2018

INTEGRATED LEARNING PROGRAMME, ILP

IASBABA

[ECONOMIC DEVELOPMENT-GS 3]

Integrated Learning Programme 2018 is a step towards 'Enabling a person located at the most remote destination a chance at cracking AIR 1 in UPSC/IAS'

GS MAINS PAPER 3

This document is the first part of Economic Development (Mains GS III) paper and it includes the following topics of UPSC syllabus:

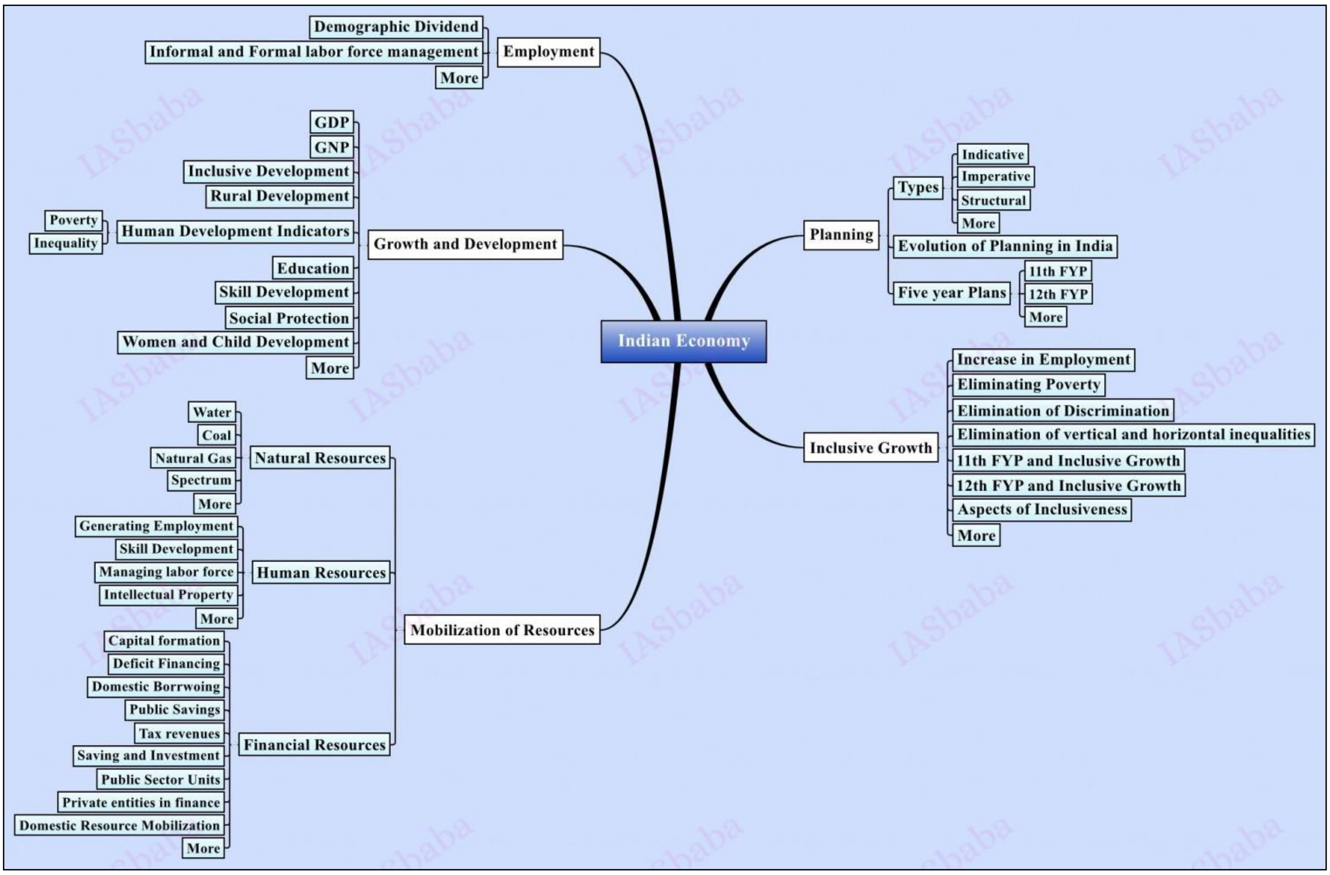
General Studies- III:

- Indian Economy and issues relating to planning.
- Inclusive growth and issues arising from it.

The subsequent VAN (PART II) which will be uploaded shortly covers the below topics of UPSC syllabus:

- Mobilization of Resources.
- Growth, Development and Employment.

Below provided mind map briefs us about the areas to be covered under each topic for Mains:



http://iasbaba.com/mind-map/?mmap=32

CONTENTS

PLANNING AND FIVE YEAR PLANS

PERFORMANCE OF INDIA's FIVE YEAR PLANS: FAST RECAP

INCLUSIVE GROWTH AND ISSUES ARISING FROM IT

Employment and Inclusive Growth in India: Emerging Pattern and Perspectives

PLANNING AND FIVE YEAR PLANS

What is a Plan?

- A plan spells out how the resources of a nation should be put to use. It contains some general goals as well as specific objectives which are to be achieved within a specified period of time.

Five Year Plan and concept of 'perspective plan'

- In India plans are of five years duration and are called five year plans (we borrowed this from the former Soviet Union, the pioneer in national planning).
- Our plan documents not only specify the objectives to be attained in the five years of a plan but also what is to be achieved over a period of twenty years. This long term plan is called **'perspective plan'**. The five year plans are supposed to provide the basis for the perspective plan.

Box 1.1: Types of Economic Systems

In a **market economy**, also called capitalism, only those consumer goods will be produced that are in demand, i.e., goods that can be sold profitably either in the domestic or in the foreign markets.

In a **capitalist society** the goods produced are distributed among people not on the basis of what people need but on the basis of what people can afford and are willing to purchase.

In a **socialist society** the government decides what goods are to be produced in accordance with the needs of society. It is assumed that the government knows what is good for the people of the country and so the desires of individual consumers are not given much importance. The government decides how goods are to be produced and how they should be distributed. In principle, distribution under socialism is supposed to be based on what people need and not on what they can afford to purchase. Strictly, a socialist society has no private property since everything is owned by the state.

Most economies are **mixed economies,** i.e., the government and the market together answer the three questions of what to produce, how to produce and how to distribute what is produced. In a mixed economy, the market will provide whatever goods and services it can produce well, and the government will provide essential goods and services which the market fails to do.

Background: Deciding which type of economic system is suitable for India?

The leaders of independent India had the job of nation building and while deciding the type of economic system most suitable for our nation, they were of the opinion that our nation needs such a **system which would promote the welfare of all rather than a few**.

There are different types of economic systems as shown in the **Box 1.1** and among them, **'socialism'** appealed to the then Prime Minister Jawaharlal Nehru the most. However, he was not in favour of the kind of socialism established in the former Soviet Union where all the means of production, i.e., all the factories and farms in the country, were owned by the government. There was no private property. It is not possible in a democracy like India for the government to change the ownership pattern of land and other properties of its citizens in the way that it was done in the former Soviet Union.

Nehru, and many other leaders and thinkers of the newly independent India, sought an alternative to the extreme versions of capitalism and socialism.

In this view, ***India would be a 'socialist' society with a strong public sector but also with private property and democracy***. I.e., the government would 'plan' for the economy with the private sector being encouraged to be part of the plan effort. (**Concept of Mixed Economy**)

In 1950, the **Planning Commission** was set up with the Prime Minister as its Chairperson and the era of five year plans had begun.

Evolution of Planning in India and Origin of Five Year Plans:

Though the planned economic development in India began in 1951 with the inception of First Five Year Plan, theoretical efforts had begun much earlier, even prior to the independence.

<u>Pre-Independence</u>:

- **M. Visvesvarayya** who was a civil engineer and Dewan of Mysore published his book **"Planned economy in India"**. In this book he presented a constructive draft of the development of India in 10 years. He actually laid a plan to shift labour from agriculture to industries and double up National income in 10 years.

- 1938 was the year that witnessed the first attempt to develop a national plan for India when **national planning Committee** was set up. This committee was set up by Subhash Chandra Bose and chaired by Jawaharlal Nehru. However the reports of the committee could not be prepared and only for the first time in 1948 -49 some papers came out.

- In 1944 Eight Industrialists of Bombay including Mr. JRD Tata, GD Birla, Purshottamdas Thakurdas, Lala Shriram, Kasturbhai Lalbhai, AD Shroff, Ardeshir Dalal, & John Mathai working together prepared "A Brief Memorandum Outlining a Plan of Economic Development for India" which was popularly known as **Bombay Plan**. This plan envisaged doubling the per capita income in 15 years and tripling the national income during this period. However Nehru did not officially accept the plan, yet many of the ideas of the plan were inculcated in other plans which came later.

- In August 1944, The British India government set up "**Planning and Development Department**" under the charge of Ardeshir Dalal. But this department was abolished in 1946.

- A **People's Plan** also came out during that era which was based upon Marxist socialism and drafted by **M N Roy** on behalf of the Indian federation of Lahore. It called for nationalization of all agricultural production and distribution besides development of consumer goods industries by the state only.

- Another plan called as **Gandhian Plan** was put forward by Sri Shriman Narayan in 1944 who was principal of Wardha Commercial College. It was a modest kind of plan.

- In 1950 **Sarvodaya Plan** came out which was drafted by **Jaiprakash Narayan** inspired by Gandhian plan as well as Sarvodaya Idea of Vinoba Bhave. Along with agriculture it emphasized on small and cotton industries as well. It also suggested the freedom from foreign technology and stressed upon land reforms and decentralized participatory planning.

Post-Independence:

In 1947, after our country got independent, **Economic Programme Committee (EPC)** was formed by All India Congress Committee with Nehru as its chairman. The aim of this committee was to make a plan which could balance private and public partnership and urban and rural economies. **The EPC recommended in 1948 to form a permanent Planning Commission.**

In March 1950 in pursuance of declared **objectives of the Government** – to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production and offering opportunities to all for employment in the service of the community – the **Planning Commission was set up** by a Resolution of the Government of India. *(Infact these objectives are the topics of Mains GS III Indian Economy Syllabus)*

The Planning Commission was charged with the responsibility of making assessment of all resources of the country, augmenting deficient resources, formulating plans for the most effective and balanced utilization of resources and determining priorities. **Jawaharlal Nehru was the first Chairman of the Planning Commission**.

Advent of Five Year Plan:

The **first Five-year Plan was launched in 1951** and two subsequent five-year plans were formulated till 1965, when there was a break because of the Indo-Pakistan Conflict. Two successive years of drought, devaluation of the currency, a general rise in prices and erosion of resources disrupted the planning process and after three Annual Plans between 1966 and 1969, the fourth Five-year plan was started in 1969.

The Eighth Plan could not take off in 1990 due to the fast changing political situation at the Centre and the years 1990-91 and 1991-92 were treated as Annual Plans. The Eighth Plan was finally launched in 1992 after the initiation of structural adjustment policies.

Democratic Socialism: Nehru was greatly influenced by the achievements of Soviet Planning; however he also viewed democratic qualities of capitalism as indispensable for complete economic and social growth. He wished to take advantage of both and thus came out his vision of "Democratic Socialism" for new India. The idea was to not only check the growth of monopolistic tendencies of the private sector but also provide freedom to the private sector to play for main objective of social gain rather than economic gain.

The Planning Commission played an integrative role in the development of a holistic approach to the policy formulation in critical areas of human and economic development.

Five-Year Plans were developed, executed, and monitored by the Planning Commission (1951 - 2014).

How a plan was formed before NITI Aayog (which replaced Planning Commission)?

First step was to prepare an approach paper. After it is ready it used to go to National Development Council. After it is approved by NDC, Planning commission used to make Draft Plan. The plan was placed in the parliament and when parliament passed it, the plan used to become effective.

Scenario now: How a plan is formed (after NITI Aayog)?

Abandoning the ancient concept of five-year plans that India has been following since 1951, the National Institution for Transforming India (NITI) Aayog has decided to come up with a 15-year vision document in tandem with global trends and economic growth.

The long-term vision document will formulate various ways through which India can achieve its broader social objectives to meet the UNDP's 2030 sustainable goals and will be a roadmap on transformation required in the planning system to sync it with the 14th Finance Commission recommendations.

