

INCLUSIVE GROWTH

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1.1 Introduction

The agenda of inclusivity and sustainability has become the focus of policy framework both at national and international level. The approach of development through "including" the general mass is directed towards **a broad based growth**, shared growth, and pro-poor growth. This is the central idea of the inclusive growth i.e. **sharing of fruits of socio-economic development with all sections of the society**. Elimination of the extreme forms of poverty and participation of the people is encouraged through the idea of inclusive growth.

Approach paper of Eleventh five year plan of govt. of India has laid down the vision and strategies for inclusive growth. The vision underlines the target of the plan as **not just faster growth but also inclusive growth**. The inclusion inter alia means the *equality of opportunity for all*. The vision also enumerated the following factors which are interrelated components of the IG:

- Poverty Reduction
- Employment Generation
- Access to essential services
- Equality of opportunity
- Skill building
- Good governance
- Women empowerment

The concept and definition of the IG is not formally illustrated in the paper or anywhere in the govt. There have been some attempts to frame the subject matter related to IG. Economic Survey (2007-2008), for instance, presents some conceptual background of Inclusive Growth. International agencies like UNDP and World Bank have elaborated the understanding of IG. In-fact, the terms like inclusive growth, sustainability, good governance etc. are made popular by the international organizations. The parameters of IG are considered differently by different governments, organizations etc. UNDP's definition of the IG underlines production and income as the components of IG:

*"IG is the **process and the outcome** where all groups of **people have participated** in the organization of growth and have **benefited equitably** from it. Thus inclusive growth*

represents an equation – with organization on the lefthand side and benefits on the right-hand side.”

World Bank defines the IG as follows:

“Inclusive Growth refers both to the pace and pattern of growth, which are interlinked and must be addressed together.”

Thus, in broad sense, IG means the inclusion of all sections of society in the process of economic development and sharing of its benefit. Therefore, IG is not only an outcome or end but a process or a mean in itself.

1.2 Theoretical Perspective

The IG is not formally defined in Indian Economic Planning literatures. It still lacks a sound theoretical background. The present planning adopts a hit and trial approach towards IG. On one side it leads to increase in economic growth rate and exclusion of the targeted beneficiary on other side. The term “inclusion” is ambiguous in Indian context; inclusion may be through impacting the majority of populace or by increasing the reach to select group of individuals or regions which are excluded. Therefore, crystal clarity in understanding the rubrics of IG through a conceptual and theoretical background is required.

1.2.1 Trickle down

Trickle down theory argues that the benefits of growth would automatically trickle down to bottom. The theory also asserts that the trickle down is a process that must be left to its natural pace and path; and forcing it down may be unproductive. The trickle down approach has failed in its desired effects in the socio-economic development of India. Redistributive policy is suggested to be a part of inclusive growth development programs. On other side, trickle down theory in economics explains supply side of the economic growth. According to the theory, the top income earners should be taxed less, so that investment in the market is encouraged; and goods and prices can be made available to the consumers at low prices. In this way, trickle down theory assumes the top-to-bottom approach in economic development.

1.2.2 Welfare Economics

Welfare economics is the branch of economics that examines the resource allocation and the policy in terms of societal or individual costs or benefits. One of the objectives of welfare economics is to help society better decisions that maximize its wellbeing. By adopting the welfare economics approach, the following issues with respect to IG can be addressed:

- 1) Allocation of the resource as per the economic efficiency.
- 2) The equality of welfare gains.
- 3) Viability and desirability of the policy framework.
- 4) Effect of the resource allocation on select target beneficiaries.

The thrust of welfare economics is on efficiency and distribution. Therefore, the welfare economics considers the system, standards and regulatory institutional mechanism as important elements of the IG policy framework.

1.2.3 Bottom-up approach

Bottom-up approach encourages participation of people in the development process. Decentralization, local-self government and rural development are some of the common practices under bottom-up approach. Rural governance attempts to establish whether decentralization of governance is effective for achieving inclusive and pro-poor growth. The inefficiencies in the flow of essential services hinder people's access to opportunity and benefit of economic growth. Hence, 'bottom-up' approach is suggested where greater decentralization is expected to give preferences to the target population. In order to achieve a long-term sustainable economic growth, inclusive growth is required to be fuelled from the bottom-up instead of enforcing it from top to bottom.

