

# GS FOUNDATION FOR CSE 2024

## ECONOMY-22

### INCLUSIVE GROWTH

#### 1. TABLE OF CONTENTS

|    |   |   |
|----|---|---|
| 2. | <i>Syllabus</i> .....                         | 1 |
| 3. | <i>PYQs</i> .....                             | 1 |
| 4. | <i>Inclusive Growth</i> .....                 | 1 |
| 1) | Basics .....                                  | 1 |
| 2) | Need of Inclusive Growth .....                | 2 |
| 3) | Various Dimensions of Inclusive Growth.....   | 2 |
| 4) | Bright Spots in India's Inclusive Growth..... | 4 |
| 5) | Roadblocks to Inclusive Growth of India.....  | 6 |
| 6) | Various Reports Raising Concerns.....         | 7 |
| 7) | Way Forward.....                              | 7 |

## 2. SYLLABUS

Inclusive growth and issues arising from it

## 3. PYQS

1. Is Inclusive growth possible under Market economy? State the significance of financial inclusion in achieving the economic growth in India [CSE Mains 2022, 15 marks, 250 words]
2. Explain intra-generational and inter-generational issues of equity from the perspective of inclusive growth and sustainable development [CSE Mains 2020, 10 marks, 150 words]
3. It is agreed that the strategy of inclusive growth is intended to meet the objectives of inclusiveness and sustainability together. Comment on this statement [CSE Mains 2019, 15 marks, 250 words]
4. What are the salient features of 'inclusive growth'? Has India been experiencing such a growth process? Analyze and suggest measures for inclusive growth. (2017)
5. Comment on the challenges for inclusive growth which include careless and useless manpower in the Indian context. Suggest measures to be taken for facing these challenges. (2016)
6. Capitalism has guided the world economy to unprecedented prosperity. However, it often encourages shortsightedness and contributes to wide disparities between the rich and the poor. In this light, would it be correct to believe and adopt capitalism driving inclusive growth in India? Discuss. (2014)

## 4. INCLUSIVE GROWTH

### 1) BASICS

#### - Introduction:

- » Inclusive growth is the growth where opportunities are created for all. Here, all members of a society participate in and contribute to the growth process equally, regardless of their individual circumstances.

#### - Characteristics of Inclusive Growth: Inclusive development can be characterized by 5 inter-related characteristics, viz.

- » **Participation**, i.e., people are able to participate fully in social and economic life and have greater say over their future. It means people are able to access and participate in the decision making of the government, in the market as workers, consumers and business owners and in society as responsible citizens.
- » **Equity**, which signifies ample opportunities and equal access to all segments of society especially the poor or socially disadvantaged groups to take advantage of these opportunities for upward mobility. It ensures equality in access to public goods, services and infrastructure, such as public transport, education, health, clean water and air.

- » **Growth**, such that an economy which increasingly produce enough goods and services to enable broad gains, well-being and greater opportunity and also a society which allow unhindered access to such goods and services.
- » **Sustainability**, that means economic and social wealth is **sustained over time without hampering inter-generational well-being.** Inclusive economies preserve and restore nature's ability to produce the ecosystem, goods and services that contribute to human well-being, with decision-making incorporating the long-term costs and benefits.
- » **Stability**, where individuals, communities, business and governments have a sufficient degree of confidence in the future and an increased ability to predict the outcome of their decisions.

## 2) NEED OF INCLUSIVE GROWTH

- **Fights inequality and ensures sustainability** of the growth process:
  - In the absence of inclusive growth unemployment and poverty are pretty commonplace in the country.
- **Efficient use of human and physical resources:** When development is inclusive, human resource is able to get education, health services, skill development etc. which allows for its efficient utilization. Similarly, when regional growth is equitable, resources from all parts of the country contributes fully towards the growth and development of the country.
- **Increases growth potential:** When every section of the society benefits from economic growth, in general the aggregate demand increases leading to overall economic growth.
- **Promotes social cohesion:** When economic growth benefits only some people, social tensions and violence increase. When the growth is inclusive, there is a tendency towards social inclusion.
- **Protects Human Rights** as it not only leads to reduction in poverty but also promotes equality.