Finance minister Arun Jaitley had hinted in his 2016 budget speech that the government will abandon the plan and non-plan distinction from 2017-18, indicating that the five-year plan process will end with the 12th five-year plan.

NITI AAYOG- National Institution for Transforming India

The National Institution for Transforming India is a policy body serving as 'think tank' tasked with a role of formulating policies and directions for the government. It replaced Planning Commission which had been preparing five year plans for India for last 60 years.

According to the resolution of the cabinet to set up NITI Ayog, the body is responsible to recommend a national agenda including strategic and technical advice on elements of policy and economic matters. It also develops mechanisms for village level plans and aggregates these progressively at higher levels of government.

While the NITI Ayog has been set up with an aim to foster and enhance the centre-state cooperation, the opposition parties criticised saying that the replacement of Planning Commission can be best viewed as a 'cosmetic change'.

The change

The main role of Planning Commission was to decide inter-ministerial allocation. If a government allocates Rs. 5 lakh crores as planned fund, how to decide how much for industry, for education, for health etc. was being done by finance ministry in other countries. In India, this role has traditionally been done by Planning Commission. Now this role has been deleted and they are no longer deciding the allocation. It is now directly decided by the finance ministry just as done in state governments and other countries.

Planning Commission was not doing well because:

- Generally members of Planning Commission were defeated politicians and rarely had interest in academic knowledge or finding out why things are not working well.
- Most of officers posted in Planning Commission were due to its becoming a dumping ground for unwanted officers.

Earlier, the Planning Commission had been restricted with assimilating the demands of various ministries, state governments and allocating the resources. This needed a change and hence from NITI Ayog, the role of assimilating and allocation of resources to the state has now been taken over by 14th FC.

It is built on the foundations of

- Cooperative Federalism
- Think Tank- Knowledge hub
- Platform to facilitate implementation

Functions of NITI Aayog

- Cooperative and Competitive Federalism:
- Shared National Agenda
- State's Best Friend at the Centre
- Decentralized Planning
- Vision and Scenario Planning
- Domain Strategies
- Sounding Board
- Network of Expertise
- Knowledge and Innovation Hub
- Harmonization
- Conflict Resolution
- Coordinating interface with the World
- Internal Consultancy
- Capacity Building
- Monitoring and Evaluation

The Guiding Principle

The government document has categorically pointed out the very purpose of the new body in the process of carrying out its functions; the Aayog will be guided by an overall vision of development which is inclusive, equitable and sustainable.

Structure of NITI Aayog

The NITI Aayog comprises the following:

1. **Prime Minister** of India as the Chairperson
2. **Governing Council** comprising the Chief Ministers of all the States and Lt. Governors of Union Territories
3. **Regional Councils** -formed to address specific issues and contingencies impacting more than one state or a region. These will be formed for a specified tenure. The Regional Councils will be convened by the Prime Minister and will comprise of the Chief Ministers of States and Lt. Governors

of Union Territories in the region. These will be chaired by the Chairperson of the NITI Aayog or his nominee.

4. Experts, specialists and practitioners with relevant domain knowledge as special invitees nominated by the Prime Minister
5. The full-time organizational framework will comprise of, in addition to the Prime Minister as the Chairperson:

- Vice-Chairperson: To be appointed by the Prime Minister
- Members: Full-time
- Part-time members: Maximum of 2 from leading universities research organizations and other relevant institutions in an ex-officio capacity. Part time members will be on a rotational basis.
- Ex Officio members: Maximum of 4 members of the Union Council of Ministers to be nominated by the Prime Minister.
- Chief Executive Officer: To be appointed by the Prime Minister for a fixed tenure, in the rank of Secretary to the Government of India.
- Secretariat as deemed necessary.

Two years of NITI Ayog

NITI Ayog is still in infancy and trying to find out its role and how things should be done. The role of think tank is not an easy one. The members have to be aware of all the constraints, be in touch with professional organisations and give suggestions to state governments and central government. This role has still not been performed by NITI Ayog and thus they need some more time to carve out their responsibilities.

Any 'Think tank' has to be slightly distant from government. It has been however observed that members, vice-chairman of NITI Ayog have been defending government on all issues. That is the role of ministry of information, visual publicity or PMO. If this role is being performed by a 'Think tank' then there is a conflict between justifying government and giving advice to government on right kind of issues. Thus, it is not apt by NITI Ayog to justify the government on all issues, especially controversial issues.

Though it is true that it may not have accomplished the full work for which the transformation of NITI Ayog was done. But it is moving towards the same as its full term is not yet over.

Areas where NITI Ayog intervened

Land acquisition was a complicated issue where NITI Ayog set up its task force and explored area such as digitisation, land leasing. It has formulated a model land-leasing law, which Madhya Pradesh has adopted and Uttar Pradesh has substantially incorporated into a pre-existing law. Several other states are actively considering adopting the model law.

The Aayog has taken the initiative to identify numerous sick Public Sector units for closure. Action on 17 such units is under way. The Aayog has also identified several functioning units for strategic disinvestment.

It has also proposed replacement of the Indian Medical Council Act, 1956, by a Medical Education Commission Act to overhaul medical education in India.

The Aayog is also leading a campaign to bring about major reforms in agricultural marketing.

However, in the biggest policy decision impacting economic, political and social life had no role of NITI Ayog in terms of providing either the conceptual inputs or in implementation. They belatedly took up the idea of popularising digital payment system and innovating some lottery schemes.

Time needed

Two years is a short period of time for any institution to evolve. Even the Planning Commission evolved for over 60 years and ultimately rendered itself useless. Thus, in institutional life, two years is very less.

Truly independent?

The new 'think tank' has been called as National Institute for Transforming India thereby giving it a big name. But the work has not been concretized as yet. From the beginning, the terms of conceptualising this institute has been flawed. There was a body that was required to replace Planning Commission and hence something was set up without much thinking. The job of Planning Commission of allocation of resources for planned schemes among the states had been taken over by finance ministry. After that, NITI Ayog was conceived as a think tank. Now NITI Ayog is called a part of government where except for few external consultants, it functions within the same bureaucratic set up as the government. Hence, to think that it will come out with out of the box ideas will be very difficult or sending false signals.

Also, NITI Ayog has become a toothless organisation which has no power to implement or voice its decisions. The states also don't turn up for meeting which they did during Planning Commission, which had allocating functions.

Analytical role

Job creation is a major concern. Unemployment leads to faltering of economy as well. The government had promised 100 million jobs by 2019. It is very well established that during 2004-14, it was a period of jobless growth. Hardly any jobs were created in that period.

In last two years, the government has given lot of importance to it. But what has happened in last two years should be studied by NITI Ayog. Until two years, NITI Ayog has not fared expectedly in this process. The industry expects from NITI Ayog to create avenues of jobs through its findings and analysis. For example, the MSME sector can create jobs but how and how much is not categorically known.

Unfortunately, World Bank came out with a study recently showing that progress is dismal. Programmes like Ajeevika have not rendered any new jobs and hence a failed programme.

Government very rightly asked NITI Ayog to monitor sustainable development goals. For one year and half, they have not produced a sigle report as to why MDGs were not achieved by India in respect to gender, health, hunger, education, sanitation. They should analyse it and make a report else all these flaws will remain and sustainable development goals will also not be achieved.

Way forward

Any criticism which leads to improvement or desired transformation is welcome. More studies need to be done by NITI Ayog to establish itself as a critical institution in fora of planning. Also, there should be some accountability, more information given to public and road map of future course of action given by NITI Ayog.

There is a need for an institution to serve the concept of cooperative federalism. The highest decision making on development and planning which used to be NDC, NITI Ayog should serve a similar Team India concept.

It would be useful if NITI ayog could make evaluation of government policies and programmes given that it is not able to come up with out of the box ideas by itself. It can give tips which could help to deliver those programmes on ground- Make in India etc.

NITI Ayog is disintegrating its planning into three areas. 15 years long term vision document. 7 years implementation plan and 3 years short term action plan. It is expected to come out with the action plan shortly which will expectedly take into account the impact of demonetisation on the economy, especially on informal sector.

Dismantling the planning commission

The planning commission was not in the Constitution of India. The failures of the planning commission, and the concepts of plan vs. non-plan expenditure, are central to the failures of the Indian State. PM Modi took a big step forward by announcing the abolition of the planning commission.

This requires a corresponding re-engineering of government around the theme of accountability.

Some re-engineering that flows from closing down the Planning Commission has been done, but a lot of it has not been done. Most 'plan schemes' have not been dismantled. There is no articulation of what the post-Planning-Commission world will look like. There is no talk of planning how to redesign the Indian fiscal system in this new world.

National Development Council:

NDC was set up in August 1952 by a cabinet secretariat resolution. It is an extra constitutional body which consists of Prime Minster, Chief Ministers of states, members of planning commission and since 1967 the members of the Union Cabinet and administrators of Union Territories.

NDC considers the proposals formulated for plans at all important stages and accepts them. Considers the social and economic policy and its effect on national development and ensure fullest development of rural and backward areas of the nation.

NDC had not much importance in Nehru Era but got importance after 1990. Similarly decentralization also got importance after 73rd and 74th Constitutional Amendments which made decentralization a constitutional imperative.

Need for Planning:

1. **To Increase the rate of Economic Development**. In underdeveloped countries increase in the rate of economic development is the basic objective of planning. Income, saving and investment should be increased, to enhance the level of capital formation which helps in raising the rate of economic development. People in underdeveloped countries are poor. Their income level is low which reduces the capacity of the people to save. Low saving results in lower level of capital formation. Due to scarcity of capital and lower productivity the rate of investment is low. In this situation two methods can be used one is planned development by importing capital from out of the country which Zweig Calls "Supported industrialization" and the other is by enforced saving which he characterizes as "Self Sufficient Industrialization.''
2. **To eradicate Unemployment**. The need for planning is more stressed by need for eradicating the unemployment in economies. In underdeveloped countries problem of unemployment arises because of Capital being limited and labor being abundant. Due to excess labor available there arises involuntary unemployment in the economy. It can be solved by placing well powerful authority at central level and giving more power to this authority can solve this problem.
3. **To Improve and Strengthen Market Mechanism.** The need for planning is there to improve and strengthen market mechanism .The market mechanisms works improperly in underdeveloped countries because of the lack of knowledge and unfamiliarity with it. The major parts of economy of under developed country consist of non-monetized sector. The production factors, money are not organized properly. The price system exist only at very basic level .Therefore planning is required bring a match between demand and supply side of the economy and other resources.
4. **Fair progress of the Economy.** In absence effective efficient planning there is a greater need of setting up institution which is dedicated to only planning of economy. For faster growth of an economy the agriculture and industrial sector need greater investment ,attention, effective policies from the government Import and Export needs to be kept on checked condition there should be a effort to balance both import and export so that foreign exchange can be managed effectively. For fair progress of the economy the following all the sectors are required to grow.

   (i) **Progress of Agricultural and Industrial sectors.** The necessity for developing the agricultural sector with industrial sector arise from the fact that agriculture and industry are dependent on each other .Reorganizing the agriculture sector will release excess man power which can be taken into system by industrial sector. Growth of agricultural sector will provide plentiful and required raw material industries.

   (ii) **Progress of Money and Capital Market.** Growth of trade depends not only on agricultural and industrial sector along with stable growth of other financial institutions. Capital & money markets are undeveloped in countries all the countries .The growth of these markets depend on international markets and world economic conditions.

   (iii) **Progress in Infrastructure.** For the growth of Agricultural and industrial sector the infrastructure need drastic improvements at very high pace to match the growth of agriculture and industrial sector. If the Infrastructure lags behind it will impact the growth of other sectors. For achieving high growth rate in infrastructure in countries like public private model can be used more extensively for faster completion of infrastructure projects.

Types of Economic Planning:

(i) Directional planning

Countries, which believe in socialism, followed the directional type of planning. The targets of plans are pre-determined and executed with the help of the government in power. In this form of planning all the important position and decision are taken by the state. In this type of planning all things are under control of state including, financial institutions, industrial sector, transport, and infrastructure.

