



# Inclusive Growth

## Introduction

- Inclusive growth means economic growth that creates employment opportunities and helps in reducing poverty.
- It means having access to essential services in health and education by the poor. It includes providing equality of opportunity, empowering people through education and skill development.
- It also encompasses a growth process that is environment friendly growth, aims for good governance and helps in creation of a gender sensitive society.
- As per OECD (Organisation for Economic Co-operation and Development), inclusive growth is economic growth that is distributed fairly across society and creates opportunities for all.

## Elements of Inclusive Growth

### Skill Development

- Harnessing the demographic dividend will depend upon the employability of the working age population, their health, education, vocational training and skills. Skill development plays a key role here.
- India is facing a dual challenge in skill development:
  - First, there is a paucity of highly trained workforce
  - Second, there is non-employment of conventionally trained youths
- According to the Economic Survey 2017, over 30% of youth in India are NEET (Not in education, employment or training).
- Similarly, UNICEF 2019 reports stats that at least 47% of Indian youth are not on track to have the education and skills necessary for employment in 2030.

### Financial Inclusion

- Financial Inclusion is the process of ensuring access to financial services to vulnerable groups at affordable costs.
- Financial inclusion is necessary for inclusive growth as it leads to the culture of saving, which initiates a virtuous cycle of economic development.

### Technological Advancement

- The world is moving towards an era of **Industrial Revolution 4.0**. These technological advancements have capabilities to both decrease or increase the inequality depending on the way these are being used.
- Several initiatives have been taken by the government, eg. Digital India Mission, so that a digitally literate population can leverage technology for endless possibilities.
- Technology can help to combat other challenges too, eg:
  - **Agriculture**- Modern technology can help in making an agro-value chain from farmer to consumer more efficient and competitive.
  - **Manufacturing**- Technology can resolve the problems of finance, procuring raw materials,

land, and linkages with the user market. GST was made possible only with the help of sound technology.

- **Education-** Innovative digital technologies can create new forms of adaptive and peer learning, increasing access to trainers and mentors, providing useful data in real-time.
- **Health-** Technologies could transform the delivery of public health services - extend care through remote health services
- **Governance-** Technology can cut down delays, corruption, and inefficiency in the delivery of a public service

## Economic Growth

- India is among the fastest-growing major economies in the world. However, currently Indian economy is facing slowdown due to both cyclic and structural challenges.
- However, the target of becoming a \$ 5 trillion economy by 2024-25 can allow India to reduce inequality, increase social expenditure and provide employment to all.

## Social Development

- It means the empowerment of all marginalised sections of the population like SC/ST/OBC/Minorities, women and transgenders.
- Empowerment can be done by improving institutions of the social structure i.e. hospitals especially primary care in the rural areas, schools, universities, etc.
- Investment in social structures will not only boost growth (by fiscal stimulus) but will also create a healthy and capable generation to handle future work.

## Challenges in Achieving Inclusive Growth

### Poverty

- As per the **Multidimensional Poverty Index (MPI) 2018**, India lifted 271 million people between 2005-06 and 2015-16, with the poorest regions, groups, and children, reducing poverty fastest. India demonstrates the clearest pro-poor pattern at the sub-national level.
- Still, despite the massive gains, 373 million Indians continue to experience acute deprivations. Additionally, 8.8% of the population lives in severe multidimensional poverty and 19.3% of the population are vulnerable to multidimensional poverty.

### Unemployment

- As per the **Periodic Labour Force Survey (PLFS) of NSSO**, the unemployment rate among the urban workforce was 7.8%, while the unemployment rate for the rural workforce was 5.3% totaling the total unemployment rate at 6.1%.
- The quality and quantity of employment in India are low due to illiteracy and due to over-dependence on agriculture.
- The quality of employment is a problem as more than 80% of people work in the informal sector without any social security.
- Low job growth is due to the following factors:
  - Low investment
  - Low capital utilization in industry
  - Low agriculture growth

### Agriculture Backwardness

- Around 44% of people in India have agriculture-related employment but its contribution to the Indian GDP is only 16.5% which lead to widespread poverty
- Issues in agriculture are as follows:
  - Declining per capita land availability
  - A slow reduction in the share of employment

- Low labour productivity
- Decline in agriculture yield due to climate change, land degradation and unavailability of water
- Disparities in growth across regions and crops

## Issues with Social Development

- Social development is one of the key concerns for inclusive growth. But it is facing some problems such as:
  - Significant regional, social and gender disparities
  - Low level and slow growth in public expenditure particularly in health and education
  - The poor quality delivery system
  - Social indicators are much lower for OBC, SC, ST, and Muslims
  - Malnutrition among the children - [India ranks 102<sup>nd</sup> in Global Hunger Index](#)