1.2.4 Public Relation Approach to IG

The vision of Public Relation Approach to IG is to build up People's Participation and ensure People's Partnership in Developmental process. Mobilization and integration of masses by way of effective communication, motivation strategies and human resource management are some of the strategies under the approach. Public relation approach

tends to find out the socio-psychological factors that motivate or de-motivate people's participation in the inclusive growth process. State merely acts as a catalyst and provides a platform. Encouraging micro-level entrepreneurship in agro-industries is one of the examples of the Public Relation Approach.

1.3 Dimensions of IG

These are the pillars of the building block of IG, or in simple terms, these are the ideals on which IG is based. Without these ideals, the IG remains superfluous in its merit.

1.3.1 Equality

Equality of opportunity in terms of access to markets, resources, and unbiased regulatory environment are the ends to mean of equality. In-equalities exist in various manners which are social inequalities, rural-urban divide, regional disparities, digital divide etc. To realize the IG in its ultimate form, equality is the most fundamental criteria. IG and equality impact each other. Without equality, IG can't be achieved and lack of IG may lead to in-equality in real or perceived forms. Thus, **IG and equality are mutually reinforcing**. In contemporary economic environment, gender equality has become a basic element of IG. Gender inequality is a pervasive problem in Indian social set-up which has adverse effect on women. Although Indian economy has progressed, the equality has retrograded at all levels whether social or economic. An OECD report has identified that inequality in India has been continuously rising which has posed policy challenges in promotion of inclusiveness.

1.3.2 Good Governance

In simple words, governance means the regulatory, monitoring or controlling process which facilitates the delivery of the government services. Good governance results in effectiveness and efficiency, it upholds justice in the rule of law, and accountability and it encourages popular participation, consensus, and equality. Tenth plan defines governance in following way”

“Governance relates to the management of all such processes that, in any society, define the environment which permits and enables individuals to raise their capability levels, on

one hand, and provide opportunities to realise their potential and enlarge the set of available choices, on the other”

Good governance is an integrated effort of state, civil society and citizens. Governance here means not only state intervention; it is the responsibility of general mass and civil service organizations (CSOs). Good governance is the core of essential public services. It is the mechanism for integrating IG, public administration and accountability towards envisaged outcome; for example, problems in poor health infrastructure may be an impediment to IG and can often be traced back to poor governance of the Ministry of Health and Family Welfare. So, good governance provides a common platform for all actors and adapts to sustain the socio-economic transformation which is a pre-requisite of IG. As stated, governance is not only the forte of state; private governance has also a remarkable role to play in taking the IG ahead. The term, **private governance** here means the role of non-state actors in maintaining supply and demand equilibrium in market. Private governance also highlights the role of private sector in meeting the demand of capital, resource and skills required for IG.

1.3.3 Decentralization

A National Council of Applied Economic Research (NCAER) argues that the decentralization hampers inclusive growth. Empowering local self governing institutions is one of the delivery mechanisms of the IG. 73rd and 74th amendments of the constitutions are innovation in the field of Indian Polity. Centre and state govt. have to empower the PRIs to make them enabler of IG. In this regard, the eleventh plan has devised a **Devolution Index** to be called **PRI-Empowerment Index**. Without decentralization, it is a daunting task to implement the IG based policies. Therefore, govt. has to devolve, delegate and decentralize the administration. Decentralization is a bottom-up approach. Decentralization of rural governance is critical for achieving IG. The present level of decentralization, institutional structure is inadequate. Inadequacy of decentralization can be reduced by democratizing the institutions of local self government, adopting measures of fiscal decentralization i.e. by providing sufficient financial resources. Apart from that the following are the deficiencies in decentralization that limit the IG potential:

1. Lack of finance, proper institutions and delegation of roles and responsibilities.
2. Divergence in central and state approaches in programs and welfare schemes.
3. Incoherence in organization at national and state level.
4. Poor accountability, transparency and monitoring mechanism.

1.3.4 Accountability and Transparency

Accountability is answerability towards performance of service delivery. It sets in the responsibility towards the assigned tasks in terms of results and outcome. Accountability is specified both in vertically and horizontally. The former refers to the departmental hierarchy in a govt. institutions and the latter refers to the autonomous agencies for check and balances on govt. activities e.g. CAG, PMO etc. Transparency is necessary for efficient delivery of essential public services; it acts as an enabler for citizens in accessing information on demand which helps them in reinstating their claims on government endowments and entitlements meant for them. Lack of accountability and transparency has earmarked the governance in India with red-tapism, bureaucracy and corruption. Govt. has put efforts in multifarious manners to curb the menace. Citizen Charter, Right To Information, Central Vigilance Commission etc. are revolutionary efforts, inasmuch the poor monitoring of their implementation has put a constraint of the efficacy of such ideas.