Faults of Planning by direction

a) It involves bureaucratic system, which is time consuming, and there is lack of clarity.
b) People are not allowed to job of their choice and are not even allowed to spend and consume as per their wish.
c) Markets are under controls of state.
d) Planning by direction is very rigid process and there is very less flexibility because of absence of accountability towards consumers and producers.
e) Planning by direction is goal oriented which state wants to achieve at any cost due to which it becomes very tough and sometimes there is exploitation of resources and manpower which can lead to unrest.
f) Planning by direction can lead to standardization of process, which can result into similar production capacities and processes which diminish innovation.

(ii) Planning by inducement

Planning by inducement is independent planning. Process of production, forming the enterprise and various patterns of consumption by the people are regulated and controlled by the state. The government in power forms various monetary and fiscal policies to effectively regulate the economy. If the authority want to promote any industry it can subsidy to that industry and its ancillary industries. If authority finds that there is black marketing or scarcity of a particular commodity in market they can take measures to control price and starting rationing of that commodity. For increase the capital it can take up investment and encourage private investors. It can adopt a suitable monetary policy and can fine tune taxation in the system to increase or decrease consumption.

Faults in planning by Inducement

a) As in this type of planning market forces are free therefore situation of scarcity of commodity arises and measures of rationing and price control taken by authority.
b) Monetary and fiscal policies are insignificant to induce development of the economy by raising the rate capital formation. In an under developed country rate of capital formation is low due to level of income and saving.

(iii) Perspective planning

Perspective planning contains plans for longer period of time 20 to 25 years. A perspective plan is an outline of development to be undertaken over a longer period in a phased manner. A perspective plan does not mean a single plan will take place for entire period of 20 years. In this planning targets are framed for particular time period for example five years like five years plan in India they are also known as short period plan. They can further divided into annual plans. These five-year plans generally maintain continuity. They can be further bifurcated as regional plan which pertains to state and districts.

Faults of Perspective planning

(a) In perspective type of planning plans are made for long period so they are quite rigid that it is very tough to do necessary adjustment for advancement of the plan.
(b) Administrative problems are main concern for this kind of planning as perspective planning highly efficient bureaucracy to implement the plans.

(iv) Indicative Planning

Indicative planning is a flexible kind of planning. It is also known as soft planning as it different from comprehensive or imperative planning. It works decentralized principles in the completion target plans. There is minimum rigidity in this structure of planning.

In Indicative planning the targets for public sector are mandatory while for private sector they are only indicative. But it does not mean that government cannot use its power to influence the private sector in desired direction .It was initially used in countries like France and Japan.

Fault of Indicative Planning

- As indicative planning can only influenced the players involved economic planning and if all player concerned are not performing as per the expectations the Indicative can turned out to be disaster .As in this planning there is not much of a authority some monopolistic players can go for personal benefit without caring about overall system which can cause inflation in the economy.

(v) Imperative Planning

Under imperative planning, the government in power directs and control all the economic activities and resources in the economy. All resources are used with high efficiency to complete set targets of the plan. In such planning consumer get fixed amount of a commodity at fixed price. Rule regulation set by government is followed in the production of a commodity so that supply of the commodity can be kept on checked for surplus and scarcity in the market. Since government decision and policymaking is very rigid they are to be followed by the players. This kind of planning is in use in countries like Russia and china.

(vi) Democratic planning

In Democratic planning the basic ideology is to form the democratic form of government. Plans are prepared according to the requirement and needs of the people. A democratic plan is characterize by discussion with various parties involved in the economy whether different government agencies, private parties or enterprises. This discussion will take place at level of preparation the plan. The plan will be debated at parliament of a country. Main motive of democratic planning is eradicating inequalities of income and wealth. People enjoy social, economic freedom.

(vii) Fixed planning

In this planning plans are prepared for fixed period of time. The objectives and targets of fixed plan are to be achieved with in the plan period. While finalizing the budget outlay the physical targets should be keep in the mind. Physical target and spending on these targets are often not changed except during an emergency. They are used in India.

Faults of Fixed Planning

(a) There is no correlation between available resources and with planning. The main aim is to complete financial targets by foreign aid, heavy taxation, large borrowing irrespective of it ill effects on economy.
(b) This system of planning fails to take into account future changes in the world economy or any other natural calamity.
(c) This type of planning is not suitable for projects, which have long execution time frame, which is more than the particular plan period as they will spread into more than one plan the intensity of their execution will also change.

(viii) Centralized Planning

Under centralized planning the centralized Authority plans and formulates all planning activities in the country. The authority fixes target for all industries and fix priorities for all sectors. It takes all the investment decisions according to the goals and targets set in the plan. Central authority all aspect of the economy .It fixes price for all products.

Faults of Centralized planning

(a) Centralized planning has authoritive and undemocratic characteristic, which have bureaucratic control and regulation.
(b) The mistakes and shortcoming of the planning is not likely to be rectified.

(ix) Decentralized Planning

In decentralized planning the plans are executed plan at grass root level. In this scheme of planning plan is prepared by central authority with discussion all the administrative units in the country whether at state level, district level. Plans for industries are prepared with full discussion with all the major representative stakeholders in the industries. But individual firm are free to take decision on their investment and output prices. There is a freedom production and consumption under decentralized planning.

Faults of Decentralized Planning

(a) Its reliance on the market mechanism leads to shortages or surpluses in the production of goods and services.
(b) It required lot of adjustment from government for problem in supply side.
(c) It is very tough to have coordination between planned & unplanned sectors.

PERFORMANCE OF INDIA's FIVE YEAR PLANS: FAST RECAP

Plan	Description
First Plan (1951 - 56) Target Growth : 2.1 % Actual Growth 3.6 %	• It was based on **Harrod-Domar Model**. • Influx of refugees, severe food shortage & mounting inflation confronted the country at the onset of the first five year Plan. • The Plan Focused on agriculture, price stability, power and transport • It was a **successful plan** primarily because of good harvests in the last two years of the plan. Objectives of rehabilitation of refugees, food self sufficiency & control of prices were more or less achieved.
Second Plan (1956 - 61) Target Growth: 4.5% Actual Growth: 4.3%	• Simple aggregative Harrod Domar Growth Model was again used for overall projections and the strategy of resource allocation to broad sectors as agriculture & Industry was based on two & four sector Model prepared by Prof. P C Mahalanobis. (Plan is also called **Mahalanobis Plan**). • Second plan was conceived in an atmosphere of economic stability. It was felt agriculture could be accorded lower priority. • The Plan focused on rapid industrialization- heavy & basic industries. Advocated huge imports through foreign loans. • The **Industrial Policy 1956** was based on establishment of a socialistic pattern of society as the goal of economic policy. • Acute shortage of forex led to pruning of development targets, price rise was also seen (about 30%) vis a vis decline in the earlier Plan & the 2nd FYP was only **moderately successful**.
Third Plan (1961 - 66) Target Growth: 5.6% Actual Growth: 2.8%	• At its conception, it was felt that Indian economy has entered a "takeoff stage". Therefore, its aim was to make India a **'self-reliant'** and **'self-generating'** economy. • Based on the experience of first two plans (agricultural production was seen as limiting factor in India's economic development), **agriculture was given top priority** to support the exports and industry. • The Plan was thorough **failure** in reaching the targets due to unforeseen events - Chinese aggression (1962), Indo-Pak war (1965), severe drought 1965-66. Due to conflicts the approach during the later phase was shifted from development to **defence & development**.
Three Annual Plans **(1966- 69)** euphemistically described as Plan holiday	• Failure of Third Plan that of the **devaluation of rupee** (to boost exports) along with **inflationary recession** led to postponement of Fourth FYP. Three Annual Plans were introduced instead. Prevailing crisis in agriculture and serious **food shortage** necessitated the emphasis on agriculture during the Annual Plans. • During these plans a whole new agricultural strategy was implemented. It involving wide-spread distribution of high-yielding varieties of seeds, extensive use of fertilizers, exploitation of irrigation potential and soil conservation. **(Green Revolution)** • During the Annual Plans, the economy absorbed the shocks generated during the Third Plan • It **paved the path for the planned growth** ahead.
Fourth Plan (1969 - 74)	• Refusal of supply of essential equipment and raw materials from the allies during Indo Pak war resulted in twin objectives of " **growth with stability** " and "**progressive achievement of self-reliance** " for the Fourth Plan.

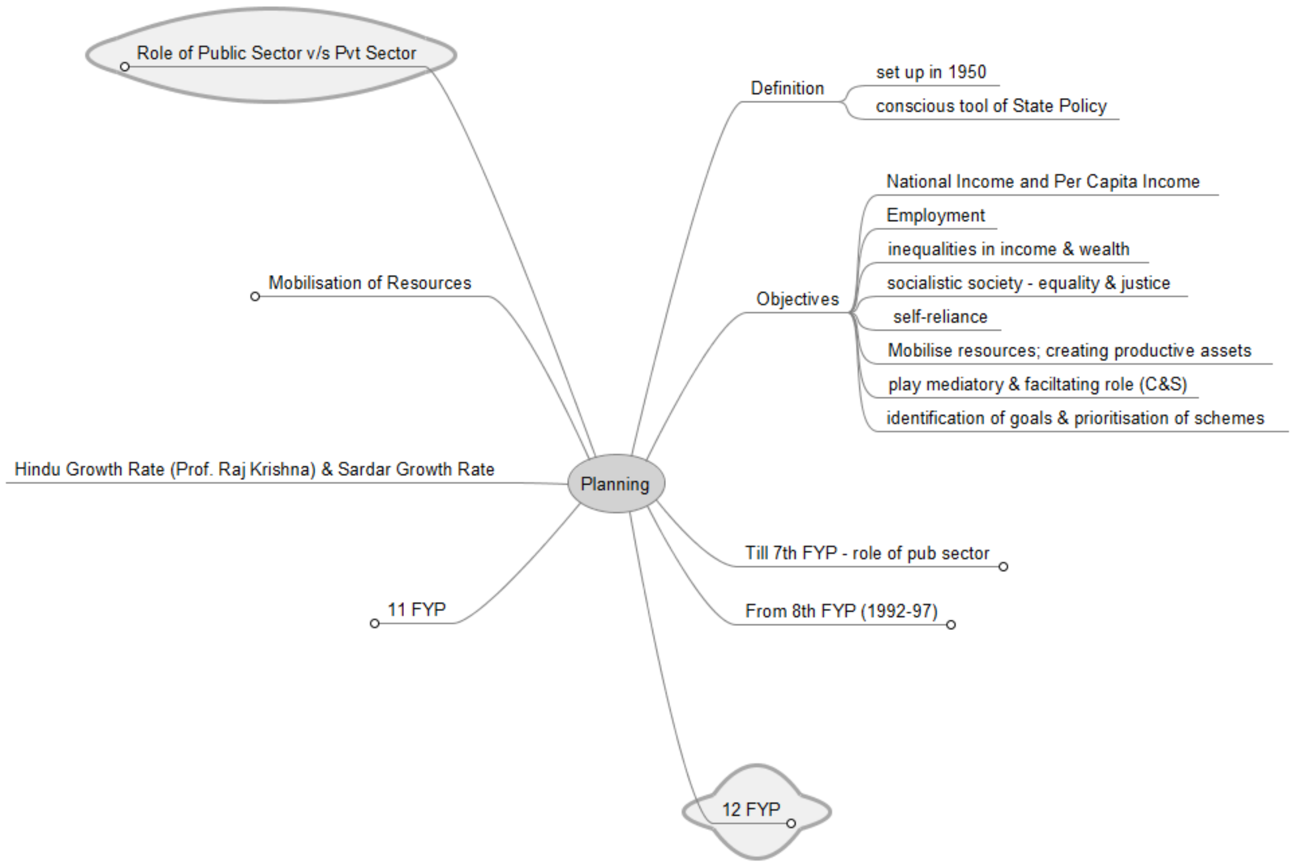
Target Growth: 5.7% Actual Growth: 3.3%	• Main emphasis was on growth rate of agriculture to enable other sectors to move forward. First two years of the plan saw record production. The last three years did not measure up due to **poor monsoon**. Implementation of **Family Planning Programmes** were amongst major targets of the Plan. • Influx of Bangladeshi refugees before and after 1971 Indo-Pak war was an important issue along with price situation deteriorating to crisis proportions and the plan is considered as **big failure**.
Fifth Plan (1974-79) Target Growth: 4.4% Actual Growth: 4.8%	• The final Draft of fifth plan was prepared and launched by D.P. Dhar in the backdrop of economic crisis arising out of run-away inflation fuelled by hike in oil prices and failure of the Govt. takeover of the wholesale trade in wheat. • It proposed to achieve two main objectives: **'removal of poverty'** (**Garibi Hatao**) and **'attainment of self-reliance'** • Promotion of high rate of growth, better distribution of income and significant growth in the domestic rate of savings were seen as key instruments • Due to high inflation, cost calculations for the Plan proved to be completely wrong and the original public sector outlay had to be revised upwards. After **promulgation of emergency** in 1975, the emphasis shifted to the implementation of **Prime Ministers 20 Point Programme**. • FYP was relegated to the background and when Janta Party came to power in 1978, the Plan was terminated.
Rolling Plan (1978 - 80)	• There were 2 Sixth Plans. Janta Govt. put forward a plan for 1978- 1983 emphasising on **employment**, in contrast to **Nehru Model** which the Govt criticised for concentration of power, widening inequality & for mounting poverty. However, the government lasted for only 2 years. Congress Govt. returned to power in 1980 and launched a different plan aimed at **directly attacking on the problem of poverty** by creating conditions of an expanding economy.
Sixth Plan (1980 - 85) Target Growth: 5.2% Actual Growth: 5.7%	• The Plan focussed on Increase in national income, modernization of technology, ensuring continuous decrease in poverty and unemployment through schemes for transferring skills (TRYSEM) and seets(IRDP) and providing slack season employment (NREP), controlling population explosion etc. • Broadly, the sixth Plan could be taken as **a success** as most of the target were realised even though during the last year (1984-85) many parts of the country faced severe famine conditions and agricultural output was less than the record output of previous year.
Seventh Plan (1985 - 90) Target Growth: 5.0% Actual Growth: 6.0%	• The Plan aimed at accelerating food grain production, increasing employment opportunities & raising productivity with focus on **'food, work & productivity'**. • The plan was **very successful** as the economy recorded 6% growth rate against the targeted 5% with the decade of 80's struggling out of the **'Hindu Rate of Growth'**.

