

## A STUDY ON CHALLENGES BEFORE INCLUSIVE GROWTH STRATEGIES IN INDIA

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### Introduction

"I have faith that the next generation of Indians, and the generation after that, will eliminate the scourge of poverty and make India rich. Then, the poor country would have deserved its inheritance" - *P. Chidambaram*

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 India's economy is headed in a new direction - striving to touch double -digit annual growth rates, and a sustainable, equitable and inclusive growth, taking into account the needs of all sections of society. India's economic growth has passed through for major phases over the past 60 Years and is emerging to a new phase with a broad objective of "Inclusive Growth".

### 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.

- The exclusion in terms of low agriculture growth, low quality employment growth, low human development, rural-urban divides, gender and social inequalities, 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.
- 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.
- Inclusiveness benchmarked against achievement of monitor able targets related to (i). Income & Poverty, (ii) education, (iii) health, (iv) women & children, (v) infrastructure, (vi) environment.
- Even at international level also, there is a concern about inequalities and exclusion and now they are also taking about inclusive approach for development.

#### **Elements of Inclusive Growth**

According to Prime Minister, Sri. Manmohan Singh, the key components of the inclusive growth strategy included a sharp increase in investment in rural areas, rural infrastructure and agriculture spurt 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 five 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 systems
- 5) Achievement of 119th rank among 170 countries on Human Development index.
- 6) Social indicators are much lower for scheduled castes and scheduled tribes.
- 7) Malnutrition among children is one major problem.
- 8) Since BPO brought the multi culture environment in India, this sector is facing under savior pressure due to global recession.
- 9) Social advancements in India are still at lower growth due to the strong influence of culture and regional disparities.

#### **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 macro-economic stability, 2008-09 resulted a relative growth slow down, mostly from the spillover effects of the

weakening of the global economic momentum and volatile financial markets. The following problems are the major concerns 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 owners of the dominant castes that economically exploit low-ranking landless labourers 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 and empowerment of the Dalits through social reforms and the implementation observations in employment 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 quality and quantity of employment in India is very low due to illiteracy and due to over dependency on agricultural employment. The quality of employment is also a problem.

#### **Agriculture**

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

- Long term factors like steeper decline in per capita land availability, shrinking of farm size slow reduction in share of employment.
- Low labour productivity in agriculture and the gap between agriculture and non-agriculture is widening.
- Decline in yield growth due to land and water problems, vulnerability to world commodity prices, farmer's suicides.
- Disparities in growth across regions and crops, i.e., growth rate declined more in rain fed areas.

- Thus these problems became the hurdles in the key area for the economic development of the nation, i.e., agriculture.

#### **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 in the country.

Some of the problems in social sector are:

1. Significant regional, social and gender disparity.
2. Low level and slow growth in public expenditures particularly on health.
3. Poor quality delivery systems.
4. Achievement of 119th rank among 170 countries on Human Development index.
5. Social indicators are much lower for scheduled castes and scheduled 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. Social 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 traditions. Traditional cultures, caste system and the rich & poor feelings favoured 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 regions in India developed fast and some other places still are facing the 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 ?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.

#### **Challenges Before Inclusive Growth Strategies in India**

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

- Poverty alleviation is one of the big challenges for 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

of seats in government jobs and the increasing empowerment of women and the economically weaker sections of society, are also expected to contribute to the alleviation of poverty.

- For agricultural growth, the private players can participate in to 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 carafats in joint ventures with rural enterprises. The government of India should also increase its present moratorium on interest payments, lowering of farm credit rates for increase in agricultural growth.
- 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 businesses, skill honing, setting up public sector enterprises, reservations in governments, etc. The decreased role of the public sector after liberalization has further underlined the need for focusing on better education and has also put political pressure on further reforms.
- Child labor is a complex problem that is basically rooted in poverty. The Indian government is implementing the world's largest child labor 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. The allocation of the Government of India for the eradication of child labor was \$10 million in 1995-96 and \$16 million in 1996-97. The allocation for 2007 is \$21 million. Failure to implement the law and poor rehabilitation policies need urgent attention which is a big challenge for India to achieve inclusive growth.
- Social development is possible through achieving Women Empowerment and eradicating the regional disparities. Though the Government is giving the women empowerment by giving special reservations, the women's advancement in India is still not matched the expectations for inclusive growth. Presently, the women are dealing with the top posts in India like President, Loksabha Speaker and Railway Minister.
- To bring in inclusive growth, it is necessary to enhance the capabilities of women by providing education, so that they get the opportunity 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 Abhiyan)
5. Rural Health (National Rural Health Mission)
6. Urban Infrastructure (National Urban Renewal Mission)

#### **Eleventh Five Year Plan and Inclusive Growth-How Much Achieved**

Agricultural Growth, Poverty Reduction, Education, Health, Upliftment of SCs/ STs etc. But however progress on inclusiveness is less than expected. It can be explained as:

1. India is likely to miss Millenium Development Goals (MDG), except perhaps on poverty.
2. Inflation has accelerated in the last two years.
3. Current International Environment is very uncertain.
4. Global Pressure on food, oil and other commodity prices.
5. Financial conditions and exchange rates are likely to be volatile due to\* sovereign debt related problems in Europe/U.S. and readjustment of extraordinary monetary/fiscal easing.
6. The goal of increasing the literacy level among backward classes and other weaker sections has not been achieved.
7. Agriculture growth is still in vulnerable conditions.
8. The employment schemes like MGNREGS are not upto the mark. The red-tapism and corruption are still out of control.
9. There are so many Plans, Policies, Schemes but their implementation is not according to their expected level.

#### **Proposed XIIth Five Year Plan And Inclusive Growth**

As India's government prepares to submit its approach paper for its 12th five-year plan (a plan which covers years 2012 to 2017), the Planning Commission's focus 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;

- A target of GDP growth in the 9 percent to 9.5 percent range
- An increase in literacy rates to 100 percent between the plan's period from 2Q12 to 2017.

- An increased expenditure on health from 1.3 percent to 2.0 percent of GDP.

In a boon for industry, the planning commission indicated that it aims to have industry and manufacturing-related activities grow by 11 percent over the next five years, contrasted to 8 percent over the previous 11th five-year plan. It also aims to undertake somewhat vaguely defined, but certainly well-intentioned, structural and regulatory reforms to facilitate investment.

The presentation highlighted the planning commission's views that commercial energy demand is expected to increase by 7 percent per year over the next five years. The Planning Commission envisioned an expansive role for Indian SOE Coal India: "Coal India must become a coal supplier and not just a mining company, should plan to import coal to meet coal demands. This requires blending of imported and domestic coal as supplied by Coal India."

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, and 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**

- Equity is important for economic development so it should be preferred.
- Agricultural Development is necessary for economic development.
- Economic reforms are important. But macro-poor policies (fiscal, trade, financial, monetary etc.) should have pro-poor focus.
- Structural change should have followed agriculture-industry-services sequence.
- Development of manufacturing sector is important for creation of productive employment.
- Equality of opportunities (education) should be given.
- South East Asian and East Asian experience can be used.
- Shift focus of reforms to delivery systems.

- Importance of women's economic and social empowerment.
- Decentralization and Economic reforms in relation to socio-political environment.

**Conclusion**

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.