1.3.5 Sustainability

In long term, it has been identified that, there has been a gross mismatch between the outcomes of the Indian Economic Planning for IG with respect to environment. Although, Indian economy has witnessed a rapid growth, there has been a decline in the environment and standard of living of the poor. In the issues related to IG as discussed ahead, it has been elaborated that Liberalization, Privatization and Globalization (LPG) has put a sheer pressure on the environment and created a rural-urban divide.

Sustainability and IG can't be achieved in isolation and they supplement each other.

Without adopting a sustainable practice in IG, the implementation of IG policies is bound to falter. Sustainability is required at the following levels when charting out the policy framework for IG:

1.3.5.1 Financial Sustainability: The IG programs and projects of the govt. should be financially viable. It may be noticed that excess of subsidy and lack of outcome orientation is causing a problem of increasing fiscal deficit.

1.3.5.2 Social Sustainability: Social sustainability means the need to maintain and sustain specific structure and culture. This type of problem is typically prevalent in tribal areas where the development programs for economic growth come in conflict with the cultural sentiments of the tribal population.

1.3.5.3 Environment Sustainability: In long-term, the environment standards must not be jeopardized while in pursuit of IG. By excess use of fertilizer is a die hard need of the moment, at the same time it has lead to is unique problem of depletion of soil productivity and technology fatigue.

1.4 Models of Inclusive Growth

IG is not the sole responsibility of the state. The goals of IG can be realized if state and non-state actors work in tandem. There are some of the models of IG which are currently adopted by the govt, private agencies and non-govt organizations. Some of the models are discussed below:

1.4.1 Financial Inclusion

Deptt. of Financial Services, Ministry of Finance has taken an initiative to extend financial services to the large hitherto un-served population of the country to unlock its growth potential. Financial inclusion means to include the un-banked populace into formal banking system by providing financial services at very low cost. **Rangarajan committee** has defined the financial inclusion in following manner:

"The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost."

The ministry therefore strives towards a **more inclusive growth** by making credit/capital available to the poor and disadvantaged section. Expansion of banking infrastructure, opening new braches, zero-frills bank accounts , banking correspondents(BCs) (use of services of intermediaries in providing financial and banking services through the use of Business Facilitators (BFs) and Business Correspondents (BCs), setting up of ultra small

branches etc. are a few of the modalities under financial inclusion strategies of the govt. Swabhiman scheme is the running scheme under financial inclusion agenda through which banks have provided banking facilities to over 75,000 habitations having population in excess of 2000 using various models and technologies including branchless banking through Business Correspondents Agents (BCAs). The Business Correspondent models (**“Branch-Free Banking”**) besides schemes like Swabhiman have the potential to realize the financial inclusion in India in true sense of the term.

1.4. 2 Inclusive Marketing

Market is instrumental in creating means and ends for inclusive growth. By proper marketing of various schemes for IG can be vital in challenging the issues associated with it. Inclusive marketing is required at all levels i.e. G2G, G2C, G2B, B2B or B2C etc. IEC (Information, education and communication) can be adopted by the government for inclusive marketing. While corporate social responsibility i.e. CSR can be one of the methods adopted by the private and public sector corporate e.g. ITC's e-choupal wherein ITC (a private sector company) has taken an initiative for farmers through technological and financial assistance. If IG is seen as an end of inclusive marketing as a mean, then it becomes apparent that **inclusive marketing is dedicated to add values to the livelihood of the poor, not merely treating them as a consumer of product and services.** The disadvantaged sections of the society face the challenge of making both ends meet. Difficulty in accessing the markets, welfare schemes make them more vulnerable. Therefore, Inclusive marketing is a mode of integrating the have-nots to the mainframe of development process.

14.3 Corporate Social Responsibility (CSR)

CSR has a prominent role in complementing the quest for IG. The private sector has been playing a vital role in promoting IG and contributing with various initiatives. CSR has now become a part of the corporate policy of the Indian industries. This may be because govt. has provided the financial incentives to the industries which are contributing at least 2% of their profit towards CSR. Future Group, which runs the famous retail stores by the brand Big Bazaar have CSR a component of their company policy as the group affirms

that CSR is at the heart of their ethos:

“At Future Group, corporate social responsibility, inclusive growth and sustainability are at the core of our strategy and business practices. This reflects in our commitment to the community, environment and to every stakeholder in building a stronger foundation for our long-term, sustainable growth.”