## 3) VARIOUS DIMENSIONS OF INCLUSIVE GROWTH

- **Economic Dimensions:**
  - » **Sustainable and Equitable growth** are crucial for achieving inclusive growth. It is a type of growth which is **broad based and provides poor and low income household with both the capacity and opportunities** to benefit from economic growth.
  - » **Enabling Factors:**
    - **Employment intensive growth:** Inclusive growth will employ the labor force in the poor and vulnerable groups of the population.
  - » **Financial Inclusion:**
    - This ensures financial services to vulnerable groups. It increases the scope of self-employment and reduces the chance of exploitation by money lenders.
  - » **Quality of Infrastructure:** Inadequate infrastructure raised the cost of doing business and discouraged domestic and foreign investment. IG ensures that basic infrastructure such as

transportation, energy and communication etc are well distributed even for marginalized groups and rural areas.

» **Entrepreneurship and Skill Development:**

- In the absence of proper skilling of workforce, economic growth suffers (as investors prefer to invest in places where skilled workforce are available) and employability also goes down.

» **Agriculture and Rural economy** are at the core of inclusive growth. This is because in developing countries like India still around 50% of the population are dependent on the sector.

- Some things which can contribute here are yield improvement technologies, food processing industries etc.
- **Rural infrastructure** can specifically contribute to inclusive growth. For e.g.: feeder roads allow the supply of perishable foods to high-value urban markets.

- **Technological Dimensions:**

- » Technology can cultivate greater inclusion by creating new ways of working, **support educational attainment** at all levels and enable faster, **more effective retraining, thereby accelerating the adoption of innovations**. All this can help lift more people out of poverty, narrow the gender gap, and increase the overall participation in the global labour force, nurturing a stronger and more sustainable economy.
- » With the advancement of technologies, several traditional jobs tend to become obsolete.
  - For e.g. the recent development of Generative AI potentially threatens the several traditional white-collar jobs.
  - Therefore, for inclusive growth, it's crucial that there is focus on technological advancement in every section of the population.
- » Further, technology can play a crucial role in improving other aspects of economic growth like advanced manufacturing sector, improvement in agriculture, increasing access to health and education and overall governance which will benefit vulnerable sector.

- **Social Dimension:**

- » This dimension focuses on **empowering marginalized sections of the population** including the low-income households and other disadvantaged groups.
- » **Health and Education** are also key components of this social dimension. Inclusive growth ensures that everyone has access to quality education and healthcare services which promotes overall well-being.
- » **Gender Equality** is another key component of inclusive growth. It promotes equal opportunities and rights for all genders in different spheres of life including education, employment, political representation etc.
- » **Social security net** for vulnerable groups like elderly, disabled, unemployed etc also enhances inclusive growth.

- **Inclusive Governance:**

- » This dimension focuses on removal of institutional and policy barriers that constraint economic growth. It focuses on empowerment by ensuring access to productive assets, capacities, and resources that will enable every person to participate in the growth process.

- » This dimension will also focus upon '**political dimension**' which focuses upon broadening citizen participation in the political processes.
- **Environmental Sustainability:**
  - » This is crucial for inter-generational equity. It focuses on resource use efficiency, pollution control and reducing carbon footprint.
    - For e.g. in the absence of sustainability, we will be leaving behind depleted water resources, degraded land and exploited mines for our next generation, hampering inter-generational equity.

#### 4) BRIGHT SPOTS IN INDIA'S INCLUSIVE GROWTH

- **Economic Growth:**
  - » It is almost impossible to ensure economic mobility and equitable distribution of resources without complementing the same with an increase in the overall size of the economy. Hence, **economic development and inclusivity through access to resources go hand in hand**.
    - With an average growth rate of 5.5% over the past decade, India has already become the fastest growing economy in the world and is set to double its current annual GDP of close to USD 3.5 trillion to USD 7 trillion by 2027 and to USD 10 trillion by 2030.
- **Poverty Reduction:**
  - » Between 2011 and 2019, the country is estimated to have halved the share of the population living in extreme poverty - below \$2.15 per person per day (2017 PPP) (**World Bank Poverty and Inequality Portal and Macro Poverty Outlook, Spring 2023**).
- **Financial Inclusion** has seen various successes.
  - » **Jam Trinity** (Jan Dhan Yojna, Aadhar, Mobile) has been very crucial in ensuring financial inclusion for people.
  - » Adoption of Business correspondents model has increased the penetration of banking sector in the country.
  - » Pradhan Mantri Suraksha Bima Yojna has led to increase in insurance cover
  - » Atal Pension Yojna has contributed to increase in coverage of old age benefits.
- **Entrepreneurship:**
  - » With more than 100 unicorns valued at US\$ 332.7 billion, India has the third-largest unicorn base in the world.
  - » Initiatives like Startup India, Standup India and MUDRA have contributed to entrepreneurship environment in the country.
- **Special Focus on Vulnerable Groups:**
  - **To promote entrepreneurship amongst women** various programs like Stree Shakti Package, Standup India Scheme, Udyogini Scheme, Women Entrepreneurship Platform etc. have been launched.
  - **Special focus on SCs/STs** have been there through initiatives like PM Van Dhan Yojna, Pradhan Mantri Jan Jatiya Vikas Mission, National Scheduled Castes, Finance and Development Corporation (NSFDC)

