

## A Prescriptions Study of Collective Efforts for Inclusive Growth in Indian Economy

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### **ABSTRACT:**

India's 1.25 billion citizens have higher expectations about their future today, than they have ever had before. They have seen the economy grow much faster in the past 10 years than it did earlier, and deliver visible benefits to a large number of people. This has understandably raised the expectations of all sections, especially those who have benefited less. Our people are now much more aware of what is possible, and they will settle for no less. The Twelfth Five Year Plan must rise to the challenge of meeting these high expectations.

**KEYWORDS:** Twelfth Five Year Plan

### **INTRODUCTION:**

Real Impact of global recession had ultimately its shadow on Indian economy in the form of slow growth rate of GOP (4.7 per cent) and per capita income (3.0 per cent) during 2012-13. Year 2013-14 could not vitalized the economies as per expectations as GOP growth rate remained 4.9 per cent. GOP and per capita income grew by 6.2 per cent and 4.7 per cent respectively in 2011-12. The slow growth story did not stop here. Indian exports decelerated by 1.7 per cent during 2012-13 while the imports grew by just 0.44 per cent, leaving trade deficit at US\$ 191 billion in 2012-13. The Indian rupee touched a lifetime low of 6H.85 against the US dollar on August 28, 2013. Inflation Rate averaged 7.72 percent from 1969 until 2013 reaching an all time high of 34.68 per cent in September of 1974 and a record low of -11.31 per cent in May of 1976. WPI based annual inflation rate hovered between 7.0 to 8.0 per cent during 2012. However, CPI based inflation rates remained above 10 per cent in the same year. RBI's latest forecast puts GOP growth rate at 5.0 per cent for 2013-14 along with a doze of 5.5 per cent inflation. For the year 2012-13 as a whole, the Current Account Deficit was 4.8 per cent of GOP, well above the sustainable level of 2.5 per cent of GOP as estimated by the Reserve Bank. The large CAD, well above the sustainable level of 2.5 per cent of GOP for three years in a row, is a formidable structural risk factor. It has brought the external payments situation under increased stress, reflecting rising external indebtedness and the attendant burden of servicing of external liabilities. Most external vulnerability indicators have deteriorated, eroding the economy's resilience to shocks. Under the shadow of this dismal picture of Indian economy the claim of inclusiveness of the growth further Jeopardized with the release of poverty estimates, based on Tendulkar Committee methodology, for 2011-12. As per these estimates 21.9 per cent population of the country as a whole (25.7 per cent in rural areas and 13.7 per cent in urban areas) is living below poverty in 2011-12. Neither the academicians nor the common men are in a position to accept the Rs. 28.2 per day per capita consumption expenditure in rural areas and Rs. 33.33 per day per capita consumption expenditure in urban areas enough to keep the people above the poverty line. Other social indicators such as the ratio of illiterate people to total population in 2011(27.0 per cent), ratio of people without access to safe drinking water (24.0%) and high ratio of homeless population (20.0%) also indicate the un-inclusiveness of the growth. Indian economy developed with leaps and bounds during the era of economic reforms that have started at the

backdrop of historic economic crises of 1990-01. Well perceived changes in economic policies gave impetus to economic growth during 1990's, 2000's, and during the first decade of 21<sup>st</sup> century. Average annual growth of GDP between 2000-2001 and 2012-13 remain around 7.0 per cent which is highest in any decade. Likewise per capita income grew by 5.96 percent per annum during the first decade of 21st century. High average annual growth rates of GDP and the per capita income, however, did not reflect in the improvement in Human Development Index (136th place in 2013), Hunger Index and oilier parameters of the well-being of the people.

### **GLOBAL HUNGER REPORT 2013:**

Global Hunger Report 2013 speaks about India's vulnerability on account of hunger and malnutrition. (IFPRI,2013)

- ❖ India has moved from 65 to 63 in the Global Hunger Index 2013, making a marginal improvement since 2012, but continues to suffer far behind other emerging economies.
- ❖ The score for India has improved slightly from 22.9 in 2012 to 21.3 in 2013. Within SAARC countries also, India continued to trail behind Pakistan and Bangladesh on the index.
- ❖ The level of hunger in India remained at 'alarming levels' and the report also noted that it is one of the three countries outside Sub-Saharan Africa to fall in this category. The other two are Haiti and Timor-Leste.
- ❖ India continued to record one of the highest prevalence of children under five who are underweight, at more than 40 per cent.
- ❖ 17.6 per cent population is undernourished during 2010-12
- ❖ 40.2 per cent children <5years are under weight during 2008-12
- ❖ Under-5 Mortality in 2011 is 6.1 Per cent

The present status of Indian economy has two faces, one that of the "Shining India", as claimed by the propagators of economic reforms and the other that of the "Deprivation" as is felt every nook and corner of the country. In the backdrop of these states of affairs the present paper discusses the Inclusiveness of the growth of the Indian economy during the last two decades.