Hindustan Uniliver’s **Project Shakti** wherein woman groups are employed as distribution channels, **Nanhi Kali**, a CSR project by Mahindra and Mahindra to sponsor the education of an underprivileged girl child are some other examples of CSR as a mean of IG. Negative repercussions of CSR must also be closely observed. CSR somehow has become a tool of Corporate Social Opportunity (CSO) for the private sector whose ultimate motive is profit.

1.5 Strategies for Implementation

Strategies for the implementation of IG are many. In most cases, developing a strategy is not a problem, but implementation and monitoring. Below mentioned are some flagship approaches towards implanting IG policies:

1.5.1 Resource Allocation

Without proper resource utilization, the issues of poverty, equity and development can not be addressed. Equitable sharing of the resources is one of the most important means to implement the inclusive growth based policy framework. The allocation of resources should be made in a way to benefit the general mass in short and long term. This may be through proper availability of consumer goods, facilitating access of people, opening avenues of employment and enhancing standards of livelihood. Public distribution system (PDS) is a classic example of reinforcing IG through proper resource allocation. PDS should be re-structured. It is important for food security. Govt. is re-working on the food security bill; poverty line is one of the criteria of resource allocation.

1.5.2 Employment Generation

Employment is the most vital of all strategies of inclusive growth. At the same time, employment generation is a real challenge to the govt. This is because of India is

witnessing a **demographic transition** and burden of demographic dividend. Albeit, the latest consensus has showed that the population of India is decreasing but the population of young people entering the labour force is continuously increasing. A research study carried under the aegis of Planning Commission shows that **employment in total in general and in nonagricultural sectors in particular has not been growing**. Unemployment growth in recent years has been accompanied by growth in **casualization and informalization**. National Commission on Enterprises for the Unorganized Sector headed by **Arjun Sengupta** recommended several measures to resolve this problem of informalization in the employment.

Organized and un-organized employment in major sectors (million)

Major Sectors	Total Employment	Un-organized employment	Organized Employment
Agriculture	244.85(100%)	242.11(99%)	2.74(1%)
Manufacturing	50.74(100%)	34.71(69%)	16.03(31%)
Non-Manufacturing	48.28(100%)	30.38(63%)	17.90(37%)
Services	116.34(100%)	80.17(69%)	36.17(31%)
Total	450.22(100%)	387.38(84%)	72.84(16%)

Source: National Sample Survey Organization(NSSO)

A transition of increasing employment from unorganized to organized sector is an indication of socio-economic development. However the condition of employment is contrary to this transition. Indian economy is marked by the disguised employment as a large chunk of the man force is employed in agriculture sector where the very low marginal productivity. The table above shows the similar trend. Employment in manufacturing, non manufacturing, and services is roughly one-third and large share of unorganized employment in the agricultural sector. For a sustaining inclusive growth, government is required to develop policy framework for employment generation as a top priority. MNREGS is a successful attempt in this regard. Poverty alleviation schemes through resource distribution may be panacea for short term but in long term employment generation is the only way out. This is because resource distribution through subsidization enlarges fiscal deficit and burden on exchequer while employment is productive in its tendency.

1.5.3 Skill Building and Capacity Development

Skill deficit is a major impediment in IG. Government has created a framework for entrepreneurship development. Employment generation may not fulfill the rising employment demand due to large share of the population lying in the informal sector. Skill and capacity development are therefore cornerstone. Indian govt. has set a target of providing skills to 500 million people by 2022. Key agencies involved are National Skill Development Council, National Council of Vocational Training and Directorate General of Employment and Training, other govt. and non-govt. agencies, business chambers etc. The govt. has also launched a skill development initiative scheme; **Modular Employable Schemes (MES) and Vocational Training Provider (VTP)** are examples of such initiatives by the govt. Besides, the govt in eleventh plan has also proposed to build a **‘Virtual Skill Development Resource Network’**, with a facility for trainees at 50000 Skill Development Centers, through information technology and communication intervention. A National Skills Inventory is also created which is a database for **‘Skills Deficiency Mapping’** for employment by providing a common platform for information exchange between employers and employment seekers.