Eighth Plan (1992 - 97) Target Growth 5.6 % Actual Growth 6.8%	• The eighth plan was postponed by two years because of political uncertainty at the Centre • **Worsening Balance of Payment** position, rising debt burden, widening budget deficits, recession in industry and inflation were the key issues during the launch of the plan. • The plan undertook drastic policy measures to combat the bad economic situation and to undertake an annual average growth of 5.6% through introduction of **fiscal & economic reforms including liberalisation** under the Prime Minister ship of Shri P V Narasimha Rao. • Some of the main economic outcomes during eighth plan period were rapid economic growth (highest annual growth rate so far – 6.8 %), high growth of agriculture and allied sector, and manufacturing sector, growth in exports and imports, improvement in trade and current account deficit. High growth rate was achieved even though the **share of public sector in total investment had declined** considerably to about 34 %.
Ninth Plan (1997- 2002) Target Growth: 6.5% Actual Growth: 5.4%	• The Plan prepared under United Front Government focused on "**Growth With Social Justice & Equality** "Ninth Plan aimed to depend predominantly on the private sector – Indian as well as foreign (FDI) & State was envisaged to increasingly play the role of facilitator & increasingly involve itself with social sector viz education, health etc and infrastructure where private sector participation was likely to be limited. • It assigned priority to agriculture & rural development with a view to generate adequate productive employment and eradicate poverty
Tenth Plan (2002 - 2007) Target Growth 8 % Actual Growth 7.6 %	• Recognising that economic growth can't be the only objective of national plan, Tenth Plan had set '**monitorable targets**' for few **key indicators (11) of development** besides 8 % growth target. • The targets included reduction in gender gaps in literacy and wage rate, reduction in Infant & maternal mortality rates, improvement in literacy, access to potable drinking water cleaning of major polluted rivers, etc. Governance was considered as factor of development & agriculture was declared as prime moving force of the economy. States role in planning was to be increased with greater involvement of Panchayati Raj Institutions. State wise break up of targets for growth and social development sought to achieve balanced development of all states.
Eleventh Plan (2007 - 2012) Target Growth 9 % Actual Growth 8%	• Eleventh Plan was aimed **"Towards Faster & More Inclusive Growth** "after UPA rode back to power on the plank of helping Aam Aadmi (common man). • India had emerged as one of the fastest growing economy by the end of the Tenth Plan. The savings and investment rates had increased, industrial sector had responded well to face competition in the global economy and foreign investors were keen to invest in India. • But the growth was not perceived as sufficiently inclusive for many groups, specially SCs, STs & minorities as borne out by data on several dimensions like poverty, malnutrition, mortality, current daily employment etc. . • The broad vision for 11th Plan included several inter related components like rapid growth reducing poverty & creating employment opportunities, access to essential services in health & education, especially for the poor, extension if employment opportunities using National Rural Employment Guarantee Programme, environmental sustainability, reduction of gender

	inequality etc. • Accordingly **various targets** were laid down like reduction in unemployment(to less than 5% among educated youth) & headcount ratio of poverty (by 10%), reduction in dropout rates, gender gap in literacy, infant mortality, total fertility, malnutrition in age group of 0-3 (to half its present level), improvement in sex ratio, forest & tree cover, air quality in major cities, ensuring electricity connection to all villages & BPL households (by 2009) & reliable power by end of 11th Plan, all weather road connection to habitations with population 1000& above (500 in hilly areas) by 2009, connecting every village by telephone & providing broad band connectivity to all villages by 2012 • The Eleventh Plan started well with the first year achieving a growth rate of 9.3 per cent, however the growth decelerated to 6.7 per cent rate in 2008-09 following the global financial crisis. The economy recovered substantially to register growth rates of 8.6 per cent and 9.3 per cent in 2009-10 and 2010-11 respectively. However, the second bout of global slowdown in 2011 due to the sovereign debt crisis in Europe coupled with domestic factors such as tight monetary policy and supply side bottlenecks, resulted in deceleration of growth to 6.2 per cent in 2011-12. Consequently, the average annual growth rate of Gross Domestic Product (GDP) achieved during the Eleventh Plan was 8 per cent, which was lower than the target but better than the Tenth Plan achievement. • Since the period saw **two global crises** - one in 2008 and another in 2011 – the 8 per cent growth may be termed as satisfactory. The realized GDP growth rate for the agriculture, industry and services sector during the 11th Plan period is estimated at 3.7 per cent, 7.2 per cent and 9.7 per cent against the growth target of 4 per cent, 10-11 per cent and 9-11 per cent respectively. • The Eleventh Plan set a target of 34.8 per cent for domestic savings and 36.7 per cent for investment after experiencing a rising level of domestic savings as well as investment and especially after emergence of structural break during the Tenth Plan period. However, the domestic savings and investment averaged 33.5 per cent and 36.1 per cent of GDP at market prices respectively in the Eleventh Plan which is below the target but not very far. • Based on the latest **estimates of poverty released by the Planning Commission**, poverty in the country has declined by 1.5 percentage points per year between 2004-05 and 2009-10.The rate of decline during the period 2004-05 to 2009-10 is twice the rate of decline witnessed during the period 1993-94 to 2004-05. Though the new poverty count based on **Tendulkar Formula** has been subject of controversy, it is believed by the Committee that whether we use the old method or the new, the decline in percentage of population below poverty line is almost same. • On the fiscal front, the expansionary measures taken by the government to counter the effect of global slowdown led to increase in key indicators through 2009-10 with some moderation thereafter. • The issue of Price Stability remained resonating for more than half of the Plan period. Inability to pass on burden on costlier imported oil prices might have constrained the supply of investible funds in the government's hand causing the 11th Plan to perform at the levels below its target.

Note: *The growth targets for the first three Plans were set with respect to National Income. In the Fourth Plan it was Net Domestic Product.*

In all the Plans thereafter, Gross Domestic Product has been used.



Box 1.2 Eleventh Plan Achievements on Inclusive Growth

The following are some important indicators showing the extent to which the Eleventh Plan succeeded in fulfilling the objective of inclusive growth. (In some cases, where the data relate to the NSSO surveys, the time period for comparison is before and after 2004–05.)

• GDP growth in the Eleventh Plan 2007–08 to 2011–12 was 8 per cent compared with 7.6 per cent in the Tenth Plan (2002–03 to 2006–07) and only 5.7 per cent in the Ninth Plan (1997–98 to 2001–02). The growth rate of 7.9 per cent in the Eleventh Plan period is one of the highest of any country in that period which saw two global crises.

• Agricultural GDP growth accelerated in the Eleventh Plan, to an average rate of 3.7 per cent, compared with 2.4 per cent in the Tenth Plan, and 2.5 per cent in the Ninth Plan.

• The percentage of the population below the poverty line declined at the rate of 1.5 percentage points (ppt) per year in the period 2004–05 to 2009–10, twice the rate at which it declined in the previous period 1993–94 to 2004–05. (When the data for the latest NSSO survey for 2011–12 become available, it is likely that the rate of decline may be close to 2 ppt per year.)

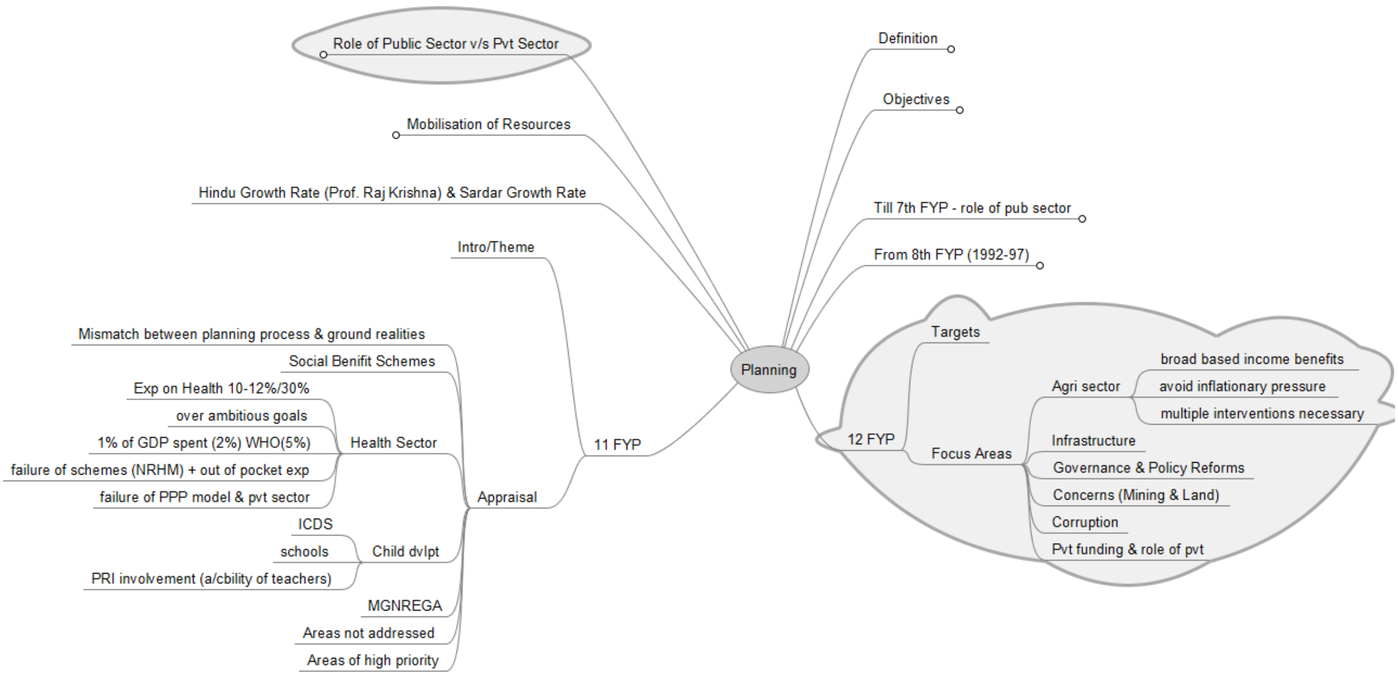
• The rate of growth of real consumption per capita in rural areas in the period 2004–05 to 2011–12 was 3.4 per cent per year which was four times the rate in the previous period 1993–94 to 2004–05.

• The rate of unemployment declined from 8.2 per cent in 2004–05 to 6.6 per cent in 2009–10 reversing the trend observed in the earlier period when it had actually increased from 6.1 per cent in 1993–94 to 8.2 per cent in 2004–05.