The ultimate objective of development planning and growth pattern is human development or increased social welfare and well-being of the people. Increased social welfare and inclusiveness requires a more equitable distribution of development benefits along with better living environment. Development process, therefore, needs to continuously strive for broad- based improvement in the standard of living and quality of life of the people through an inclusive development strategy that focuses on both income and non-income dimensions. The challenge is to formulate inclusive planning strategy to bridge social and economic disparities and plug those holes that do not allow the social and economic inclusion to spread universally.

There is no dearth of data that are a proof of social and economic exclusion in post independent India, Human development Index, continuously released by United Nations Development Programme since 1990, reflects the status of social and economic inclusion per se exclusion. HDI is a composite measure of

- (i) Longevity of life .as measured by expectancy of life; at birth,
- (ii) Level of knowledge as measured by (a) adult literacy rate and (b) mean age of schooling at elementary, secondary and tertiary level, (c) Standard of living as measured by per capita income

Human Development Report 2013 puts India at 136<sup>th</sup> position in HDI with human development index of just 0.554 as against 0.955 for Norway, a country with highest HDI value. India's average HOI increased by 59 percent since 1980 and just 18.65 percent since 2000 reflecting a dismal improvements in life expectancy, knowledge and standard of living in the era of LPG with higher average annual growth. The average annual growth rate of HDI in India during 2000-2012 remained 1.56 percent which is ever less than the average annual growth rate in HDI of 1.73 percent for the least developed countries.

**NEED FOR INCLUSIVE GROWTH IN INDIA:**

Inclusive growth is necessary for sustainable development and equitable distribution of wealth and prosperity. Achieving inclusive growth is the biggest challenge in a country like India. In a democratic country like India, bringing 600 million people living in rural India into the mainstream is the biggest concern. The challenge is to take the levels of growth to all section of the society and to all parts of the country. The best way to achieve inclusive growth is through developing people's skills. Mr. Jeffrey, Chairman & CEO of Manpower Planning, USA, said that, a multifaceted approach towards education and skills development is necessary to achieve grow. He said the challenge of skills shortage can be addressed through public private partnership. Since independence, significant improvement in India's economic and social development made the nation to grow strongly in the 21st century.

The following factors encouraged the India to concentrate more on inclusive growth:-

- ❖ India is the 7th largest country by area and 2nd by population. It is the 12th largest economy at market exchange rate and 4th largest by PPP. Yet, India is far away from the development of the neighborhood nation, i.e., China.
- ❖ The exclusion in terms of low agriculture growth, low quality employment growth, low human development, rural-urban divides, gender and socialine qualities, and regional disparities etc. are the problems for the nation.
- ❖ Reducing of poverty and other disparities and raising of economic growth are the key objectives of the nation through inclusive growth.
- ❖ Political leadership in the country plays a vital role in the overall development of the country. But, the study has found that politicians in India have a very low level of scientific literacy.
- ❖ Studies estimated that the cost of corruption in India amounts to over 10% of GDP. Corruption is one of the ills that prevent inclusive growth.
- ❖ Although child labour has been banned by the law in India and there are stringent provisions to deter this inhuman practice. Still, many children in India are unaware of education as they lives are spoiled to labour work.
- ❖ Literacy levels have to rise to provide the skilled workforce required for higher growth.
- ❖ Economic reforms in the country are overwhelmed by out dated philosophies and allegations by the politicians and opposition parties in India.
- ❖ Achievement of 9% of GDP growth for country as a whole is one of the boosting factor which gives the importance to the Inclusive growth in India.
- ❖ Even at international level also, there is a concern about inequalities and exclusion and now they are also taking about inclusive approach for development.

**ELEVENTH PLAN ACHIEVEMENTS ON INCLUSIVE GROWTH:**

The following are some important indicators showing the extent to which the Eleventh Plan succeeded in fulfilling the objective of inclusive growth. (In some cases, where the data relate to the NSSO surveys, the time period for comparison is before and after 2004–05.)