1.5.4 Agriculture

Agriculture is the central pillar of inclusive growth. It provides employment to unskilled workforce and sustenance to the population. Average annual growth rate of agriculture and allied sector was 3.6% during XI Plan against 2.5% and 2.4% in IX and X plans respectively. Although the rate has increased but at the same time rural distress, farmers’ suicides and debt have also increased. Inflation, vulnerability to world commodity prices, regional disparities have been newly emerging challenges. The policy framework of the govt. is in-adequate. There is a gross miss-match on both supply side and demand side. Land issues, Subsidies and lack of investments, Land and Water management, Technology, Credit, Diversification and Marketing, Institutional set-up and prices are chronicle problem. Five factors which the govt. needs to work out and that may unblock the agriculture growth potential are: public investment, private investment, technology, diversification and fertilizer. Agriculture can be a mean to economic growth if the efforts are target oriented. Agriculture growth rate above 4% and investment in agriculture must

be around 15%-20% of the GDP. Equitable sharing of the benefits of agriculture growth between various levels of the population pyramid is much needed. Environment friendly practices can provide the sustainability. In addition to the targets, govt. must check excess of subsidies. Subsidies over a limit are burden on exchequer and it leads to the degradation of environment. The choice of right technology is also a leading concern in Indian agriculture. Genetic Modified crops are widely debated and existing technology is showing a characteristic phenomenon called **"technology fatigue"** i.e. **technology applied to the agriculture has failed to increase the agricultural productivity.** Diversification of the land between farmers and between different crops has limited the growth prospect of agriculture. Small farmers are not able to make the most of increasing agriculture productivity. Crops like wheat and rice are most grown due to less risk in these commodities. Crops diversification is not practiced in Indian agriculture at a broad level because of lack of proper infrastructure.

1.6 Issues related to IG

Various issues are involved when it comes to IG. Some issues are quite basic which lack clarity in vision; some are related to the lack of willingness while others may be due to the constraints which can be overcome in short term. Some key issues associated with IG are following:

1.6.1 Growth vs. Development

Over a period since economic reforms, India's economic growth has witnessed a mixed effect on the real development. GDP is considered the key parameter of economic growth. In reality, the increasing GDP growth rate has not trickled down to the bottom of pyramid. A research study carried by Indira Gandhi Institute of Development Research, an autonomous think-tank under Reserve Bank of India find out that economic growth has ***"trickled down"*** in both rural and urban areas; ***it has not been in favour of the poor.*** In urban areas, growth has been ***"anti-poor."*** BPL and poor of the poor still remains marginalized. Such issues are quite fundamental in nature as they depict the lack of clarity in the vision and strategy of the policy. It is time, to put the IG as the central agenda of the economic growth.

1.6.2 Defining Poor

Who are poor and who should be the beneficiaries of the welfare schemes? Without a proper criterion of poverty, proper policy framework for inclusive growth can not be developed. Efforts have been put taking calorie values, wages etc. as criteria of defining poverty line. The lacuna of poverty definition also impacts the other associated areas such as employment schemes and subsidies for the poor. All this have repercussions on inclusive growth. Govt. is gung-ho on the observation the reducing rate of poverty which has come down to the level of 35% but the inequality has increased at the same time.

1.6.3 Fiscal Deficit

Development schemes run by the govt. have created a dilemma of expanding fiscal deficit. India's current fiscal deficit situation has limited the prospect of development schemes. India has significantly **high debt to GDP ratio**, balance of trade (negative) and current account deficit (CAD). Last year's estimates were: fiscal deficit: 5.2% of GDP; CAD: USD 92 bn; stimulus package: Rs. 1.84 lakh crore (3% of GDP). The govt. has set a target of reducing fiscal deficit to the level of 3 per cent by 2016-17. Fiscal deficit also creates the problem of inflation which in turn makes the poor even more vulnerable. Increasing CAD is comparatively more detrimental to IG than fiscal deficit.

1.6.4 Ill-effects of LPG

Liberalization, privatization and globalization of Indian economy has ushered the poor to vulnerability and irony. Liberalization and privatization have particularly suited to the Indian private corporate, elites and rich. **Globalization has created a question of existence in-front of small and medium enterprises (SMEs).** Have a look at the plight of the women employed in the cotton fields of northern India. Now, India's share of textile industries in world trade is remarkably low. All this have limited the growth potential and created the problem of unemployment. The malfunctioning of LPG in Indian scenario has surmounted new issues viz. gender inequality and threat to women empowerment.