• Rural real wages increased 6.8 per cent per year in the Eleventh Plan (2007–08 to 2011–12) compared to an average 1.1 per cent per year in the previous decade, led largely by the government's rural policies and initiatives.

• Complete immunization rate increased by 2.1 ppt per year between 2002–04 and 2007–08, compared to a 1.7 ppt fall per year between 1998–99 and 2002–04. Similarly, institutional deliveries increased by 1.6 ppt per year between 2002–04 and 2007–08 higher than the 1.3 ppt increase per year between 1998–99 and 2002–04.

• Net enrolment rate at the primary level rose to a near universal 98.3 per cent in 2009–10. Dropout rate (classes I–VIII) also showed improvements, falling 1.7 ppt per year between 2003–04 and 2009–10, which was twice the 0.8 ppt fall between 1998–99 and 2003–04.



Twelfth Five Year Plan (2012-17)

The Twelfth Plan commenced at a time when the global economy was going through a second financial crisis, precipitated by the sovereign debt problems of the Eurozone which erupted in the last year of the Eleventh Plan. The crisis affected all countries including India. Our growth slowed down to 6.2 percent in 2011-12 and the deceleration continued into the first year of the Twelfth Plan, when the economy is estimated to have grown by only 5 percent.

The Twelfth Plan therefore emphasizes that our first priority must be to bring the economy back to rapid growth while ensuring that the growth is both inclusive and sustainable. The broad vision and aspirations which the Twelfth Plan seeks to fulfill are reflected in the subtitle: **'Faster, Sustainable, and More Inclusive Growth'**. Inclusiveness is to be achieved through poverty reduction, promoting group equality and regional balance, reducing inequality, empowering people etc whereas sustainability includes ensuring environmental sustainability, development of human capital through improved health, education, skill development, nutrition, information technology etc and development of institutional capabilities, infrastructure like power telecommunication, roads, transport etc.

Apart from the global slowdown, the domestic economy has also run up against several internal constraints. Macro-economic imbalances have surfaced following the fiscal expansion undertaken after 2008 to give a fiscal stimulus to the economy. Inflationary pressures have built up. Major investment projects in energy and transport have slowed down because of a variety of **implementation problems**. Some changes in tax treatment in the 2012–13 have caused uncertainty among investors. These developments have produced a reduction in the rate of investment, and a slowing down of economic growth.

The policy challenge in the **Twelfth Plan is, therefore, two-fold**. The immediate challenge is to reverse the observed deceleration in growth by reviving investment as quickly as possible. This calls for urgent action to tackle implementation constraints in infrastructure which are holding up large projects, combined with action to deal with tax related issues which have created uncertainty in the investment climate. From a longer term perspective, the Plan must put in place policies that can leverage the many strengths of the economy to bring it back to its real Growth potential.

Immediate priority is to revive the investor sentiment along with next short term action of removing the impediments to implementation of projects in infrastructure, especially in the area of energy which would require addressing the issue of fuel supply to power stations, financial problems of discoms and clarity in terms of New Exploration Licensing Policy (NELP)

Although planning should cover both the activities of the government and those of the private sector, a great deal of the public debate on planning in India takes place around the size of the public sector plan. The Twelfth Plan lays out an ambitious set of Government programmes, which will help to achieve the objective of rapid and inclusive growth. In view of the scarcity of resources, it is essential to take bold steps to improve the efficiency of public expenditure through plan programmes. Need for fiscal correction viz tax reforms like GST, reduction of subsidies as per cent of GDP while still allowing for targeted subsidies that advance the cause of inclusiveness etc. and managing the current account deficit would be another chief concerns.

Achieving sustained growth would require long term increase in investment and savings rate. Bringing the economy back to 9 per cent growth by the end of the Twelfth Plan requires fixed investment rate to rise to 35 per cent of GDP by the end of the Plan period. This will require action to revive private investment, including private corporate investment, and also action to stimulate public investment, especially in key areas of infrastructure especially, energy, transport, water supply and water resource management. Reversal of the combined deterioration in government and corporate savings has to be a key element in the strategy.

Broad Objectives of 12th Five Year Plan

- To reduce poverty
- To improve regional equality across states and within states
- To improve living conditions for SCs, STs, OBCs, Minorities
- To generate attractive employment opportunities for Indian youth
- To eliminate gender gaps

Monitorable Targets of the Plan: Twenty Five core indicators listed below reflect the vision of rapid, sustainable and more inclusive growth of the twelfth Plan:

Economic Growth

1. Real GDP Growth Rate of 8.0 per cent.
2. Agriculture Growth Rate of 4.0 per cent.
3. Manufacturing Growth Rate of 10.0 per cent.
4. Every State must have an average growth rate in the Twelfth Plan preferably higher than that achieved in the Eleventh Plan.

Poverty and Employment

5. Head-count ratio of consumption poverty to be reduced by 10 percentage points over the preceding estimates by the end of Twelfth FYP.
6. Generate 50 million new work opportunities in the non-farm sector and provide skill certification to equivalent numbers during the Twelfth FYP.

Education

7. Mean Years of Schooling to increase to seven years by the end of Twelfth FYP.
8. Enhance access to higher education by creating two million additional seats for each age cohort aligned to the skill needs of the economy.
9. Eliminate gender and social gap in school enrolment (that is, between girls and boys, and between SCs, STs, Muslims and the rest of the population) by the end of Twelfth FYP.

Health

10. Reduce IMR to 25 and MMR to 1 per 1,000 live births, and improve Child Sex Ratio (0–6 years) to 950 by the end of the Twelfth FYP.
11. Reduce Total Fertility Rate to 2.1 by the end of Twelfth FYP.
12. Reduce under-nutrition among children aged 0–3 years to half of the NFHS-3 levels by the end of Twelfth FYP.

Infrastructure, Including Rural Infrastructure

13. Increase investment in infrastructure as a percentage of GDP to 9 per cent by the end of Twelfth FYP.
14. Increase the Gross Irrigated Area from 90 million hectare to 103 million hectare by the end of Twelfth FYP.
15. Provide electricity to all villages and reduce AT&C losses to 20 per cent by the end of Twelfth FYP.
16. Connect all villages with all-weather roads by the end of Twelfth FYP.
17. Upgrade national and state highways to the minimum two-lane standard by the end of Twelfth FYP.
18. Complete Eastern and Western Dedicated Freight Corridors by the end of Twelfth FYP.
19. Increase rural tele-density to 70 per cent by the end of Twelfth FYP.
20. Ensure 50 per cent of rural population has access to 40 lpcd piped drinking water supply, and 50 per cent gram panchayats achieve Nirmal Gram Status by the end of Twelfth FYP.

Environment and Sustainability

21. Increase green cover (as measured by satellite imagery) by 1 million hectare every year during the Twelfth FYP.
22. Add 30,000 MW of renewable energy capacity in the Twelfth Plan
23. Reduce emission intensity of GDP in line with the target of 20 per cent to 25 per cent reduction over 2005 levels by 2020.

Service Delivery

24. Provide access to banking services to 90 per cent Indian households by the end of Twelfth FYP.
25. Major subsidies and welfare related beneficiary payments to be shifted to direct cash transfer by the end of the Twelfth Plan, using the Aadhar platform with linked bank accounts.

13th Finance Commission increased the devolution to the states from 30.5 per cent to 32 per cent of divisible pool and it covers the period up to 2014-15, which includes the first three years of the twelfth Plan. The projections of resources for the Twelfth Plan have been made assuming 28.45 per cent of tax devolutions of the Gross Tax revenue. This has been assumed by factoring in the surcharges being phased out and keeping the same ratio beyond 13th FC period till the terminal year of the Twelfth Plan. (Recently 14th Finance Commission increased the devolution to the states from 32 per cent to 42 per cent of divisible pool and it covers the period up to 2015-16)

Sectoral Pattern of Growth: TWELFTH PLAN PERIOD

SECTOR	2012 – 2013	2013 – 2014	2014 – 2015	2015 – 2016	2016 – 2017	AVERAGE
1. Agriculture Forestry and Fishing Sector	2.0	4.5	4.5	4.5	4.5	4.0
2. Mining and Quarrying Sector	1.0	5.0	7.0	7.0	8.5	5.7
3. Manufacturing sector	2.2	6.0	8.5	9.5	9.5	7.1
4. Electricity, gas and water supply	5.2	7.5	8.0	8.0	8.0	7.3
5. Construction	8.0	8.0	8.5	10.0	11.0	9.1
6. Trade Hotels and Restaurants	5.5	6.0	8.0	8.7	8.7	7.4
7. Transport, Storage and Communication	7.3	11.1	13.0	13.6	14.1	11.8
8. Insurance, Real Estate and Business Service	9.8	9.5	10.0	10.0	10.0	9.9
9. Community and Personal Services	7.3	7.2	7.2	7.2	7.2	7.2
Total GDP	5.8	7.3	8.5	9.0	9.2	8.0
Industry (2-5)	4.0	6.6	8.4	9.4	9.8	7.6
Services (6-9)	7.6	8.3	9.4	9.7	9.9	9.0

To summarize, India's five year plans did not achieve much in terms of what they set out to do. The economic progress that we have witnessed so far is a result of the opening up of India's economy post 1991 balance of payments crisis. Today the private sector has overtaken the public sector. There are positive aspects to this and negative aspects to this. The future depends on job creation – this is possible only if manufacturing is given the required thrust. In that sense, our PM's efforts seem to be in the right direction.

INCLUSIVE GROWTH AND ISSUES ARISING FROM IT

Introduction:

India's growth story during the seven decades of Independence has been remarkable, with India emerging from an underdeveloped nation to one of the largest economies. Despite many ups and downs in the global economy, India has been able to hold fort and reached a growth rate of 7.1-7.2 per cent in the last quarter (2017).

India topped the World Bank's growth outlook for the first time in fiscal year 2015–16, during which the economy grew 7.6%. Growth is expected to have declined slightly to 7.1% for the 2016–17 fiscal year. According to the IMF, India's growth is expected to rebound to 7.2% in the 2017–18 fiscal and 7.7% in 2018–19.

Despite the high growth over the past two decades, concerns had been raised over the growth not being equally distributed. Policy makers responded to these concerns arguing for inclusiveness in the 11th Five Year Plan in 2007.

A major weakness in the economy is that the growth is not perceived as being sufficiently inclusive for many groups, especially Scheduled Castes (SCs), Scheduled Tribes (STs), and minorities. Gender inequality also remains a pervasive
problem and some of the structural changes taking place have an adverse effect on women.

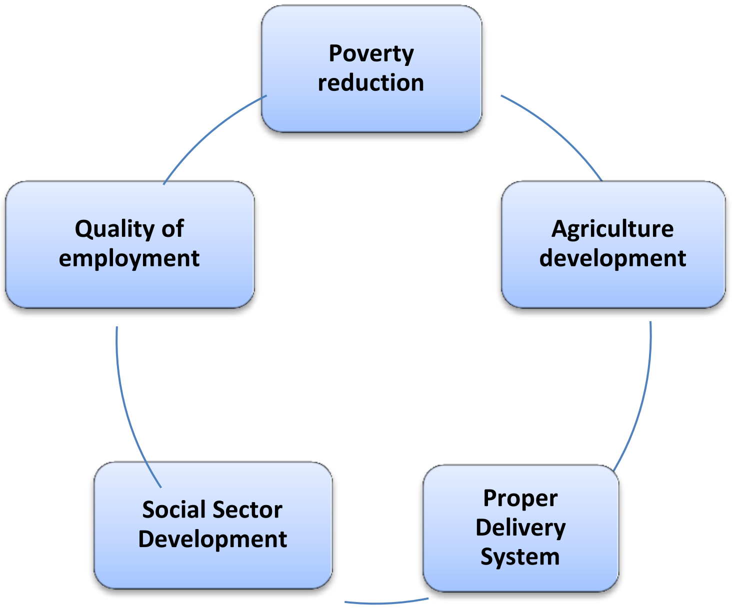
A ***"shining India"***, which is conflicting internationally and benefiting from the powers of globalization, technological developments and economies of scale, has grabbed the attention of the media and the world. On the contrary, another facade of India is ***"suffering India"***, not as well exposed but even more important, and has unsatisfactorily wide samples of its population who are poor and weak. These two facades of India are both an inspiration of hope and a symbol of anguish. Merging these two faces will be the development challenge over the next generation for the region. To address this challenge, *inclusive growth with its focus on creating economic opportunities and ensuring equal access to them will play a key role*.

