

Impact On Inclusive Growth In India- Some Issues

Muthukumarasami R.

MBA, Department of Management Studies
Bharath Institute of Science and Technology,
Selaiyur, Chennai, Tamil Nadu 600 073
Bharath Institute of Higher Education and Research

ABSTRACT

The Government intended at promoting 'inclusive growth' as it predictable that high national income growth alone did not address the challenge of employment promotion, poverty reduction and balanced regional progress or improving human progress. The definition of 'Inclusive Growth' finds place supplementary frequently in the debates and deliberations at different forums. The subject of inclusive growth has been in the spotlight recently, for very observable reasons. The theme is 'towards faster and more inclusive growth,' which clearly reflects the need to find a sustainable balance between augmentation and inclusion. Many people view 'inequality' and 'exclusiveness' as being the same thing. Inclusive growth is to be "a growth process which yields broad-based benefits and ensures equality of opportunity for all". Though, efforts and progress in the direction of inclusive growth and development appears to be quite satisfactory, however, challenges, problems and constraints in achieving the goals of inclusive planning have emerged that require multiple approaches and strategies to address them effectively and efficiently. The present paper tries to examine the emerging challenges in achieving inclusive development and growth in India

1. INTRODUCTION

Inclusive growth is a major concern for human development in India with rising inequalities. Despite tremendous growth of economy, failure on distributive front has aggravated the progressive journey towards collective well-being. Inclusive growth has become the buzzword in policy-spheres with recent phenomenon of rapid growth with characteristic patterns of exclusion. Exclusion continued in terms of low agriculture growth, low quality employment growth, low human development, rural-urban divides, gender and social inequalities, and regional disparities etc. The sectoral, social and spatial inequalities have raised questions about welfare approaches of Government planning, and emphasized the role of the private sector in addressing development issues in the country. Employment generation, social and developmental infrastructure, health-care and rural diversification are some of the major concerns. Due to faulty approaches and often politically motivated policies, growth has generated inequalities. It is imperative for the planners and policy-makers to make growth inclusive through adoption of pragmatic policies. The journey towards balancing the outcome of economic growth involves many challenges. The dominant challenges include the imperative of maintaining the acceleration of economic growth without compromising on human development and sustainability.

The Eleventh Five Year Plan Strategy is 'Towards Faster and More Inclusive Growth'. The Approach Paper states that the Plan provides "an opportunity to restructure policies to achieve a new vision based on faster, more broad-based and inclusive growth. It is designed to reduce poverty and focus on brining the various divides that continue to fragment our society."¹ These are the broad objectives that successive Five Year Plans in India have sought to achieve in some

form or the other right from the beginning. Of course, the context of economic reform, involving changes in the economic policy framework since 1991, has called for a careful scrutiny of the distributional consequences of the growth process and an appropriate strategy to deal with the emerging issues.

REVIEW OF LITERATURE

Kakwani and Pernia (2000) defined what is pro-poor growth and up to this writing there has been several papers written on inclusive growth that sifting through the materials, it would seem that this is one topic which has been prolifically written by academics and development practitioners.

Ali (2007b) recognized the need for governments to partner with the private sector and civil society in the pursuit of inclusive growth.

STATEMENT OF THE PROBLEMS

There are several statements of the problems of inclusive growth, poverty reduction, employment generation and increase in quantity & quality of employment, agricultural development, industrial development, social sector development, reduction in regional disparities, protecting the environment, equal distribution of income.

METHODOLOGY

The study is mainly based on the analysis of secondary data collected government institution report, Magazine's, Articles, Reports, Books, etc.

2. OBJECTIVES OF THE STUDY

1. To explain about challenges of inclusive growth in India
2. To analyze reforms to improve economic efficiency

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, and above all good governance will ensure that India achieves what it deserves.

THE SOCIAL LIMITS OF INDIAN DEMOCRATIC POLITICS

Of the eight richest people in the world four are Indian, but the irony still remains that there's a marginal farmer in the interior of Maharashtra, who is struggling to feed his five children, the youngest of whom is a son, uneducated and unemployed, with four sisters, all of marriageable age, whose marriage the farmer cannot afford. Try telling the farmer that the economy is growing at a handsome 9% per annum, hardly consolation for the empty stomachs his children go to bed with every night. Few would argue that the Indian economy is growing, salaries are going through the roof for the educated, there are jobs mushrooming in the IT hubs of Bangalore and Hyderabad, disposable income for the 'Call Centre' crowd, that is egging on the foray of several luxury goods never before seen in the nation, is becoming all the more accessible but the fact still remains, that the poor are still poor even though the rich have become super rich and the hitherto not so rich, rich.

OVERCOMING OBSTACLES TO RURAL GROWTH AND URBAN TRANSFORMATION

People living in cities earn far more than those dwelling in rural areas. But that does not change the fact that over 650,000 villages in India are home to nearly 700 million people, the majority of whom live below poverty levels, are malnourished and merely survive. It is this population, very nearly forgotten by the power brokers, who need to be brought into the development scheme. They must be given the option of living and working on jobs in nonagricultural sectors, jobs that guarantee the basic subsistence for themselves and their families.

Now, how does one go about doing this? Does re-appropriating resources help? It does, but only just. Merely transferring resources from one head to another, which has been done, cosmetically sometimes, by politicians has not changed much. The reality remains that the kitty is limited. Even if we distribute the national income perfectly, it would still leave everyone very much poor. We cannot escape the conclusion that India needs to grow economically and do it fast.

