

Indian Economy and Various Components of Inclusive Growth

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Abstract

A major weakness in the Indian economy is that growth is not perceived as being sufficiently inclusive for many groups, especially scheduled castes, scheduled tribes and minorities. Gender inequality also remains a pervasive problem and some of the structural changes taking place have an adverse affect on them. The lack of inclusiveness is borne out by data on several dimensions of performance such as the incidence of poverty among marginalized groups has hardly declined at all, say, among Scheduled Tribes; India's maternal and infant mortality rates are much higher than those of countries in East Asia, et cetera. This paper is an attempt to study the various components of inclusive growth.

Introduction

Inclusive Growth can be described as a growth process which yields broad-based benefits and ensures equality of opportunity for all. The definition of inclusive growth implies direct links between the macroeconomic and microeconomic determinants of the economy and economic growth. The microeconomic dimension captures the importance of structural transformation for economic diversification and competition, while the macro dimension refers to changes in economic aggregates such as the country's gross national product (GNP) or gross domestic product (GDP), total factor productivity, and aggregate factor inputs (as defined by World Bank).

Components

The broad vision of Inclusive Growth includes several interrelated components. According to a Government of India document, Inclusive Growth includes rapid growth that reduces poverty and creates employment opportunities; access to essential services in health and education, especially for the poor; equality of opportunity; empowerment through education and skill development; employment opportunities underpinned by National Rural Employment Guarantee; environmental sustainability; recognition of women's agency; good governance.

Poverty Reduction

Rapid growth is essential for reducing poverty. Moreover, the growth should be balanced growth to rapidly create jobs in the industrial and services sector (to shift people out of agricultural sector). Efforts are required to improve income earning opportunities of those who remain in agriculture by raising land productivity. Important sources of employment such as medium and small industry and services need to be strengthened. Special programs aimed at target groups such as small and micro enterprises, weavers, artisans, craftsmen et cetera need to be promoted.

The employment challenge

The ability to generate an adequate number of productive employment opportunities will be a major factor on which the inclusiveness of growth will be judged. India is currently at a stage of demographic transition where population growth is slowing down but the

population of young people entering the labour force continues to expand. This means that a working person will have fewer dependents, children or parents. The dependency ratio (ratio of dependent to working age population) declined from 0.8 in 1991 to 0.59 by 2011. If the workforce is gainfully employed, a lower dependency ratio means a higher rate of savings which, in turn, can raise the growth rate. This young demographic profile places India favorably in terms of manpower availability and could be a major advantage in an environment where investment is expanding in India and the industrial world is ageing. Employment should not only be available for new entrants to labour force but also in the non-agricultural sector for workers leaving agriculture. Rapid growth focused upon labour intensive industries and small and medium enterprises will create employment opportunities in the manufacturing and services sectors. The ability to create jobs will be enhanced by greater labour flexibility which may require some changes in labour laws. Moreover, expansion of skill capabilities in the labour force would be great force in providing employment opportunities.

Access to essential services

A person is poor because her endowments of capital, land, labour and skills are meager and also because her access to public goods and services and natural resources is limited. Often, a poor person is trapped in the prison of **illiteracy. Disease and ill-health** prevent her from getting the most out of the one asset she has, her labour. Without **training and skills** she cannot aspire to do a better job. Without an **all-weather road** that connects her habitation to the nearest market, she cannot get a fair price for her produce. Without electricity and access to credit, her ability to increase the productivity of land or of artisan activity is limited. Without the sewers and drains, Water Works and water mains that service her town; without the policing that should protect her life and limb, property (however meager), person and dignity as an equal citizen of India, she cannot function effectively. Thus, while in the short run, access to basic facilities such as health, education, clean drinking water et cetera impacts directly on welfare, in the long run, it determines economic opportunities for the future. Without access to these services one cannot be considered to have equality of opportunity. Access to these services depends upon income or delivery through publicly funded systems. The resources needed to create the infrastructure necessary for delivering these services to poor are large. (Resources include tax revenue and borrowings).

Social Justice and empowerment

The vision of inclusiveness must go beyond the traditional objective of poverty alleviation to encompass equality of opportunity, as well as economic and social mobility for all sections of society, with affirmative action for scheduled castes, scheduled tribes, other backward classes, minorities and women. There must be equality of opportunity to all with the freedom and dignity and without social or political obstacles. This must be accompanied by an improvement in the opportunities for economic and social advancement. In particular, individuals belonging to disadvantaged groups should be provided special opportunities to develop their skills and participate in the growth process. This outcome can only be ensured if there is a degree of empowerment that creates a feeling of participation so necessary in a democratic polity. Empowerment of disadvantaged and hitherto marginalized groups is, therefore, an essential part of any vision of inclusive growth. India's democratic polity, with the establishment of the third layer of democracy at the PRI level, provides opportunities for

empowerment and participation of all groups with reservations for scheduled castes, scheduled Tribes and women. These institutions should be made more effective through greater delegation of power and responsibility to the local level.

Environmental sustainability

The development process has to be environmentally sustainable. Natural resources such as water and land are limited and their per capita availability is actually diminishing because of rising population and also because of irrational exploitation of common pool resources, there is a need to not only preserve and maintain natural resources, but also provide equitable access to those who do not have such access at present. Degradation of natural resources reduces the well-being of people and the poor and women suffer more, as they depend much more on natural common property resources for fuel and water and also have fewer resources to take defensive actions. India will be seriously affected by such climate change in the form of receding Himalayan glaciers, a variably different hydrological cycle than at present, greater water scarcity and higher temperatures which would have an adverse impact on agricultural production with the presently known technologies. A rise in the sea level, leading to coastal submergence would cause large-scale displacement of people. We must certainly begin to consider what steps we need to take to adapt to these changes and to mitigate the damage to climate. However, an effective strategy requires international cooperation to evolve forms of burden sharing or mitigation as well as adaptation that are fair and equitable across nations.

Gender equity

There is a need to move beyond empowerment and recognize women as agents of sustained socio - economic growth and change. Needed is an integrated approach which acknowledges women's agencies and ensures needs, rights and contribution of women are reflected in every sphere. Therefore, gender is a crosscutting theme. Also, it should be realized that women are not a homogenous category. Their situations and consequently requirements differ based on their locations within various castes, communities, religions, geographic and developmental zones, for example, Muslim girls, Child girls, Dalit girls, separate women et cetera.

Governance

For inclusive growth to happen, there must be an improvement in governance. Over the years, the governments at the Centre and the States have launched a large number of initiatives at substantial public expense to achieve the objectives of growth with poverty alleviation and inclusiveness. Many of these initiatives have floundered because of poor design, insufficient accountability and also corruption at various levels. Increasingly, there is demand for effective implementation without which expanded government intervention will be infructuous. The best possible way of achieving this objective may be by involving communities in both design and implementation of such programs, although such involvement may vary from sector to sector. Civil Society Organizations can work with Panchayati Raj Institutions to improve the effectiveness of these programs. More flexibility should be given to decision-making at the local level. It is especially important to improve evaluation of the effectiveness of how government programs work and to inject a commitment to change their designs in the light of the experience gained. Evaluation must be based on proper benchmarks and be scientifically designed to generate evidence-based assessment of different aspects of program design. Along with greater transparency and feedback from the community participation, this is particularly

important in the case of programs delivering services directly to the poor. Accountability and transparency are critical elements of good governance. The Right to Information Act, 2005 empowers people to get information and constitutes a big step towards transparency and accountability. The role of the states: to ensure inclusive growth, the central government has to engage more intensively with the states not only with regard to Plan expenditure but also in respect of what have traditionally been non-plan expenditures. The success will depend upon quality of service delivery by the state governments. Though the central government has enlarged its responsibility by launching schemes for creating social infrastructure such as NREGA, SSS, Bharat Nirman etc. but non-plan expenditure on these sectors by the state governments is considerable.

Policies for Inclusive Growth

The strategy for inclusive growth has to be based on sound macro economic policies which establish the macro economic preconditions for rapid growth and support key drivers of this growth. It must also include sector specific policies which will ensure that the structure of growth that is generated and the institutional environment in which it occurs, achieves the objective of inclusiveness in all its many dimensions. Examples of sound macroeconomic framework; Continuation of the uptrend in domestic investment and savings; Fixing things in agriculture including irrigation and watershed management; Industry and minerals.

Infrastructure requirements of Inclusive Growth

All-weather roads; round-the-clock availability of power at a stable voltage and frequency; water for irrigation; railways that are not overcrowded, which run on time and do not overcharge for freight; ports with low turnaround time to reduce cost of imports and exports; airports to handle the growing traffic; air services that provide connectivity to all parts of the country; Telecommunications and broadband connectivity to provide the benefits of the Internet to people all over the country. Infrastructure facilities have to be developed especially in rural areas and in remote and backward parts of the country. Although public investment has to be a large part of the solution, it alone cannot meet the demands, as there will be large demands on public sector resources from the health, education and agriculture sectors and also from various programs aimed at livelihood support for the poor. Therefore, needed is an increase in private sector investment through some form of public-private partnership or indirectly, where feasible. Public investment will have to give priority to meeting the infrastructure requirements in those subsectors and areas where private participation is unlikely to be forthcoming. These include irrigation, general rural infrastructure (rural roads, electrification, water supply and sanitation), infrastructure development in the more backward areas and the remote parts of the country. Private investment must be called in a transparent manner through open, competitive bidding process.

Apart from this, education and skill development, focus on health and nutrition, on women's agency and child rights, elimination of poverty, ensuring livelihood security and rural development, urban infrastructure development and improvement and urban poverty alleviation, science and technology to be used as drivers of growth, environmental sustainability to be ensured and Panchayati Raj Institutions are to be deployed as delivery mechanisms for ensuring inclusive growth in the economy.

Conclusion

Rapid pace of growth is unquestionably necessary for substantial poverty reduction, but for this growth to be sustainable in the long run, it should be broad-based across sectors, and inclusive of the large part of the country's labor force. The main instrument for a sustainable and inclusive growth is assumed to be productive employment. Inclusive growth is about policies that should be implemented in the short run, but for sustainable inclusive growth in the future.

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