which they fear losing with education and prosperity. Certain other
vested interests would like to persist with the caste system to sustain their political base. No Growth can be inclusive unless it takes adequate care of women and children. Child labour has been banned by law in India and there are stringent provisions to control this inhuman practice. But numbers tell a different story – there are estimated 60 million child labourers in India, but there have been only 670,000 violations of the law detected in eight years and just 22,588 convictions. Millions of young children continue to work in roadside eateries, glass factories, carpet looms or sweeping and cooking in homes in violation of the Child Labour (Prohibition and Regulation Act). While on the one hand an increase in the number of officials and labour inspectors is called for, together with imparting better training and instilling greater sensitivity in them, on the other hand, there is a need to tackle poverty which is the main reason driving parents into pushing their young children to work instead of sending them to schools. This mammoth problem is one of the main challenges to resolve in addressing inclusive growth. We need to attract children from poverty stricken families to schools. Mid-day meal schemes of Governments have met with partial success. Again, however, lack of transparency has ensured that funds and rations are misappropriated and misused.

Literacy levels have to rise to provide the skilled workforce required for higher growth. India has the third largest pool of scientists, engineers and doctors in the world, but it has yet to reach anywhere near its full potential with a majority of its vast population still illiterate or semi-literate. A majority of its population still believes in superstition. The caste system is another curse of higher allocations for education and the social sectors, complemented by bold and visionary social and political leadership can pave the way for reforms in these sectors. The Government of India has been paying a lot of attention to social security as part of its inclusive growth agenda. Recently it has introduced a law in parliament to provide social security to unorganized labour. The National Commission for Women is now working on a draft law, to provide similar social security to all domestic workers, under which the employer and servant will have to make matching contributions towards a social security fund to be managed by specially appointed government authority. The employer will have to pay his contribution over and above the salary, likely to be around ten percent of his salary. The draft law, which is in the final stages, still has to look at how and who would deposit the money. The law also look at providing benefits like pension to those domestic helps registered under the scheme for 15 years. Such social schemes deserve strong support and would go a long way in making inclusive growth a reality.

iii. The Politics of Growth and Exclusivity:
Despite all the issues holding back the republic and the problems plaguing its development as a nation, the economy has been galloping quite steadily. India is growing at nearly 8%. We would ideally like to sustain growth at this level for the next ten to twenty years, even taking it up to 10% or higher. Only then we will be closer to
realizing our dream of being a developed country. All sections of society must get the benefits of this growth in full measure and will be able to take this growth forward by participating fully and wholeheartedly. This can only happen if the Government and the private sectors become equal and willing partners. All impediments in the path of public-private partnership should be removed. China has taken a leap ahead of India in this respect with single window clearances and special economic zones. India is slowly trying to cut its red-tape procedures. It has set up Special Economic Zones (SEZ), giving incentives to industry, at certain selected locations. However, SEZs have also led to unsavory allegations at times. In order to support people these measures ought to be supported. The Government needs to come out with transparent procedures for such schemes, and also make people, especially farmers whose lands are acquired, willing partners and shareholders in the process, only then will be able to achieve our economic growth goals.

While on the subject of economic growth and its impediments, we must also refer to the impact and consequences of increasing world fuel and the associated threat that looms large over India’s future economic growth. During 2012-2014 the fuel prices have more than doubled from 65 dollars to nearly 140 dollars a barrel of crude oil, upsetting the entire economic applecart.

3. Measures for Enhancing Inclusive Growth: Above problems of inclusive growth ahead of the Indian economy can be dealt by following measures:

i. Becoming a Leading Economy: India has the potential of becoming a leading economy and has the unique opportunity to make that growth inclusive, provided there is willingness on the part of all sections of society to put in hard and disciplined work, together with serious, sustained and purposeful planning. First, there is much that needs to be done to built to build up India’s potential. Better governance, more and better educational institutions, higher agricultural productivity, controlled inflation and improvement in infrastructure are some of the major and more important steps required in this direction.

ii. Agricultural Development: Agriculture is extremely important for inclusive growth, since a large majority of the Indian population is dependent on farming. Improved agricultural productivity would bring in its wake, increased family incomes for this vast majority. This, together with better infrastructure in the countryside – greater rural connectivity, rural electrification and investment in irrigation, would aid tremendously in tackling rural poverty, as well as add to the overall prosperity of the nation. The ‘India Shining’ campaign of the previous government failed to impress the people precisely for this reason because a majority of the rural population had remained outside the purview of the increase in National GDP.

iii. Better Governance: This is the need of the hour, more so because the government in India still has a majority stake in almost all essential sectors e.g. in the crucial sectors of health, sanitation and water. It is in such social sectors that we find the political parties
least interested, especially once they come to power after elections. Yet these are the fields which need to be paid more attention, if we are to improve human development alongside economic growth, with the current situation, it is no wonder that India figures extremely low on world human development index reports. There is a need for more public-private partnerships. The private sector should take more social responsibility and contribute towards making growth more inclusive.

iv. Greater Accountability: There also ought to be greater accountability for politicians and civil servants. Progress in a democracy is slow but sustaining. This is even truer of a large and diverse country the size and complexity of India. The economic reforms that were introduced in 1991 are starting now to bear fruit with the growth rate reaching 8%. However, the relatively reigning economic climate of the past few years perhaps made the government complacent. This, together with the difficulties and constraints brought about by a coalition government, led the authorities to put on the backburner some of the much needed economic reforms. The time has now come to act boldly and decisively. The astounding success that the country achieved in the telecommunication field – high density across the country and world’s cheapest call rates affordable by all – needs to be reproduced in other areas. The problem of a massive parallel black economy, which has evaded a solution so far, needs to be tackled urgently and these funds brought into the much needed social sectors. Education is extremely important for improving the skill levels of the population so that everyone can be an equal partner in the country’s growth.

v. Better Resource Allocation: India has been endowed with some of the world’s most essential minerals, beautiful places, diverse cultures and capable and talented people. It is time we stop squandering this advantage and make the most of what most countries can never even dream to have. There is much to be done, but if done and done correctly, then nothing can stop us from reaching the pinnacle of the world.

Reference: