



ISSN Print: 2394-7500  
ISSN Online: 2394-5869  
Impact Factor: 5.2  
IJAR 2016; 2(8): 581-585  
www.allresearchjournal.com  
Received: 27-06-2016  
Accepted: 28-07-2016

**Suman Kannoujia**  
Research Scholar (B.H.U)  
Banaras Hindu University is a  
Public Central University  
Located in Varanasi, Uttar  
Pradesh, India

## **Inclusive and sustainable growth in India- issues and challenges**

**Suman Kannoujia**

### **Abstract**

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- road today. It is far from reaching its true potential. The country remains shackled in corruption, red tape, age old 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 Inclusive. Elimination of child labor, women empowerment, removal of caste barriers and an improvement in work culture are the just few of the things the Indian society needs to introspect on. Most of the Asian countries have experienced higher growth rates in the past two decades. It is interesting to note that this economic growth has bypassed the poor sections of the society. The growth has been uneven and often accompanied by income inequality and this gap between rich and poor leads to unbalanced social development. This often deoxidizes the impact of economic growth. Hence reducing inequality becomes a major concern of developmental policies and this garnered the concept of Inclusive growth. Tackling corruption in high places, removing the ills of the electoral system, shunning politics of the agitations and keeping national interest may not be too much to ask of the country's policy makers. The paper gives emphasize on to explore different problems present in achieving Inclusive growth in India, to discuss the challenges before Inclusive growth in India. Efforts are also made to investigate the future aspect of inclusive growth with regard to proposed XIIth five year plan in India and also tried to suggest certain measures for the achievement of inclusive growth in India.

**Keywords:** Inclusive growth, XIIth five year plans, transparency, developmental policies

### **Introduction**

The strategies of Inclusive growth and development came into the limelight in the developmental policies of emerging market economies (EMEs) with higher economic growth rates. With an accelerated economic growth rate, Indian policy makers too shifted their focus on Inclusive growth and development while formulating the 12<sup>th</sup> five year plan. Thus, the plan targeted deprived sections of the Indian population, health, employment, rural urban infrastructure, women and child development and social security measures against the back drop of the plan. Efforts are also made to evaluate specific schemes on the basis of their targets and achievements. In the recent years, the Inclusive development approach is the thrust area of the United Nations, the World Bank and the ADB. On the basis of eight Millennium Development Goals, the ADB has worked out strategies for the Inclusive growth of developing Asian countries. If this growth is sustainable and broad based then the country would be on the path of the Inclusive development. It is important to note that growth differs from development in the long terms. Inclusive growth is necessary but not a sufficient condition for Inclusive development. Growth can be spontaneous and reversible. Growth is concern about the economic dimensions of the economy, whereas development is a socio – economic phenomenon. Thus, development is a broader concept as it involves growth. Therefore, it is essential for any country that each section of society should contribute to the economic growth. At the same time the benefits of the growth should reach to all sections of the society.

**Correspondence**  
**Suman Kannoujia**  
Research Scholar (B.H.U)  
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Public Central University  
Located in Varanasi, Uttar  
Pradesh, India

### Objectives

- (1) To explore different problems present in achieving Inclusive growth in India.
- (2) To discuss the challenges before Inclusive growth in India.
- (3) To investigate the future aspect of Inclusive growth with regard to proposed 12<sup>th</sup> five year plan in India.
- (4) To suggest certain measures for the achievement of the Inclusive growth in India.

### Dimensions

From the ADB literature, it is evident that the concept of Inclusive growth has three broad dimensions viz- economic, social and institutional. The ADB adopted Inclusive economic growth as one of its three critical strategic agenda in strategy 2020. Under this, it will support regional Inclusive growth through financing, policy advice, knowledge solutions, technical assistance and capacity building with special focus on building Infrastructure, providing basic public services such as water and sanitation and education, developing the financial sector and fostering financial inclusion and enhancing food security. The ADB formulated three policy pillar on the basis of three dimensions for the achievement of Inclusive growth as follows-

**(A) Economic- High, efficient and sustained growth:** High and sustained economic growth an economic dimensions is a necessary condition for the Inclusive growth though not sufficient. It is the key to create productive and decent employment opportunities to absorb the surplus labor force. It creates resources for government to invest in education, health, Infrastructure, social protection and safety nets etc.

**(B) Institutional- Social Inclusion:** Social inclusion ensures that all sections of the society have equal opportunities to grab these opportunities, human capabilities should be enhanced, especially from marginalized and disadvantaged sections. Thus providing access to education, basic health and infrastructure facilities becomes an integral part of the social upliftment of the people. Promoting social inclusion requires public interventions in two areas-

- (a) Investing in education, health and other social services to expand human capacities.
- (b) Promoting good policy and sound institutions to advance social and economic justice.

**(C) Social: - Social Safety Nets-** This covers the social dimensions of inclusive growth, social safety nets are basically to protect chronically poor and vulnerable sections of the society. They cater the basic needs of people who cannot participate in the benefits from emerging opportunities created by growth. It not only protects them from ill health but also from extreme deprivation. It takes forms of labour market policies and programmes, social insurance programmes, child protection, social assistance and welfare schemes.

All these three dimensions must be supported by good governance and strong institutions as it forms a foundation where all members of society can benefit from and contribute to the growth process.

**Research Methodology:** It is Descriptive and Analytical in nature. It is mainly based on secondary a source which includes books journals, newspaper and Web Pages.

**Need For Inclusive Growth In India-** Inclusive growth is necessary for the sustainable development and equitable distribution of wealth and prosperity. Achieving inclusive growth is the biggest challenges in a country like India. In a democratic country like India, bringing 600 million people living in rural India into the maintenances is the biggest concern.

The following factors encouraged the India to concentrate more on Inclusive growth.

- (1) In India is the 7<sup>th</sup> largest country by area and 2<sup>nd</sup> by population. It is the 12<sup>th</sup> largest economy at market exchange rate and 4<sup>th</sup> largest by PPP. Yet India is far away from the development of the special region.
- (2) The exclusion in terms of low agricultural growth, low quality, low quality employment growth, low human development, rural urban divides, gender and social inequalities and regional disparities etc. are the problems for the nation
- (3) Reducing of poverty and other disparities and rising of economic growth are the key objectives of the nation through Inclusive growth.
- (4) Political leadership in the country plays a vital role in the overall development of the country, but the study has found that politician in India has a very low scientific literacy.
- (5) Studies has estimated that the cost of corruption in India amount to over 10% of GDP. Corruption is one of the ills that prevent the inclusive growth.
- (6) 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.
- (7) Literacy levels have to rise to provide the skilled workforce required for higher growth.
- (8) Achievement of 9% GDP growth for country as a whole is one of the boosting factor which gives the importance to the Inclusive growth in India.
- (9) Inclusiveness benchmarked against achievement of monitorable targets related to (a) Income and poverty (b) Education (c) Health (d) Women & children (e) Infrastructure (f) Environment.
- (10) Even at international level also, there is a concern about of inequalities and exclusion and now they are also taking about inclusive approach and development.

**Elements Of Inclusive Growth:** The key component of inclusive growth strategy included a sharp increase in Investment in rural areas, rural infrastructure and agriculture spurts in credit for farmers, increase in rural employment through a unique social safety net and a sharp increase in public spending on education and health care.

The interrelated elements of inclusive growth are:

1. Poverty Reduction and increase in quantity and quality of employment.
2. Agriculture Development.
3. Social sector Development.
4. Poor quality delivery system.

5. Achievement of 119<sup>th</sup> rank among 170 countries on Human Development Index.
6. Social indicators are much lower for scheduled castes and Tribes.
7. Malnutrition among children is one major problem.
8. Since BPO brought the multi culture environment in India, this sector is facing under seivour pressure due to global recession.

9. Social advancements in India is still at lower growth due to the strong influence of culture and regional disparities.

#### Status of some socio –economic indicators

	Average Around 1990	Average Recent	Recent Year (Best State)	Recent Year (Worst State)
Per capita Net National Product	7321	11799	16679	3557
Consumption poverty	36.0	27.8	5.2	46.5
Literacy (age7+male)	64.1	75.3	94.2	59.7
Literacy (age7 +female)	39.3	53.7	87.7	33.1
Attending Elementary Schools	55.3	71.1	103.1	55.8
Child Sex Ratio (0-6 years old)	945	927	975	793
Infant Mortality Rate (2003) (per 1000 Birth)	80	60	11	83
Maternal Mortality Rate		4		
Undernourished children				
Weight -for- age		47.0	20.6	55.7
Height- for- age		45.5	18.1	55.5
Weight- for- height		15.5	4.8	24.3

#### Problems before Inclusive Growth Strategies in India

For a developing country like India, the need of Inclusive growth is vital to achieve the overall progress of the country. Though it is positive for micro economic stability, 2008-2009 resulted a relative growth slowdown, mostly from spillover effect of the weakening of the global economic momentum and volatile financial markets. The following problems are the major concern for developing countries like India to achieve the inclusive growth. They are.

1. Poverty
2. Employment
3. Agriculture
4. Problems in Social Development
5. Regional Disparities

#### Poverty

A proportionally large share of poor is lower castes. Many see the caste system as a system of exploitation of poor low-ranking groups by more prosperous high ranking groups. In many parts of India, land is largely held by high ranking property owner of the dominant castes that economically exploit low ranking landless laborers and poor artisans, all the while degrading them with ritual emphases on their so called god given inferior status.

According to William. A. Haviland, Casteism is widespread in rural areas, and continues to segregate Dalits. Others, however, have noted the steady rise empowerment of Dalits through social reforms and the implementation observation in employments and benefits.

#### Employment

Employment considered as one of the big problems for inclusive growth in India. Raising population at a great speed after Independence showed its impact on employment. The unemployment became the big worry to the development of the country. Since poverty is much higher than unemployment, employment is the only source to eradicate poverty. The country is also facing in employment generation in all sectors, region and for all socio- economic groups particularly for poorer sections of the population,

backward regions, lagging sector and SC/ST/OBC/women etc.

#### Agriculture

Traditionally, India is considered as the agriculture based country. As the majority of Indians are engaged in agriculture for employment, the recent development in the other sectors decreased this major's growth. Some of the problems in Indian agriculture are:

1. Long term factors like steeper decline in per capita land availability, shrinking of farm size.
2. Slow reduction in share of employment.
3. Low labour productivity in agriculture and the gap between agri and non agri is widening.
4. Decline in Yield growth due to land and water problems, vulnerability to world commodity prices, farmer's suicides.
5. Disparities in growth across region and crops i.e., growth rate decline more in rain fed areas.

#### Problems in Social Development

Social Development is also one of the key concerns in Inclusive growth. The social development became the hot criteria in the recent past in India. Social Development also facing some problems which is making the path critical to Inclusive growth. Some of the problems in social sector are

1. Significant regional, social and gender disparities.
2. Low level and slow growth in public expenditures particularly on health.
3. Poor quality delivery system.
4. Achievement of 119<sup>th</sup> rank among 170 countries on Human Development Index.
5. Social indicators are much lower for scheduled castes and Tribes.
6. Malnutrition among children is one major problem.
7. Since BPO brought the multi culture environment in India, this sector is facing under seivour pressure due to global recession.
8. Advancements in India is still at lower growth due to the strong influence of culture and regional disparities.

### Regional Disparities

Regional disparities are also a major concern for India due to different culture and tradition.

Traditional cultures, caste system and the rich and poor feelings favored some specific groups as a result, the regional disparities raised in India before and after independence. And also due to the development in agriculture and industrial sector some region in India developed fast and some other places still are facing scarcity. Some of the regional disparities problems are:

1. Per capita income is highest at Rs. 16,679 in Punjab and lowest per capita income is at Bihar with Rs.3557.
2. Female infant mortality varies from 12 in Kerala to 88 in Madhya Pradesh.
3. Female literacy varies from 33.6 in Bihar to 88% in Kerala.
4. Richer states grew faster than the poorer states.

### Challenges before Inclusive Growth Strategies in India

The key component of Inclusive growth strategy included a sharp increase in investment in rural areas, rural infrastructure and agriculture spurts in credit for farmers, increase in rural employment through a unique society safety net and sharp increase in public spending on education and health care. The government also should go for variety of legislative interventions to empower the disadvantaged. Some of the challenges and opportunities before inclusive growth strategies in India are:

1. Poverty alleviation is one of the big challenges before India. Eradication of poverty in India is generally only considered to be a long-term goal. Poverty alleviation is expected to make better progress in the next 50 years than in the past, as a trickle-down effect of the growing middle class. Increasing stress on education, reservation on seats in government jobs and the increasing empowerment of women and the economically weaker section of the society, are also expected to the alleviation of poverty.
2. For agricultural growth, the private players can participate into bridge the gap including providing micro finance. Contract farming, setting up storage facilities for agro-produce, and producing them from farmers. The private sector could also develop heritage sites and tourist spots and encourage the promotion of traditional arts and crafts in joint venture with rural enterprise. The government of India should also increase its present moratorium on interest payments, lowering of farm credit rates for increase in agriculture growth.
3. Government schemes should target eradication of both poverty and unemployment (which in recent decades has sent millions of poor and unskilled people into urban areas in search of livelihoods) attempt to solve the problem, by providing financial assistance for setting up business, skill honing, setting up public sector enterprises, reservation in government, etc. The decreased role of public sector after liberalization has further underlined the need for focusing on better education and has also put political pressure on further reforms.
4. Child labour is a complex problem that is basically rooted in poverty. The Indian government is implementing the world's child labour elimination program, with primary education targeted for around 250 million. Numerous non-governmental and