- ❖ GDP growth in the Eleventh Plan 2007–08 to 2011–12 was 8 per cent compared with 7.6 per cent in the Tenth Plan (2002–03 to 2006–07) and only 5.7 per cent in the Ninth Plan (1997–98 to 2001–02). The growth rate of 7.9 per cent in the Eleventh Plan period is one of the highest of any country in that period which saw two global crises.
- ❖ Agricultural GDP growth accelerated in the Eleventh Plan, to an average rate of 3.7 per cent, compared with 2.4 per cent in the Tenth Plan, and 2.5 per cent in the Ninth Plan.
- ❖ The percentage of the population below the poverty line declined at the rate of 1.5 percentage points (ppt) per year in the period 2004–05 to 2009–10, twice the rate at which it declined in the previous period

1993–94 to 2004–05. (When the data for the latest NSSO survey for 2011–12 become available, it is likely that the rate of decline may be close to 2 ppt per year.)

- ❖ The rate of growth of real consumption per capita in rural areas in the period 2004–05 to 2011–12 was 3.4 per cent per year which was four times the rate in the previous period 1993–94 to 2004–05.
- ❖ The rate of unemployment declined from 8.2 per cent in 2004–05 to 6.6 per cent in 2009–10 reversing the trend observed in the earlier period when it had actually increased from 6.1 per cent in 1993–94 to 8.2 per cent in 2004–05.
- ❖ Rural real wages increased 6.8 per cent per year in the Eleventh Plan (2007–08 to 2011–12) compared to an average 1.1 per cent per year in the previous decade, led largely by the government's rural policies and initiatives.
- ❖ Complete immunization rate increased by 2.1 ppt per year between 2002–04 and 2007–08, compared to a 1.7 ppt fall per year between 1998–99 and 2002–04. Similarly, institutional deliveries increased by 1.6 ppt per year between 2002–04 and 2007–08 higher than the 1.3 ppt increase per year between 1998–99 and 2002–04.
- ❖ Net enrolment rate at the primary level rose to a near universal 98.3 per cent in 2009–10. Dropout rate (classes' I–VIII) also showed improvements, falling 1.7 ppt per year between 2003–04 and 2009–10, which was twice the 0.8 ppt fall between 1998–99 and 2003–04.

### **CHALLENGES OF INCLUSIVE GROWTH IN INDIA:**

'India' is the new global buzzword. The economy growing at a phenomenal rate, combined with a flourishing democracy is making people sit up and take notice across the world. Yet, it is at cross-roads today. It is far from reaching its true potential. The country remains shackled in corruption, red tape, age old social barriers and a puzzling lack of transparency. Growth is not uniform across sectors; and large cross-sections of the populace remain outside its purview. Several social, political and economic factors need to be tackled for sustaining a high rate of growth, as well as to make this growth inclusive. Elimination of child labour, women empowerment, removal of caste barriers and an improvement in work culture are just a few of the things the Indian society needs to introspect on. Tackling corruption in high places, removing the ills of the electoral system, shunning politics of agitations and keeping national interest above petty politics may not be too much to ask of the country's policy makers. Rapid growth in the rural economy, well planned and targeted urban growth, infrastructure development, reforms in education, ensuring future energy needs, a healthy public-private partnership, intent to secure inclusivity, making all sections of society equal stakeholders in growth.

**Table- 1: Average Annual Growth Rate of Real GDP over Sixty Years**

(Per cent)

	Agriculture and Allied Sector	Industry	Services	GDP at Factor Cost	Per Capita GDP
1951-52 to 1960-61	3.1	6.3	4.3	3.9	2.0
1961-62 to 1970-71	2.5	5.5	4.5	3.7	1.5
1971-72 to 1980-S1	1.8	4.1	4.4	3.2	0.8
1981-82 to 1990-91	3.6	7.1	6.7	5.6	3.4
1991-92 to 2000-01	2.8	5.7	7.8	5.8	3.9

1992-93 to 2000-01	3.2	6.4	8.1	6.3	4.4
2000-01 to 2011-12	3.05	7.23	7.98	7.05	5.96

*Source : GOI (2012) Economic Survey ; 2012-13 Ministry of Finance, Delhi*

**Table 2 : Incidence of Poverty across Social Groups (Per cent)**

Social Groups	Rural					Urban				
	Head Count Ratio			Annual Rate of Decline		Head Count Ratio			Annual Rate of Decline	
	1993-94	2004-05	2009-10	1993-94 to 2004-05	2004-05 to 2009-10	1993-94	2004-05	2009-10	1993-94 to 2004-05	2004-05 to 2009-10
SC	62.28	53.53	42.26	0.80	2.25	51.16	40.56	34.11	0.96	1.29
ST	66.02	62.28	47.37	0.34	2.98	39.46	35.52	30.38	0.36	1.03
All India	53.53	41.79	31.110	0.76	1.60	31.45	25.68	20.90	0.52	0.94

*Source : GOI (2012) : Draft Twelfth Five Year Plan (2012-2017), Volume III Planning Commission, New Delhi*

### **ECONOMIC SCENARIO ON THE EVE OF ELEVENTH PLAN:**

Outlining its vision, the Eleventh Plan noted that ‘the economy accelerated in the Tenth Plan period (2002-03 to 2006-07) to a record average of growth of 7.6 percent – the highest in any Plan period so far.’ It emphasized the fact that during the last 4 years of the Tenth Plan, average GDP growth was 8.6% making India one of the fastest growing economies in the world. The saving and investment rates have also increased. The industrial sector has responded well to face competition in the global economy. Foreign investors are keen to invest in the Indian economy.