THE CORRUPTION CANCER

If the will is there and so are the means to do good, then what really is going wrong, one wonders. One answer is corruption. Corruption that is prevalent in the highest offices and which creeps down into even the most trivial of day to day activities. There is a race amongst bureaucrats, politicians and entrepreneurs to enrich themselves at any cost: corruption being a central tool in this game of enrichment. Corruption is definitely one of the ills that prevent inclusive growth, rather, enabling the rich to get richer and keeping the poor poor.

Corruption works like a barter with gains for both the people giving as well as the people accepting and is therefore as much a crime committed by the givers as it is by the takers. Officials in India may be venal, but the private sector is also to be blamed for its complicity.

SOCIAL CAUSES OF EXCLUSIVITY

While discussing inclusive growth, a major factor to be examined is the socio-economic inclusiveness of the people. Inclusive growth being a long term process necessarily emanates from the inclusive nature of socio-economic development across regions and people. As per the

UNDP Human Development Report 2009 (HRD 2009), India ranked 134 out of 182 countries of the world placing it at the same rank as in 2006 (the Human Development Index (HDI) for India in 2007 was 0.612)

REFORMS TO IMPROVE ECONOMIC EFFICIENCY

LABOR REGULATIONS

India's restrictive labor regulations have constrained the growth of the formal manufacturing sector. Better designed regulations can attract more labor-intensive investment and improve the job prospects for India's unemployed millions, those trapped in poor quality jobs, and the 80 million new entrants who are expected to join the work force over the next decade. Financial sector: Problems in accessing finance are a major impediment to the performance of small and medium size businesses in India. Improving financial intermediation and ensuring broader access to financial services is critical for equalizing growth. Inclusive growth needs financial institutions to be strong and efficient.

The experience with cooperative banks under dual regulation, and deposit taking NBFCs with poor governance, points out the challenges in ensuring effective regulation and supervision of entities allowed to access public deposits. While aligning regulation with international best practices, a more relaxed approach is adopted in India for smaller units such as regional rural banks and small urban cooperative banks operating within a district, without compromising on solvency and liquidity principles. Real Growth: As the countries the world over switched to the floating exchange rates after decades of fixed rates, the foreign exchange market began to grow by leaps and bounds. In the United States alone, forex transactions leaped from 10.7 per cent of the GDP in 1970 to 195.3 per cent in 1980, i.e. within a decade. Similarly, between 1980 and 2008, the size of the world stock markets is estimated to have swelled from about \$ 3 trillion to over \$ 35 trillion, most which are said to be speculative nature.

The world derivatives market, again is, estimated at about \$480 trillion face or nominal value 12 times the size of the entire world economy. This kind of financial leveraging is to have reached incredible levels in the current global melt down. According to the latest Mc Kinsey report the current debt levels amount to more than three times the GDP in the US and Europe, where historically they have been around 150 to 200 per cent. The implications of unbridled financial growth can only be awesome. The world is being run on credit, which is untenable. 'Can swelling be muscle?' Can debt be money?' the answer is never. Instead of being a catalyst of economic growth, finance has become an end in itself. The consequences of financial growth are running far ahead of real growth already blatant. The real economy based on agriculture, manufacturing and services has been undermined and neglected. The unprecedented surge in money and capital and their free flow across economies have globalised money laundering fueling terrorism and many other anti-social activities.

KK3. CONCLUSION

India seems to be improving its economic growth. The growth rate of GSDP in the last few years has been 7 to 8% per annum. However, the post-reform period witnessed increase in disparities across regions and social groups and between rural and urban areas. There is a need to have a broad based and inclusive growth to benefit all sections of the society. We have discussed challenges in most important elements of inclusive growth: agriculture, poverty and

employment, social sector and, regional We have written earlier on the reasons for the need to achieve inclusive growth⁸. There are strong social, economic and political reasons for achieving broader and inclusive growth. Socially, lack of inclusive growth leads to unrest among many people. There is also economic argument.

4. REFERENCES

- [1] Barro, R. 2000: "Inequality and Growth in a Panel of Countries." *Journal of Economic Growth*5
- [2] Commission on Growth and Development (2008):*Growth Report: Strategies for Sustained Growth and Inclusive Development* , the World Bank.
- [3] Dev, S.Mahendra (2006), "Inclusive Growth in India: Performance, Issues and Challenges", First Dr. P.R. Dubashi Lecture,2006 , Gokhale Institute of Politics and Economics, November 29, 2007
- [4] Dollar, D. and A. Kraay (2002) "Growth Is Good for the Poor." *Journal of Economic Growth*7, pp. 195–225.
- [5] Imbs, J. and R. Wacziarg (2003) "Stages of Diversification" *American Economic Review*93(1), pp. 63-86.
- [6] J. Boskin and Lawrence J. Lau. NBER Working Paper No. 8023 Khan, Muhammad Ehsan (ADB), Niimi, Yoko (ADB), "Constraints to Inclusive Growth'Consultation workshop, Kathmandu (March, 2009).
- [7] Lopez, H. (2004b). "Pro-Poor Growth: A Review of What We Know (and of What We Don't)"Mimeo. World Bank.
- [8] Narayan, S., "India's economy: Constraints to Inclusive Growth" *Asian Journal of Economic Affairs*, Vol. 2 No.1
- [9] OECD (2008): "Growing Unequal? Income Distribution and Poverty in OECD Countries".
- [10] Organization for Economic Development and Cooperation. *Promoting Pro-Poor Growth: Key Policy Messages*, OECD, 2006
- [11] Prahalad, C. K. and Mashelkar, R. A. 2010; "Innovation's Holy Grail"; *Harvard Business Review*; July-August