1.6.5 Social-injustice

Govt. is gung-ho on their efforts of reducing the poverty rate; even the UN's MDG report

affirms that India's poverty rate is expected to fall to 22% by 2015 from 51% in 1990. At the same time, there are other chronic issues which have magnified over a period e.g. child malnutrition. A Hunger and Malnutrition Survey 2011 revealed something shocking; in the 100 focus districts with the poorest child development indicators, over 40 per cent of children were underweight and almost 60 per cent stunted. Citing the report, the PM lamented: **the problem of malnutrition a matter of national shame**. Rich have become richer and poor have become poorer, marginalized are even more ignored, also, poverty has concentrated more in backward classes, minority, SCs and STs.

1.6.6 Infrastructure

Infrastructure is fundamental to the economic and inclusive growth. In budgetary allocations, Infrastructure is assigned the highest expenditure. **Major proportion of this allocation goes to large projects such as power generation, freight corridors, and airports etc while rural infrastructure is immensely neglected.** In many areas, the lack of proper infrastructure is acute. Major thrust of the infrastructural development of the govt. has been from view of industrial development. Agriculture, for an instance, has always lacked the focus. Infrastructure to support and facilitate backward linkages in agriculture e.g. cold storage houses, processing facilities, rural transport is need of the hour. Apart from that, the rural-urban divide in infrastructure development has become prominent. For a case in point, Eleventh plan recognizes that: *It is an **irony** that the phenomenal growth in the telecom sector has also created a **digital divide** in terms of mobile and land line connections and Internet and broadband connections **between urban and rural India**.* The plan also highlights the dearth of rural electrification and observes that rural electrification an important instrument to bring about **inclusive growth** by making electricity available to farmers and in rural areas. 7.8 crore rural households still remains un-electrified.

1.6.7 Low Technology and Innovation

Indian economy is suffering from a technology-lag vis-a-vis developed economies and other industrialized economies. Poor rate of technology and innovation creates a burden on capital and resource base. India's agricultural productivity is far below to that of

developed countries. Agriculture is mainstay of the economic growth and a source to unskilled work-force employment. The rapid technological development in primary activities such as agriculture creates a question of economic duality in front of the policy makers of the country. This means, if a high rate of technology is adopted in primary sector industry, then it may lead to high rate of unemployment, but at the same time, without technological progress, the productivity would be less to sustain the pressure on the economy. Considering this, there is an immediate requirement of technologies such as green technology, environmentally friendly technologies and renewable energy technology etc. so that the pressure on natural resources may be overcome. Policy makers have to address the economic duality judiciously. Apart from that, the innovation per se is required to be a harbinger of IG which in broad sense is termed as **inclusive innovation**. **Inclusive innovation means the creation and absorption of product and services relevant to the poor.** In this case, SMEs, MSMEs and grass root innovation enabling agencies such as National Innovation Foundation can play a decisive role. Finance, competency and infrastructure are the foundation for inclusive innovation and enabler for IG.

1.7 Policy Approaches for Inclusive Growth

As far as the policy framework is concerned, the govt. lacks a suitable policy vis-a-vis IG. Nonetheless, the govt. has experimented with various models of IG. According to World Bank's review of India's Development Policy, IG policy implementation is facing a *dilemma of improving the delivery of core public services, and maintaining rapid growth while spreading the benefits of this growth more widely*. The strategy for the inclusive growth per se needs to be an integrating strategy comprising state, market, civil societies and common man. Since independence, the govt. has practiced various types of policy measures, a few are discussed ahead:

1.7.1 Growth oriented policy

India's economic planning started with growth oriented policy. First plan (1951-56) was started with an objective of **rapid and balanced growth**. The second plan (1956-61) also put a thrust on rapid growth of industrialization. More recent, twelfth five year plan (2007-12) has blended economic growth with inclusion with an objective of **Faster**,

Sustainable and More Inclusive Growth. Arvind Virmani, ex-chief economic advisor to govt. of India has divided the policy approaches for economic growth in following phases:

Phase 1: 1950-1 to 1979-80 (two sub-phases: 1950 50-65 to 1966-79)

Phase 2: 1980-81 to 1993-94 (change in policy regime, reform initiation and structural adjustment in the economic policy.)