More and more countries are accepting it as the goal of development policy. India, which had poverty reduction as the main focus of its development strategy over the last 50 years, has recently swapped to a new strategy focusing on two objectives that include enhancing economic growth and making growth more inclusive (Planning Commission of India 2006). Inclusive growth as a development notion is also being comprised by many development partners of developing countries including bilateral and multilateral aid agencies, international organizations, nongovernment organizations, and civil society.

The then President Pranab Mukherjee while addressing both Houses of Parliament described **"Inclusive growth covering the poorest of poor" as the Government's top priority**. India, having successfully emerged from an under-developed nation to one of the largest economies, needs to translate into an overall improvement in the lives of poor and the marginalized sections of the society.

- In India, a need has always been felt to broad base economic growth and share the benefits of the growth process to make it more inclusive.

- The concept of **"Inclusive growth"** was ***first envisaged in the Eleventh five year plan*** document which intended to achieve a growth process with broad-based improvement in the quality of life and equality of opportunity to all.
- **Twelfth plan** document highlighted this agenda more emphatically with specific focus on reducing poverty, improving health and education facilities and livelihood opportunities.



What is Inclusive Growth?

- Inclusive growth means economic growth that creates employment opportunities and helps in reducing poverty. It includes providing equality of opportunity and empowering people through education and skill development.
- Inclusive growth is a concept that advances equitable opportunities for economic participants during economic growth with benefits incurred by every section of society. This concept expands upon traditional economic growth models to include focus on the equity of health, human capital, environmental quality, social protection, and food security.
- Inclusive growth infers an impartial allocation of resources with benefits incurred to every section of the society.

Recent developments:

The Government has launched several initiatives to ensure this by bringing excluded sections of the society into the mainstream and enabling them to reap the benefits of faster economic growth.

- One of the major steps in the direction of bringing about financial inclusion, Pradhan Mantri Jan Dhan Yojana, PMJDY, and JAM has yielded impressive results within some months of its launch with 98 per cent households having a bank account.

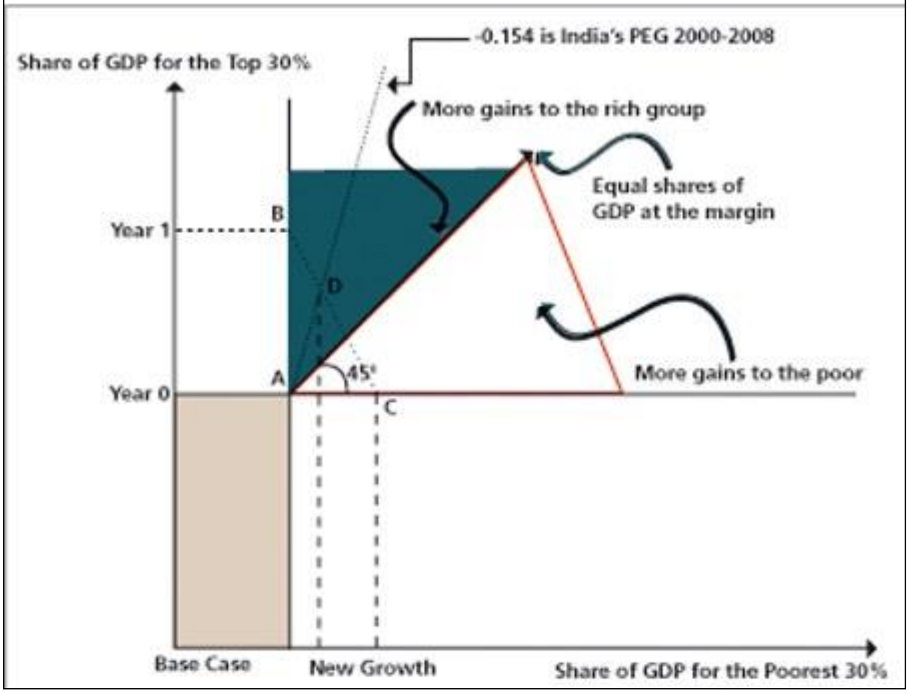
- MUDRA Bank, SETU, Skill India Mission are strong measures expected to create skilled workforce and provide livelihood opportunities.
- Pradhan Mantri Jeevan Jyoti Beema Yojana, Pradhan Mantri Jeevan Suraksha Yojana and Atal Pension Yojana have been introduced with the intention of creating sustainable security net in the country.
- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), has improved the standard of living of people and has been able to check migration to a great extent.
- Kisan Card, Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), National Agriculture Market (NAM) are aimed at benefitting largely the agrarian community, an important indicator of socio economic wellbeing of the country.

But to realise the potential of these schemes, a nation-wide integration is important and the recent revolution of digitization, truly holds the key to 'effective' and 'efficient' utilization of technology to bring the excluded groups back into the mainstream; securing to its citizens, the equality of status and opportunity in real sense.

Conditions under which economic growth might be 'pro-poor'

- One, when growth is 'pro-poor' – if the incomes of poor people grow faster than those of the population as a whole, i.e., inequality declines.
- Two, growth should be considered to be pro-poor as long as poor people also benefit in absolute terms, as reflected in some agreed poverty measure.

Figure 1: Pareto Optimal and Pro-poor Growth



As we can observe in above figure (fig 1) which depicts the share of GDP for the richest 30% population on the vertical axis and that for the poorest 30% of population on the horizontal axis.

Potential benefits of a Pareto optimal growth strategy may be viewed to fall anywhere within the space bounded by the points BAC.

Case 1: Larger share of the benefit going to the rich

- Movement from point A to point B in Year 1 represents a situation in which economic growth has raised the GDP share of the rich population, without making the poor any worse off.

Case 2: Larger share of the benefit going to the poor

- Movement from point A to point C depicts the case in which the benefits of 'new growth' have raised the plight of the poor, but without making the rich any worse off.

Case 3: Benefit is equally distributed

- Any point situated on the 45 degree line would make the rich and the poor equally better off by dividing the benefits of growth equally between the two groups.

Therefore, from the figure any point lying in the blue triangle would depict the larger share of the benefit going to the rich, just as any point in the unshaded triangle would depict the larger share of benefits accruing to the poor.

Need for Inclusive Growth in India:

Many intellectuals and government executives accentuated that inclusive growth is required for sustainable development and impartial distribution of wealth. For India, it is a tough task to accomplish inclusive growth.

In a democratic country India, majority of population living in rural India and to bringing them into the mainstream is main concern. The challenge for Indian government is to take the levels of growth to all section of the society and to all parts of the country. The best way to realize inclusive growth is through developing people's talents.

It is said by government authorities that a multidimensional approach towards education and skills development is essential to achieve growth. The challenge of skills shortage can be addressed through public private partnership. Since independence, noteworthy improvement in India's economic and social development made the nation to grow strongly in the 21st century. The following factors enable the India to focus on inclusive growth.

1. India is the 7th major country by area and 2nd by population. It is the 12th largest economy at market exchange rate. Yet, development is not visible in India and it's the neighborhood nation, i.e., China is progressing at speedy rate.
2. The exclusion in terms of low agriculture growth, low quality employment growth, low human development, rural-urban divides, gender and socialite qualities, and regional disparities etc. are the problems for the nation.
3. Decreasing of poverty and other disparities and raising of economic growth are major 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 politicians in India have a very low level of scientific literacy.
5. Studies assessed that the cost of corruption in India amounts to over 10% of GDP. Corruption is one of the ills that prevent inclusive growth.

6. Though 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 their lives are spoiled to labour work.
7. Literacy levels have to rise to provide the skilled workforce required for higher growth.
8. Economic improvements in the country are overwhelmed by out dated philosophies and allegations by the politicians and opposition parties in India.
9. 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.
10. Inclusiveness benchmarked against achievement of monitor-able targets related to

    i. Income & Poverty
    ii. Education
    iii. Health
    iv. Women & children,
    v. Infrastructure
    vi. Environment
11. At global scale, there is a concern about dissimilarities and exclusion and now they are also taking about inclusive approach for development.

Elements of Inclusive Growth:

Major components of the inclusive growth strategy included a sharp upsurge 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.

There are several interrelated elements of inclusive growth:

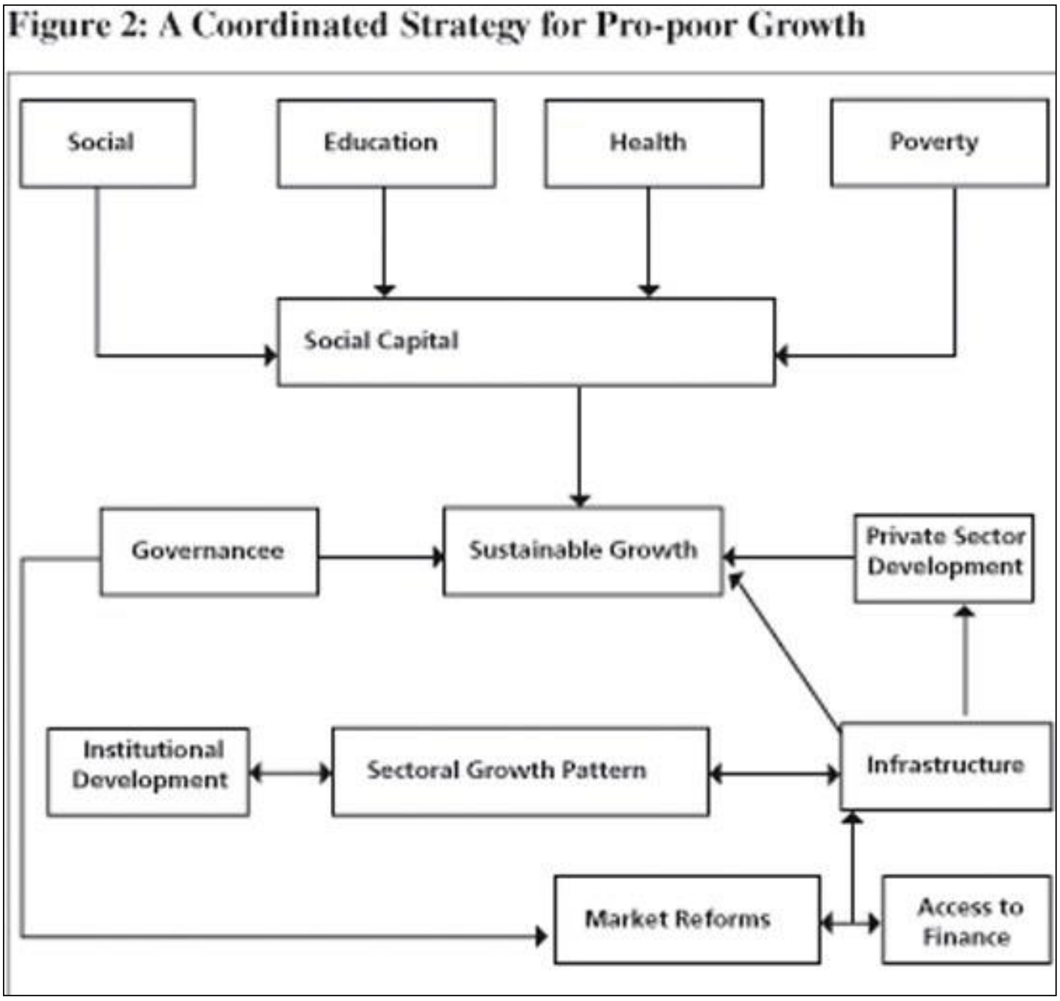
1. Poverty Reduction and Employment generation (includes increasing in quantity & quality of employment).
2. Agriculture Development
3. Social Sector Development
4. Reduction in regional disparities
5. Protecting the environment

Challenges of Inclusive Growth in India

'India' is expanding business at global scale. The economy growing at a remarkable rate, combined with a booming democracy is making people sit up and take notice across the world. Still, India is far from reaching its true potential. The country remains shackled in dishonesty, red tape, traditional social hurdles and a bewildering lack of transparency. It is witnessed that growth is not uniform across sectors and large cross-sections of the population remain outside its purview.