But “a major weakness in the economy is that growth is not perceived as being sufficiently inclusive for many groups, especially SCs, STs and minorities... The lack of inclusiveness is borne out by data on several dimensions of performance.”

- ❖ “The percentage of population below the official poverty line has come down from 36% in 1993-94 to 28% in 2004-05. However, not only this is high, the rate of decline in poverty has not accelerated with GDP growth and the incidence of poverty among certain marginalized groups, e.g. the Scheduled Tribes, has hardly declined at all. Because the population has grown, the absolute number of poor people has declined only marginally from 320 million in 1993-94 to 302 million in 2004-05. This performance is all the more disappointing since the poverty line on which the estimate of the poor is based is the same as in 1973-74, when per capita incomes were much lower.”
- ❖ Indicators of deprivation suggest that the proportion of population deprived of a minimum level of living is much higher. This is indicated by the following a. According to National Family Health Survey, 46%

of the children in the 0-3 age group suffered from malnutrition in 2005-06, but the more disturbing fact is that there is no decline from the level of 47% reported in 1998. (b) Human Development indicators like literacy, maternal and infant mortality rates also show that the progress is slow and India lags behind several other countries in Asia. While literacy rate has gone up to 64.8% in 2001, the number of illiterates still exceeds 304 million, making India the country with the largest number of illiterates. Life expectancy during 2001-06 is 63.9 years for males and 66.9 years for females, is still below 72 years for China. Adverse sex ratio with only 933 women for 1,000 men is another cause for concern. More disturbingly, the child sex ratio (ages 0-6) has declined sharply from 962 in 1981 to 927 in 2001. Infant mortality rates are higher than those of countries in East Asia.

- ❖ Agriculture growth continues to be sluggish and was of the order of 2.1 percent during the 10th Plan, despite a target of 4% growth.
- ❖ Current daily status unemployment rate increased from 7.3% in 1999-00 to 8.3% in 2004-05, despite the higher GDP growth of 7.6% during the 10th Plan. Moreover, the entire increase in employment has taken place in the unorganized sector. A very disturbing feature of the employment situation is: “ Permanent employment in the organized sector has decreased, although organized sector firms may be increasing their informal employment.”

**PREScriptions: COLLECTIVE EFFORTS FOR INCLUSIVE GROWTH:**

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 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. I mention these specifically, because each of these steps has a bearing on the inclusiveness of growth as well. 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 populace had remained outside the purview of the increase in national GDP. Better governance 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 to 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.

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 9%. However, the relatively benign 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.

More and better universities, schools and technical institutes should be created. Inflation, which is running amok today, affects the poor man the most, severely limiting inclusiveness of growth. We need to fix acceptable inflation targets and constantly monitor them so that they do not go beyond the outer agreed limits. Similarly, India's fiscal deficit remains one of the highest in the world, almost 7% of GDP in real terms. Political parties, across the spectrum, need to look beyond petty politics, sit down and agree on parameters for inflation and fiscal deficit beyond which certain tough.

## **CONCLUSION:**

Indian economy's growth performance has certainly been spectacular during the last two decades. While growth has touched everyone, it has not done so equitably; traditional hierarchies have remained stubborn against growth. In the aggregate, STs appear to have done more poorly than other groups; they show the slowest pace of improvements in a range of areas. SCs, STs, OBCs, women and certain sections of the minorities have not benefited, by this much acclaimed high growth, equitably as was expected. Inequalities in the distribution of income and wealth have increased over the time. Increasing violence against women and girls have shattered their dreams of a better future .The large scale grabbing of land in tribal areas by the private corporate sector in collusion with state has infested the insecurities among dalits. In these circumstances the objective of inclusive growth seems a distant dream. India, urban growth has tended to be pro-rich, and the disparities between rural and urban incomes seem to have widened. The growth model adopted in India has so far not produced the desired results in relation to its inclusiveness. The growth strategy requires a change. A moderate growth will suffice, if it is more distributive, more judicious, more equitable and finally more inclusive.

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