Phase 3: 1994-5 to onwards (Statistical significant growth break (1994-5) and rising growth trend)

The rate of economic growth has increased with time, particularly in phase 3, which is a result of radical reforms during 1990s. However, it has failed to emphasize inclusive growth by creating more jobs for low and semi-skilled workers. Growth is not equally shared and in many parts of the country, people still remain poor and disadvantaged in significant proportion.

1.7.2 Direct intervention

The direct intervention is facilitating the IG through legislation, regulation, credit facilitation and providing livelihood security are the forms of direct intervention by the govt. Now, the orientation of administrative machinery is transformed from regulator to facilitator. Govt. direct intervention from the perspective of IG now be seen in making available the requisite social investment, establishing independent regulatory institutional mechanism, drafting incentive based policy and encouraging entrepreneurial innovation. Safety nets or anti-poverty measures are the some other ways of direct intervention of the govt. towards IG.

1.7.3 Capacity Building

Skill development is basically capacity development. However, capacity development is not only limited to skill building or entrepreneurial innovation. Capacity development through training of rural development functionaries is also a mean of capacity building. Now, creating job and market demand is not the only criteria of capacity development. Increasing efficiency, effectiveness, accountability and transparency are also considered

the areas under capacity building initiatives of the govt. For example, if the objective of Deptt. of Rural Development is enhancing the livelihood security of households in rural areas through MNREGA then capacity building for enhancing effectiveness of Gram Sabha is one of the modalities to achieve the objective.

1.7.4 Welfare schemes

Food subsidies, public distribution of essential commodities, nutrition programs, financial support through micro finance are examples of the ways in which welfare schemes are implemented. For different types of beneficiaries (women, Children, BPL etc.) central and state govt. have come with the customized welfare schemes. The approach in welfare schemes is to benefit the beneficiaries through optimal allocation of resources and access to essential services. Integrated Child Development Scheme is a type of welfare scheme with children and women as beneficiaries. It is India's flagship scheme for the nutritional and developmental needs of children.

1.7.5 Public Participation

Without public participation at different level of governance, IG remains a distant dream. Govt. is encouraging the public participation in multifarious ways towards which the common man must show an affirmative and pro-active response. **SHGs promotion is a typical example of public participation for IG. Govt. can provide the supporting platform for citizen centric services, the responsibility to deliver still is of the common man.** SHGs support and promotion programs have yielded good results in South Indian states, Kerala and Andrapradesh particularly. Kerala govt. supported *Kudumbasree* programme have been successful in women empowerment and reducing poverty. Similar initiative of Andhra Pradesh namely '**Indira Kranti Pathakam**' is showing a good progress in social mobilization, gender empowerment and rural poverty reduction.

Lastly, policy intervention takes place both at micro and macro level. Improving fiscal discipline, trade liberalization, promoting Foreign Direct Investment, privatization, deregulation, tax reforms, labour laws, social safety nets, public expenditure etc. are important for macro policy measures while at the micro level, reducing inequality in income, improving public/social infrastructure, healthcare, education, access to essential

services, accountability and transparency, women empowerment, role of civil society organizations, etc are instrument of micro policy which needs to be re-worked.

1.8 Summary

As discussed at the outset, the approach paper for 11th Five Year Plan acknowledges that the economic growth has failed to be inclusive enough. The failure is a question of willingness, not of capacity. There is no dearth of capacity to achieve the goals of IG but willingness and shortsightedness. With a lot of enthusiasm, policies are framed; proper mechanism of implementation, monitoring and accountability is the central issue of all policies directed towards IG. Strategies should be easy to implement and productive e.g. the employment generation should be made productive and result oriented. When it comes to the BPL or the poorest of the poor, the productivity should be outcome based and not target oriented because the targeted mass under the inclusive growth is disadvantaged and unskilled mass. SME's and MSME's are labour intensive industries. Due to LPG, their share in employment has decreased. Govt. must look for change in labour laws at domestic level and trade laws at international level to safeguard the domestic interests. The onus of IG must be shared by all channel partners state, civil society organization (CSOs) and citizens e.g. CSOs can work in tandem with the PRIs in rural areas to make the social development schemes more efficient. Finally, there is a lack of convergence in policy. The policy framework has to be transformed giving primacy to the common man.

1.9 Questions

1.9.1 Discuss Financial Inclusion as a mean to Inclusive Growth? Identify the associated issues also.

1.9.2 In Indian Economy, Inclusive Growth is a utopian dream. Comment.

1.9.3 Explain the role of Ministry of Agriculture in accelerating Agriculture Development for Inclusive growth, strategic issues and policy option.

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