Numerous social, political and economic factors need to be tackled for sustaining a high rate of growth, as well as to make this growth inclusive. Indian society has to seriously introspect major issues such as eradication of child labour, women empowerment, removal of caste barriers and an improvement in work culture. Tackling corruption in high places, removing the ills of the electoral system, snubbing politics of agitations and keeping national interest above petty politics may not be too much to ask to the country's policy makers.

In order to accomplish major objectives for progression Indian government must focus on 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.



The social limits of Indian democratic politics:

In top business person around the globe, many Indian entrepreneurs are listed but the sarcasm still remains that there is a marginal farmer in many states of India who is struggling to feed his five children, the youngest of whom is a son, uneducated and unemployed, and the farmer cannot afford her daughter's marriage. There are jobs escalating in the IT sector in big cities like Bangalore and Hyderabad, disposable income for the 'Call Centre' crowd, that is spurring on the foray of several luxury goods never before seen in the nation, is becoming all the more accessible but the poor are still poor even though the rich have become super rich and the previously not so rich.

The growth is far from inclusive in India. There is worst condition in country. Many beggars are found on the streets, and there are reports for farmer suicides in states like Maharashtra. People understand their dilemma and they even sympathize and empathize with them.

Overcoming difficulties to rural growth and urban transformation can escalate growth. People living in cities earn far more than those dwelling in rural areas. The majority of them lives below poverty levels is undernourished and just survives. It is this population, very nearly forgotten by the power brokers, who need to be brought into the development scheme. They must be given the option of living and working on jobs in non-agricultural sectors, jobs that guarantee the basic subsistence for themselves and their families. Simply transferring resources from one head to another, which has been done, cosmetically sometimes, by politicians has not changed much. The reality remains that the fund is limited. Even if national funds distribution is perfect, it will not reduce poverty level in country.

Every leading industrialized economy in the world has followed a path which began with agriculture being the major source of income for the mainstream of the population and ended with agricultural occupation being a very small fraction of the total labour force. For economic development, agriculture growth is necessarily be two-fold. One, experts have to develop villages, improve agriculture and agro-industries and infrastructure in rural India. Secondly, it is imperative to empower the rural people and give them new opportunities and provide jobs outside villages and agriculture. As India develops, the intervention of Government in people's lives must come down. It is necessary that **Government officials must change their mind set from overseas masters to facilitators**. It is well observed that corruption is wide spread in the country. It is weakening the economic status of India. Though effective schemes and plans are device with extravagant aims and claims of potential success equally extravagant to garner the support of the upset public, but they are of no use unless the delivery systems are improved considerably. That would require a truly massive effort from changing the working style of administration, tackling corruption to involving the private sector fully in the development process.

In India, government devised effective policies and making sustained effort to improve the life style of those living below the poverty line and to streamline delivery systems so as to ensure that the benefits reach the intended beneficiaries. It was said by authorities that 'Inclusive Growth, is a challenges for Corporate India'. This was especially timely since the media, both print and electronic, have hardly been sensitive to this issue, taken up as they are by stories of mega mergers, super rich tycoons, and eyeing corporate sponsorships.

In Indian system, it is realized that corruption is prevalent in the highest offices and it persist into even the most unimportant of day to day activities. Bureaucrats, politicians and entrepreneurs want to become rich at any cost. Corruption is ill practice and considerably avert inclusive growth instead of enabling the rich to get richer and keeping the poor to poorer. Corruption works like an exchange with gains for both the people giving as well as the people accepting and is therefore as much a crime committed by the givers as it is by the takers. Bureaucrats in India may be mercenary, but the private sector is also to be blamed for its complicity. It is on this class that the responsibility lies to be responsible and refuse to be a part of corruption. Legislation enabling seizure of properties of public servants convicted of corruption is yet to be passed. Politicians in India also involved in corrupt practices to get elected and are even sought after at public and social functions. The strategy to tackle corruption must necessarily be multi-pronged at the legal level, the enforcement level, as well as at the educational and social levels. Efforts at inclusiveness of society are predestined to failure unless more than just a semblance of attention is brought about on the corruption front.

Important mechanism to deal with the corruption issue is to bring about greater transparency, both in the policy making and in the delivery systems. The Right to Information Act was a great step in this direction. Governments have been defensive in their thinking. They have failed to give full flow to the intentions of the framers of this Act. Information Commissioners, who have been appointed so far, both at the Central Government level, as well as at the State Government levels, have mostly been of the retired bureaucrats. There is need to balance out the Information Courts with the addition of people from other social and professional categories, be they prominent journalists or social activists or those distinguishing themselves in the non-governmental social organizations. Greater transparency will bring greater accountability, and hopefully a much larger percentage of money would eventually reach the intended beneficiaries of Government schemes. Corruption is one, of the most significant, but there are several other problems that need to be overcome and problems that need to be tackled.

There are many social causes of exclusivity. When talking about inclusive growth, a major factor to be scrutinized is the socio-economic inclusiveness of the people. Inclusive growth being a long term process necessarily originates from the inclusive nature of socio-economic development across regions and people. As per the **WEF's 'Inclusive Growth and Development Report 2017'**, India has been ranked 60th among 79 developing economies, below neighbouring China and Pakistan, in the inclusive development index.

There will be no growth inclusive unless it takes satisfactory care of women and children. Child labour, despite several of laws and India's commitments at the ILO, is still unfortunately very much predominant. Child labour has been banned by law in India and there are severe provisions to dissuade this callous practice. But companies ignore laws and involve children to work for high productivity. Millions of young children continue to work in roadside eateries, glass factories, carpet looms or sweeping and cooking in homes in violation of the Child Labour (Prohibition and Regulation) Act. Failure to implement the law and poor rehabilitation policies need urgent attention. Though an increase in the number of officials and labour inspectors is called for, together with imparting better training and instilling greater sensitivity in them but, there is a need to lessen poverty which is the main reason driving parents into pushing their young children to work instead of sending them to schools. This major problem is one of the main challenges to resolve while discussing inclusive growth. The country's philosophy needs to change to end practice of child labour, together with a strong political and bureaucratic commitment for eradicating child labour. There is a need to attract children from poverty stricken families to schools. Mid-day meal schemes of Governments gain partial success. Again, however, lack of transparency has ensured that funds and rations are embezzled and misused.

Literacy levels have to rise to provide the skilled workforce required for higher growth. India has large number of scientists, engineers and doctors in the world, but their potentials are realized as majority of its vast population. A majority of its population is still trickled in superstition. The caste system is another curse of Indian society. To reform education and health sectors, government must have to take bold steps for higher allocations for education and the social sectors along with visionary social and political leadership. This can overlay the way for reforms in these sectors. The Government of India focuses on social security as part of its inclusive growth programme. It introduced a law in parliament to provide social security to unorganized labour. Such social schemes deserve strong support and would go a long way in making inclusive growth a reality.

For inclusive growth, a peaceful and stable environment is a must. Currently, it is observed that in India, many demonstrations, agitations and 'bandhs' (forcible closure of shops, offices & transport) are going on. For the slightest pretext, trains are stopped, buses and private vehicles burnt and offices and business establishments powerfully closed. This leads to unconceivable loss of man hours and economic output, besides loss of confidence of the outside world for making investments. In this context, officials need to initiate proper reforms in the criminal justice system, especially in the police. The Supreme Court has time and again reminded the Government of the need to reform the police force. Some outdated laws must be revived for glorious inclusive growth. The Police force needs to be made more responsive and accountable. It should not work under corrupt politicians but responsible to the law of the land. After such reforms, government can provide a secure atmosphere for economic activity to prosper and remove earlier weaknesses towards inclusiveness.

Inclusive growth has been the strategic pillar of 12th five year plan, titled 'Faster, Sustainable and More Inclusive Growth'. The progress towards inclusiveness is more problematic to assess, because inclusiveness is a multidimensional concept.

Several measures are outlined to strengthen the sources of inclusive growth. The main thrust of inclusive growth strategies has to be on the following key areas: (i) employment and growth in agriculture; (ii) increased public expenditure on education and health; (iii) improved infrastructure; and (iv) more effective governance at all levels.

Inclusive growth has many positive aspects:

- Lower incidence of poverty.
- Broad-based and significant improvement in health outcomes.

- Universal access for children to school.
- Increased access to higher education and improved standards of education, including skill development.
- Better opportunities for both wage employment and livelihood.
- Improvement in provision of basic amenities like water, electricity, roads, sanitation and housing.

For good inclusive growth there is a need of the SC/ST and OBC population. Women and children comprise for 70% of the population and deserve special attention in terms of the reach of relevant schemes in many sectors. Physically challenged / minorities and other excluded groups also need special programmes to bring them into the mainstream. To accomplish inclusiveness in all these dimensions requires multiple interventions, and success depends not only on introducing new policies and government programmes, but on institutional and attitudinal changes. System is continually changing. It is encouraging to observe that planners become conscious of the need for inclusive development. The twelfth five year plan is titled **'Faster, Sustainable, and More Inclusive Growth'**. It reveals the need to make growth more inclusive in terms of benefits flowing through more employment and income to those sections of society which have been left out of the economic growth witnessed in recent years.

Employment and Inclusive Growth in India: Emerging Pattern and Perspectives

Introduction:

India has witnessed a high growth rate of over 6 per cent per annum during the three decades or so from early 1990s to 2012. Due to both international as well as domestic factors, the growth rates along with savings and investment rates considerably slowed down for two years thereafter. Now it seems that the economy is well on the path of recovery and the growth rate has shown acceleration. In fact, as per the new methods of national accounts estimation, India with a growth rate of around 7 per cent is the fastest growing large economy in the world surpassing China which has witnessed a slowdown. With decline in population growth rate from around 2.5 per cent in 1980s to 1.5 per cent at present, this has resulted in a sustained increase in per capita income in the country. Consequently, there has been considerable decline in the incidence of poverty as well as improvement in other indicators of wellbeing such as education and health. Notwithstanding these achievements, poverty is still widespread and employment has grown slower than the earlier periods with increasing informalisation.

Informalisation of Employment, 'Working Poor' and Exclusion

India is among those countries in the world where informalisation of workforce is one of the highest – in 2011-12, only 18 per cent of the workforce was regular in formal sector out of which only around 7.5 per cent was with regular formal employment with social security.

Over the years, even in the formal sector, the share of informal workers such as casual and contract workers have been increasing and now it stands at around 58 per cent. Apart from having no social protection, most of these informal workers have low earnings and low labour productivity. As such, although the incidence of poverty has declined, still its level is unacceptably high.

The India Labour and Employment Report 2014 (Institute for Human Development, 2014) has estimated that as per the current official poverty line (equivalent to about $ 1.25 PPP), one-fourth of the Indian workers are poor. If the current poverty line is enhanced to about $ 2 (PPP), nearly 58 per cent of the workers would be poor. On the other hand, the overall open chronic employment rate is only around 3 per cent in the country and even on daily basis, the rate goes up only to around 6 per cent. This implies that more than unemployment, low earnings of the majority of workers in the informal employment, the so-called 'working poor', is the crux of the problem.

There are some other important concerns also which indicate that the high growth in India has not been inclusive. First, the concentration of good employment in the formal sector in some regions. The central and eastern regions with high concentration of tribals and other vulnerable groups and accounting for about 48 per cent of the population account for only 27 per cent of all organized private sector jobs of the country. On the other hand, the southern, western and northern regions with 49 per cent of country's population account for close to three fourth of all private sector jobs. The regional exclusion in the process of high growth is thus, a matter of real concern.

The unequal access of women to employment and discrimination in the labour market poses yet another challenge. Much larger proportion of women workers are engaged in low productive and less remunerative activities than their male counterparts. Discounting for the educational enrolments and the substitution effect due to rising incomes, an important reason for the declining participation of women in work is the lack of appropriate employment opportunities for them. In the wake of rising educational enrolments, coming years will witness a big surge in the number of educated women. The educated young female unemployment rate in the country is 23 per cent which is double than the corresponding rate for males. Thus, the challenge for creating suitable employment opportunities for the ongoing youth bulge is likely to accumulate sharply in future and is much more daunting for females, who, unlike most of the males, are unable to migrate freely in search of jobs due to patriarchal nature of the society.