voluntary organizations are also involved. Special investigation cells have been set up in states to enforce existing laws banning employment of children (under 14) in hazardous industries.

5. Social development is possible through achieving women empowerment and eradicating the regional disparities. The government is giving the women empowerment by giving special reservations; the women's advancement in India is still not matched the expectation for inclusive growth. Presently the women are dealing with the top post in India like president, Lok Sabha speaker and railway minister.
6. To bring in inclusive growth, it is necessary to enhance the capabilities of women by providing education, so that they get the opportunities of getting employed and be self-sustainable.

Government of India has stepped up for inclusive growth by launching many initiatives with features that are innovative, flexible and reform oriented such as:

1. Rural Infrastructure (Bharat Nirman)
2. Employment (Mahatma Gandhi National Rural Employment Guarantee Scheme)
3. Regional Development. (Backward District Development Program)
4. Education (Sarva Shiksha Abhiyaan)
5. Rural Health (National Rural Health Mission)
6. Urban Infrastructure (National Urban Renewal Mission)

### Proposed XII Five Year Plan and Inclusive Growth

As India's government prepares to submit its approach paper for its 12<sup>th</sup> five year plan (a plan which covers years 2012-2017), the planning commission's focused on instilling "inclusive growth" is making headway. The plan is expected to be one that encourages the development of India's agriculture, education, health and social welfare through government spending. It is also expected to create employment through developing India's manufacturing sector and move the nation higher up the value chain. Prime Minister Manmohan Singh, however, warned that maintaining fiscal discipline is important as well. As indicated from the planning commission's presentation to the prime minister on April 21, the quantitative metrics known thus far in the early stage of the five-year plan are:

1. A target of GDP growth in the 9 percent to 9.5 percent range
2. An increase in literacy rates to 100 percent between the plan's period from 2012 to 2017
3. An increased expenditure on health from 1.3 percent to 2.0 percent of GDP.

All told, in its early stages, the 12th five-year plan promises a lot for rural development and growth. In that sense, it is similar to China's latest iteration of its five-year plan, which seeks to improve the lot of rural Chinese peoples by increasing urbanization and industrial efforts in central and western China. But, by contrast, while the Chinese government seems to be continuing with nation-wide industrialization efforts, the Indian government may be attempting to promote a policy of reverse migration by making rural living more attractive with some access to modern amenities, but hopefully without the accompanying chaos that goes with it. The Basic objective as stated in the Planning Commission presentation is "Faster, More Inclusive

and Sustainable Growth". It was said that the priority areas in 12th Five Year Plan would be Betterment of Farmers, Small Industries, Cottage Industries etc. It is asserted by the Planning Commission that for growth to be more inclusive we need:

1. Better Performance in agriculture.
2. Faster Creation of Jobs, especially in manufacturing.
3. Stronger Efforts at health, education and skill development
4. Improved effectiveness of programs direct aimed at the poor.
5. Special programs for socially vulnerable groups.
6. Special programs for disadvantaged or backward regions.

The objectives and targets of the Proposed 12th Five Year Plan put emphasis on the achievement of Inclusive Growth but it is still a burning question that whether this time India would be able to achieve all the targets decided for the achievement of Inclusive Growth or like 11th Five year Plan it would lag behind and the Inclusive Growth will be seen only in papers.

### Suggestions

1. Equity is important for economic development so it should be preferred.
2. Agricultural Development is necessary for economic development.
3. Economic reforms are important. But macro-poor policies (fiscal, trade, financial, monetary etc.) Should have pro-poor focus.
4. Structural change should have followed agriculture-industry-services sequence.
5. Development of manufacturing sector is important for creation of productive employment.
6. Equality of opportunities (education) should be given.
7. South East Asian and East Asian experience can be used.
8. Shift focus of reforms to delivery systems
9. Importance of women's economic and social empowerment
10. Decentralization
11. Economic reforms in relation to socio-political environment

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