- **Skill Development** has got special focus in the last 10 years:
  - **Pradhan Mantri Kaushal Vikas Yojna (PMKVY)**
  - **Pradhan Mantri Kaushal Kendras**
- **Inclusive regional development:**
  - i. **Transformation of 'Aspirational Districts' Program**
  - ii. **UDAN (Regional connectivity Scheme)**
- **Technological Advancements:**
  - Though India's gross expenditure on R&D (GERD) remains low at 0.66% of the GDP, it is targeted to reach 2% in future.
  - As per Global Innovation Index, India is ranked 40th out of 132 overall in terms of innovation and ranks amongst the top 15 nation in IT and ICT and R&D Intensive countries.
- **Increased focus on health and Healthcare infrastructure:**
  - As per the MoH&FW, India's doctor-patient ratio currently stands at 1:834 which is better than the WHO's prescribed norm of one doctor per 1,000 people.
  - Initiatives like Ayushman Bharat are further leading to improvement in the health situation in the country.
- **Penetration of Education is improving:**
  - » In **Times Higher Education (THE) Impact Rankings 2022**, India has been featured as the 4th most-represented nation with 64 universities.
  - » UNESCO's **Education for All Global Monitoring Report** ranks India at 32<sup>nd</sup> position out of 78 countries on **Education Rankings by Country 2023**.
- **Poverty Reduction:**
  - » The incidence of poverty in the country dropped from 55.1% in 2005-06 to 16.4% in 2019-21, as per the latest **Multidimensional Poverty Index (MPI)**.
  - » Indian poverty using the new poverty line of \$2.15 per day, 10 per cent of Indians were poor in 2019, down from 22.5 per cent in 2011, according to a **new global poverty line** adopted from September 2022 by the World Bank.
  - » This was possible because of various efforts like MGNREGA, Deen Dayal Yojana - National Urban Livelihood Mission, National Rural Livelihood Mission, Pradhan Mantri Garib Kalyan Yojna, Pradhan Mantri Shram Yogi Maan-Dhan Yojna etc.
- **India is also a leader in sustainable development:**
  - » India has submitted a more ambitious NDC with commitment to reduce Emissions Intensity of its GDP by 45% by 2030, from 2005 levels and achieve about 50% cumulative electric power installed capacity from non-fossil fuel-based energy resourced by 2030.

- » India is also leading initiatives like International Solar Alliance, Mission LIFE (Lifestyle for environment) to ensure sustainable development.