Addressing the Problem

Thus, although India has been able to make significant dent in absolute poverty, which is just at a subsistence level, it has not been very successful in creating sufficient quality employment. Addressing the challenge of devising appropriate strategies and policies for employment-intensive inclusive growth is indeed a very formidable challenge before the country. There is no doubt that sustained growth is necessary for attacking unemployment, underemployment and poverty. But at the same time, it is not sufficient. More important in this context is reorienting and restructuring the growth process. The appropriate macroeconomic policy in combination with monetary and fiscal policy can play an important role in this regard. The employment goals should be included in the country's macroeconomic and fiscal policies. Similarly, the backward regions should be an important focus of these policies by suitable investment, and other incentive mechanisms. It will be naïve to expect that market-led growth process will correct these imbalances. For this, an active state intervention with robust and appropriate macroeconomic policies and strategies is absolutely necessary. The low level as well as poor quality of education and skills in the country is an important factor behind the low earnings and poor productivity of the workers. And hence, large investments in human capital by the state, particularly education, skills and health, are important. The backward regions are considerably lagging behind the relatively advanced states in terms of most of the physical infrastructure. Thus, as a whole it is absolutely necessary that the process of growth is reoriented so as to take care of the disadvantaged groups and regions so as to create better jobs. This is not important only for arresting exclusion and creation of jobs, but also for the very sustainability of growth.

Creating Employment through Skill Development

- **MUDRA Bank**

Micro Units Development Refinance Agency (MUDRA) Bank, was created in the Budget to encourage entrepreneurs to set up micro units. The Bank will refinance Micro-Finance Institutions through a **Pradhan Mantri Mudra Yojana** and will have a corpus of Rs 20,000 crore, and credit guarantee corpus of Rs 3,000 crore. Priority to be given to SC/ST enterprises while lending. There are some 5.77 crore small business units, mostly individual proprietorship, which run small manufacturing, trading or service businesses. 62 per cent of these are owned by SC/ST/OBC. These bottom-of-the-pyramids, hard-working entrepreneurs find it difficult, if not impossible, to access formal systems of credit. These measures will greatly increase the confidence of young, educated or skilled workers who will now be able to aspire to become first generation entrepreneurs. Existing small businesses, too, will be able to expand their activities.

- **Deen Dayal Upadhyay Gramin Kaushal Yojana**

Deen Dayal Upadhyay Gramin Kaushal Yojana launched to cater to rural youth employment opportunities. Rs 1,500 crore have been set apart for this scheme. Disbursement will be through a digital voucher directly into qualified student's bank account. With rural population still forming close to 70 per cent of India's population, enhancing the employability of rural youth is the key to unlocking India's demographic dividend.

❖ **Pradhan Mantri Vidya Lakshmi Karyakram**

With a view to enable all poor and middle class students to pursue higher education of their choice without any constraint of funds, a fully IT based Student Financial Aid Authority to administer and monitor Scholarship as well Educational Loan Schemes, through the **Pradhan Mantri Vidya Lakshmi Karyakram** is proposed to be set up. This will ensure that no student misses out on higher education for lack of funds.

❖ **SETU**

India has a well-regarded and world-class IT industry with revenues of about US$ 150 billion, over US$ 100 billion of exports, employing nearly 40 lakh people directly. "We are now seeing a growing interest in start-ups. Experimenting in cutting edge technologies, creating value out of ideas and initiatives and converting them into scalable enterprises and businesses is at the core of our strategy for engaging our youth and for inclusive and sustainable growth of the country" the Finance Minister had said in his budget speech. With this objective, Government has established a mechanism to be known as **SETU (Self Employment and Talent Utilization)**. SETU is be a Techno Financial, Incubation and Facilitation Programme to support all aspects of start-up businesses, and other self-employment activities, particularly in technology-driven areas, with an initial funding of Rs 1,000 crore initially in NITI Aayog for this purpose.

❖ **Skill Development**

Atal Innovation Mission (AIM) has been established in NITI. AIM will be an Innovation Promotion Platform involving academics, entrepreneurs, and researchers and draw upon national and international experiences to foster a culture of innovation, R&D and scientific research in India. The platform will also promote a network of world-class innovation hubs and Grand Challenges for India. Initially, a sum of Rs 150 crore will be earmarked for this purpose.

The Role of Special Employment Programmes

Since the mid-1970s, India has been relying on a number of special employment generation and poverty alleviation programmes, introduced from time to time, to take care of the vulnerable sections of the people who have been left behind by the growth process. These targeted programmes fall into two broad categories: **self-employment programmes** and **wage employment programmes**.

Self-Employment Programmes

All rural self-employment programmes were integrated into the **Swarna Jayanti Swarozgar Yojana (SGSY)** in 1999. The SGSY focused on micro-enterprise development by providing assistance for income generating assets through a mix of bank credit and government subsidy. It laid emphasis on social mobilization through the formation of self-help groups and their capacity building. It also incorporated various other aspects like the planning of activity clusters, build-up of infrastructure and technology, training and marketing and also emphasised the weaker sections.

The lessons of implementation of self-employment programmes under the SGSY showed that for poor households with negligible or low levels of education, meagre assets and dependence on seasonal low wage employment, one of the major hurdles in moving towards self-employment is the lack of not only adequate financial resources but also skills and capacity, and sustained institutional support.

Learning from the limitations of the SGSY, the government restructured the programme as the **National Rural Livelihood Mission, renamed as 'Aajeevika' (livelihood)**, which was formally launched in 2011 (MoRD, 2012). Aajeevika focused on building strong institutions for the poor into SHGs, their federations and livelihoods collectives at the village, block, district and state levels. It aimed at promoting the larger participation of marginalized groups by ensuring their inclusion. Training and skill development were also accorded renewed priority (MoRD, 2012).

The government launched a credit linked Central scheme, namely the **Prime Minister's Employment Generation Programme (PMEGP)** in August 2008 for generating self-employment opportunities in both rural and urban areas. Entrepreneurship development was an important aspect of this self-employment scheme. Its evaluation shows that there is a big gap in the demand and supply of credit for the scheme.

On the whole, the self-employment programmes have had a very limited impact on livelihoods and employment, and the amount of expenditure has been much less as compared to the overall requirements of those looking for such support. Further, the amount per beneficiary has also been meager, except in the case of PMEGP. The incidence of red-tapism by banks as well as the administrative machinery has been the other factors often cited for the poor performance of these programmes. Wherever these bottlenecks have been overcome, the results have been better as in the case of the **Kudumbashree programme in Kerala and SHGs in Andhra Pradesh.**

Wage Employment Programmes

There was a major shift in the provision of rural wage employment as a programme to that of a right through the enactment of the **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)** in 2005. It provided for a legally backed employment provision, guaranteeing 100 days of wage employment on demand at statutory minimum wages, to people in all the rural areas of the country. It also aimed at creating durable assets and strengthening of a rural livelihood resource base of the rural poor. The fact that Panchayati Raj Institutions (PRIs) are envisaged to implement the scheme was seen as a major step towards the empowerment of the panchayats and local communities. Further, the fact that it would mobilize a large mass of the rural population in an organized manner to secure their rights to employment was seen as a great opportunity for the social and economic empowerment of weaker sections like dalits and women. Various evaluation studies of the Scheme indicated that it had significantly improved the wage income levels of rural households and also reduced considerably the distress migration.

As a programme of self-selection, MGNREGA reached a wide category of workers, including landless labourers, small and marginal farmers, and the SC and ST population. These are the groups that are most vulnerable to poverty and deprivation, and their participation in the programme contributed to an improvement in both their employment as well as living conditions.

Although there are regional variations, overall, there has been a very high demand for work under MGNREGA, with workers often demanding work for more than the 100 days of work per household, as stipulated under the scheme. The local government machinery appears to be lagging behind in providing work for various reasons, including lack of technical and managerial capability. However, the workers look for regularity, continuity and predictability in the work available under the scheme. In states like Andhra Pradesh, wherein both the regularity of work and a large duration of work are ensured by adjusting the

MGNREGA work to the agricultural lean season, the performance of the scheme is better than in other states where these provisions are not ensured. This enables the workers to adjust their employment calendar accordingly, in order to garner the maximum advantage from both agricultural work and public works. However, in states like Bihar and Rajasthan, there is still an overlap of MGNREGS works and agricultural season, and the net result is often a shortage of the overall in-site number of work-days, thereby resulting in workers migrating for work during the lean agricultural season. The lack of capacity of the PRIs, and of the associated personnel, as also the shortage of technical staff have often been found to be the major factors responsible for the poor performance of the MGNREGA in several states, particularly in the north. It has also been pointed out that not much attention has been paid to the creation of assets in the programme, and that the target of meeting the stipulated expenditure has been single-mindedly pursued. Notwithstanding these limitations, this programme is much more successful than all its predecessors. At the same time, it is widely felt that MGNREGA cannot be implemented for a long time unless it is firmly integrated with the ongoing development programme, including skills and training.

There have been a few urban poverty alleviation and employment programmes with the aim to provide gainful employment to the urban unemployed or under-employed by encouraging the setting up of self-employment ventures or the provision of wage employment.

Swarna Jayanti Shahari Rozgar Yojana (SJRY) consisting of two major components, namely urban self-employment programme (USEP), and urban wage employment programme (UWEP), has been the most important. Under USEP, the urban poor are given assistance for setting up their enterprises. The UWEP provides wage employment to prospective below poverty line beneficiaries within the jurisdiction of urban local bodies by utilizing their labour for the construction of socially and economically useful public assets. So far, however, this programme does not seem to be a visible programme for targeting the urban underemployed and unemployed. Apart from institutional and implementationrelated bottlenecks, the major reason for this has been its limited coverage.

Special Employment Programmes: Overall Assessment

An assessment of the overall performance of the direct employment generation programmes indicates that except MGNREGA, all the other programmes have had a rather limited impact, primarily because of the miniscule nature of their interventions, while the universal nature of MGNREGA has naturally scaled up its coverage and impact.

The other cited reasons for the limited impact of these direct programmes have been the weak capacity of the implementation machinery, shortcomings in design and lack of coordination among various agencies, leakages leading to corruption, lack of awareness among the beneficiaries, and non-synergy with other development programmes. Nevertheless, the impacts of the programmes vary considerably across regions. Most of these programmes have been generally better implemented in the southern states than in the northern ones.

A pertinent question that is often asked relates to the proper balance between development programmes and direct employment generation programmes in the development process. Ideally, such programmes should be reduced gradually when the poverty level declines and labour markets get tightened due to the growth process and as such, they should not be seen as permanent features.

However, in the current phase of development of the country, wherein widespread poverty still prevails, there is reason to continue these programmes at least for the next five years or so after which they can be evaluated. The larger question concerns finding ways to make them effective by linking them with the infrastructural development programmes so that they can contribute to the growth process. Strict monitoring and evaluation should be an integral component of the implementation plan of these programmes, and they should be restricted and redesigned whenever required.

It is also important to highlight that the performance of these programmes should not be judged only from the economic impacts but non-economic ones. The large amount of money spent through these programmes, particularly in rural areas, has contributed to the enhancement of effective demand. The PRIs have also been gradually strengthened with these programmes. The programmes like MGNREGA have considerably helped in even unionization of the rural poor and awareness about their rights.

Conclusion

The employment-intensive pro-poor growth strategy and the improved and reoriented employment generation programmes will go a long way in achieving social inclusion. But even then given the nature of political economy and functioning of the market, vulnerabilities and exclusions, although declining, are likely to persist. And hence, the state has to play an active role by some other effective measures.

The most important measure to address them will be providing a minimum level of social protection which can take care of their unemployment, illness, old age and similar such contingencies. Only around 10 per cent of the workers are covered by comprehensive social protection, largely belonging to the formal sector.

In recent years, a number of schemes such as old age pensions, maternity benefits, health insurance, etc. have been launched by the government. Apart from meager amount of benefits, the major limitation of these schemes is inclusion and exclusion errors due to the nature of targeting. The division of people between 'below poverty line' and 'above poverty line' is extremely defective. That is why only a universal social protection scheme, albeit excluding the easily identified better off groups, which provides some basic minimum will go a long way in attacking vulnerability and exclusion in the country.

The results of the socioeconomic caste census combined with Aadhar mechanism will considerably help in strengthening the effectiveness of the social protection system. The country can very well afford this minimum package of social protection for the poor and in fact, it is a must not only for inclusion and justice, but also for achieving sustained growth.

IASbaba recommends you to read 12th Five Year Plan Document:

http://planningcommission.gov.in/plans/planrel/12thplan/pdf/12fyp_vol1.pdf