## Regional Disparities

- Regional disparities are a major concern for India. Factors like the caste system, gap between rich and poor etc. contribute to the regional disparities which create a system where some specific groups hold more privileges over others.
- Some of the regional disparities problems are as follow:
  - In terms of literacy rate, Kerala is the most literate state with 93.1% literacy, on the other hand, literacy rate of Bihar is only 63.82%
  - In terms of per capita income, Goa's per capita income is Rs 4,67,998 in 2018 while per capita income of Bihar is just one-tenth of that ie Rs 43,822

## Measuring Inclusive Growth

### Inclusive Development Index (IDI)

- In the Inclusive Development Index (IDI) compiled by the World Economic Forum (WEF), India ranked 62nd out of 74 emerging countries and was among the least inclusive countries in Group of 20 (G-20) countries.
- The IDI is based on the idea that most people base their country's growth not on GDP but by their own standard of living.
- It gives a measure of inequality based on three parameters: :
  - Growth and development
  - Inclusion
  - Inter-generational equity and sustainability.
- India also did not make it to the top 10 most inclusive emerging and developing economies, where its neighbours Nepal, China and Sri Lanka made a mark.
- India performed its best in terms of "intergenerational equity and sustainability", ranking 44<sup>th</sup>, for which credit can be attributed to its demographic dividend.

### Social Progress Index (SPI)

- It is an aggregate index of social and environmental indicators which includes the following:
  - Basic human need
  - Foundation of well being
  - Opportunity
- Limitation of other indices:
  - GDP: It does not include non-market activities.
    - Excludes factors like environment, equality, etc

- Gini Coefficient:
  - Only income inequalities are included and other inequalities like social inequality, equality of opportunities, etc are ignored.
- Gross Happiness Index:
  - Ignores gender neutrality, education, etc
- HDI:
  - The unequal distribution of wealth is ignored.
- Benefits of SPI:
  - SPI measures the outcomes of the government measures rather than money spent. It also takes account of efficiency by which money spent by the government has been used.
  - It is more comprehensive.

### Global Slavery Index

- It is released by the Walk Free Foundation of Australia.
- Modern Slavery means a situation where one person has taken away another person's freedom, to control their body so that they can be exploited.
- Factors responsible for modern slavery:
  - Absence of rights
  - Lack of physical safety
  - Access to necessities such as health care, education, food, etc
  - Pattern of migration
- Government actions to reduce modern slavery:
  - India has worked in the right direction by criminalizing trafficking, slavery, forced labor, child prostitution, and child marriage.

### Measures Taken India to Achieve Inclusive Growth

- Several schemes are being implemented by the government for inclusive growth which includes the following:
  - Mahatma Gandhi National Rural Employment Guarantee Act Scheme (MGNREGA)
  - Prime Minister's Employment Generation Programme (PMEGP)
  - Mudra Bank scheme
  - Pt. Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)
  - Deendayal Antyodaya Yojana- National Urban Livelihoods Mission (DAY-NULM)
  - Sarva Siksha Abhiyan (SSA)
  - National Rural Health Mission (NRHM)
  - Bharat Nirman
  - Swachh Bharat Mission
  - Mission Ayushman
  - Pradhan Mantri Jan Dhan Yojana
- Government is working with NGOs and International groupings in policy making eg:
  - DISHA Project is being implemented in partnership with UNDP for creating employment and entrepreneurship opportunities for women in India.
- NITI Aayog's Strategy for New India @75 has the following objectives for the inclusive growth:
  - To have a rapid growth, which reaches 9-10% by 2022-23, which is inclusive, clean, sustained and formalized.
  - To Leverage technology for inclusive, sustainable and participatory development by 2022-23.
  - To have an inclusive development in the cities to ensure that urban poor and slum dwellers

- including recent migrants can avail city services.
- To make schools more inclusive by addressing the barriers related to the physical environment (e.g. accessible toilets), admission procedures as well as curriculum design.
  - To make higher education more inclusive for the most vulnerable groups.
  - To provide quality ambulatory services for an inclusive package of diagnostic, curative, rehabilitative and palliative care, close to the people.
  - To prepare an inclusive policy framework with citizens at the center

**Note:**

- World Economic Forum has suggested 3 practical ways by which countries can boost social inclusion as well as economic growth:
  - First, **countries should increase public and private investment in their citizens' capabilities**, which is the most important way they can durably lift their rate of productivity growth.
  - Second, governments, together with employers' and workers' organizations, **should upgrade national rules and institutions relating to work**. These influence the quantity and distribution of job opportunities and compensation, and thus the level of purchasing power and aggregate demand within the economy.
  - Third, **countries should increase public and private investment in labor-intensive economic sectors** that generate wider benefits for society. These include sustainable water, energy, digital, and transport infrastructure, care sectors, the rural economy, and education and training.

**Conclusion**

- Indian government along with the state governments and local governments should continue to focus on eradicating poverty and achieving sustainable development in order to improve the lives of India's people.
- Through innovative partnerships with an international organization, civil societies, and private companies, inclusive and equitable growth can be targeted.
- Inclusive growth will help in the empowerment of vulnerable and marginalized populations, improve livelihoods, and augment skill-building for women.