## 5) ROADBLOCKS TO INCLUSIVE GROWTH OF INDIA

- **Economic Factors:**
  - » **Jobless Growth:** While India has grown economically at a respectable rate, the economic growth has been dominated by service sector and capital intensive manufacturing sector. This has prevented the advantages of economic growth to penetrate to the weaker section of the society.
- **Poor Infrastructure:** It hampers inclusive development by limiting opportunities in remote regions and in less developed part of the country.
- **Slow pace of reforms in agriculture sector and rural development:**
  - » Agriculture sector suffers from several challenges like fragmented landholding; absence of land leasing reforms; huge dependency on monsoon; poor market reforms; excess use of chemicals etc. This hampers agri-productivity and agri-sustainability.
  - » This has led to a lot of disguise unemployment in agricultural sector.
- **Lack of Financial inclusion:** Though the number of bank accounts have increased in recent years due to PMJDY coming into force. Still, financial services such as insurance, loans, investments etc is being availed by very small number of citizens.
  - Further, as per the Financial Inclusion Survey: financial exclusion measured in terms of bank branch density, ATM density, bank credit to GDP and bank deposits to GDP in India is quite low as compared with most of developing countries in the world.
- **Poor Skill Situation:**
  - » Despite all the efforts, as per the Global Skill Gap Report, Indian workforce **reported the highest skill gap after Brazil**.
  - » **Periodic Labor Force Survey** shows that 84.4% of the people surveyed during 2020-21 didn't receive vocational and technical training.
  - » **India Skill Report 2021** found that only about 45.9% of young people would be considered employable.
- **Social Factors:**
  - » **Steep Social Hierarchies** like casteism:
    - The semi-feudal character of our ruling class and its iron grip on the states
    - The stronghold of rigid customs and cultural prejudice especially in our middle class
  - » **Gender based discrimination** which persist in various forms hampers the benefit of economic growth from reaching women.
  - » **Educational Disparities:** Disparities in access to quality education, particularly in rural areas contribute to lack of skills and opportunities.
  - » **Absence of quality health facilities** leads to poor health outcomes leading to hampering of overall productivity and economic well being.

- **Governance Issues:**

- » **Corruption** and lack of accountability in both public and private sectors hampers the effectiveness of policies and programs.
- » **Complex & Rigid regulatory frameworks** hinder business growth, particularly in small enterprise.

- **Political Factors:**

- Deep influence of dynastic loyalties and caste and communal identities on our electoral politics

- **Geographical Factors:**

- Regional disparities have led to some regions of India remaining underdeveloped and thus hampering the economic growth in the country.

▪ **Environmental Factors:** Increasing pollution and climate change tend to impact vulnerable section more.

- For e.g. very high level of air pollution in cities like Delhi impact people from labour class who have to do physical labour on open areas.
- Similarly, climate change caused heat waves, sea level rise etc impact the weaker section more.

## 6) VARIOUS REPORTS RAISING CONCERNS

1. **Oxfam India's report** - "Survival of the Richest: The India Supplement" reveals that the top 1% in India owns more than 40.5% of total wealth in 2021 while the bottom 50% of the population (700 million) has around 3% of the total wealth.
2. **Inclusive Development Index (IDI):**
  - The index is compiled by the World Economic Forum (WEF) and measures the extent of inclusive development in the country. It has three pillars: Growth and Development; Inclusion; and Inter Generational Equity.
  - In the 2018 reports, **India was ranked 62/74 emerging economies**. India's poor performance was primarily due to slow employment growth; high levels of poverty; and poor inter-generational equity.

## 7) WAY FORWARD

1. **Promote Efficient and Sustainable Economic Growth:**

- Increasing productive employment is one of the principal ways of promoting inclusive economic growth.
- **Infrastructure** needs special focus particularly in rural areas.
- **Agricultural reforms** should induce modernization of agri-sector
- **Skill development** initiatives need to be intensified to increased the % of skilled workforce in the country.
- **Labor reforms** need to be implemented quickly to increase growth but at the same time India needs to increase minimum wages towards living wages and also promote transparency on pay ratio.

2. **Social Inclusion:**



- Promoting social inclusion requires interventions in three areas: **education, health, and other social services** such as water and sanitation to expand human capacities especially for disadvantaged.
    1. Oxfam suggests that India needs to invest more in making quality essential services like Universal education and healthcare available to everyone and **fund this by implementing highly progressive taxation.**
  - **Gender Budgeting and Gender sensitive** growth is crucial to ensure that around half of India's population gets equal opportunities compared to the other half.
  - **Affirmative action** needs to be continued to ensure that historically marginalized groups get equal opportunities.
  - **Provide for Social Safety Net:**
    1. To address the extreme deprivation of the disadvantaged.
    2. It may take the form of labor market policies - Social insurance programs focusing on health, disability etc.
  - **End the financial secrecy** that shelters trillions hidden in tax havens.
3. **Ensure a level Political Playing Field:** Political empowerment of weaker sections can be crucial to pressurize political representatives to work for every section of the society.
4. **Create Partnerships:** Government needs to partner with various stakeholders including private sector, NGOs in their vision of moving towards inclusive growth.
- They can contribute through participation in allocation of resources for rural development; vigilance in the misuse of the funds to promote corruption and promote accountability and transparency, and by providing access to public services in remote areas.
  - For e.g. civil society can be supported to monitor public finance so that they can hold governments accountable for delivery of free quality services.