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## **Prospects and Challenges of Inclusive Growth in India**

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*India is a developing country. Economic and social development of India made the nation to develop strongly in 21st century. It has extremely high potential for economic growth due to young demographic transition and huge size of consumer market, but economic growth in India is not uniform across sectors; and large cross-sections of the population remain outside its purview; in other words, economic growth of India is not inclusive. Several social, political and economic factors like corruption, gender inequality, regional disparities, poverty, low human resource development, low quality employment growth, low agriculture growth, environmental degradation need to be addressed for sustaining a high rate of growth, as well as to make this growth inclusive. GDP, purchasing power parity (PPP), young demographic transition, fastest growing service sector, FDI, current saving and investment pattern suggest that the economy is now at a point when it can achieve sustained and inclusive economic growth that has the potential to bring significant improvement in the lives of our people.*

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**Key words:** Inclusive Growth, Poverty reduction, GDP, Regional disparities, Gender inequalities, Sustainable development, Corruption

India is an agro-based developing nation where a large chunk of population depends upon agriculture for their livelihood. India is the seventh-largest economy in the world by nominal GDP and is the third-largest economy by purchasing power parity (PPP). Since the country has young population, therefore it has low dependency ratio which provides India a comparative advantage and a progressively lowering dependency ratio will result in improving our competitiveness. The average Indian age will be only 29 years old, compared

with 37 years in China and the United States, 45 years in Western Europe and 48 years in Japan in 2020. The long-term growth prospective of the economy of the country is moderately positive due to its juvenile population, correspondingly low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy. The Indian economy has the potential to become the world's third largest economy in the coming few years. In short-term, the growth prospective of the Indian economy is also good as according to the IMF, the Indian economy is the "bright spot" in the global landscape. Indian strength lies in telecommunication, information technology and other significant areas such as auto components, pharmaceuticals, chemicals, apparels and jewelry. India has the one of fastest growing service sector in the world with growth rate of above 9% annually since 2001, which contributed to 57% of GDP in 2012-13. India has capitalized its economy based on IT services; it is also the fastest-growing part of economy. The IT industry continues to be the contributor of largest private sector workforce in India. India is also the fourth largest start-up hub in the world with more than 3,100 technology start-ups in 2014-15.

India ranks second worldwide in farm output. Being an agro-based country, agriculture and allied sectors like forestry, logging, animal husbandry and fishing accounted for 17% of the GDP and employed 49% of the total workforce in 2014. The industry sector has held a constant share of its economic contribution of 26% in GDP in 2013-14 and employs 22% of the total workforce. The Indian automobile industry is one of the largest in the world with annual production of 21.48 million vehicles in 2013-14. Apart from this, India has \$600 billion worth of retail market in 2015 and is one of world's fastest growing E-Commerce markets. India is one of the world's largest diamonds and gem polishing and jewelry manufacturing hub as it is also one of the two largest consumers of gold. India has attracted foreign direct investment during the year 2011 and FDI inflow into India stood at \$36.5 billion which is 51.1% higher than 2010 figure of \$24.15 billion. India's economy has grown at an attractive pace over the last two decades as a result of wide-ranging structural reforms to open up the economy and make it more competitive. India is rich in human resource and it has a large pool of skilled managerial and technical expertise. The total size of the middle-class population in the country stands at 300 million and represents a growing consumer market.

### **Research Methodology and Objectives of Study:**

Paper is descriptive and analytical in nature. The present study is entirely based on secondary data and data were obtained from the various reports of World Bank and IMF,

different publications of Government of India, NSS Survey, various Economic Surveys and Internet. The data collected, tabulated was subjected to statistical analysis as per the objectives of the study. The key objectives of this paper are:

- To highlight concept and different elements of Inclusive Growth.
- To highlight the factors that encouraged the Inclusive Growth in India.
- To highlight the challenges before Inclusive Growth in India.
- To suggest certain measures which aids in achievement of Inclusive Growth in India.

### **Inclusive Growth and its Elements**

The inclusive growth is a strategy of economic development. Inclusive Growth creates economic opportunities along with ensuring equal access to all people of the country. Apart from addressing the issue of inequality, the inclusive growth may also make the poverty alleviation efforts more effective by explicitly creating productive economic opportunities for the poor as well as vulnerable sections of the society. The inclusive growth by encompassing the hitherto excluded population can result in several other benefits apart from growth in economy. The concept “Inclusion” should be expressed as a process of including the excluded as agents whose participation is significant in the very design of the development process, and not just simply as welfare targets of development programs. The inclusive growth approach takes a longer time perspective as it concentrates on productive employment rather than on direct income redistribution, as a means of increasing incomes for excluded groups. In the short run, governments could use income distribution schemes for attenuating the negative impacts on the poor of policies intended to jump start growth, but transfer schemes cannot be a solution in the long run and can even be problematic in the short run.

The main components of the inclusive growth strategy included a sharp increase in investment in rural areas, rural infrastructure and agriculture spurt in credit for farmers, increase in rural employment through a unique social safety net and severe increase in public spending on education and health care. The main interrelated elements of inclusive growth are shown in figure-1

**Figure -1**

**Main Elements of Inclusive Growth**



**Factors Encouraged for Inclusive Growth in India**

Economic and social development of India made the nation to develop strongly in the 21<sup>st</sup> century. The industrial sector has responded favorably to economic reforms and has shown that it is capable of competing in the global economy. Perceptions about India among global investors are very favorable. These developments suggest that the economy is now at a point when it can achieve sustained and inclusive economic growth that has the potential to bring significant improvement in the lives of our people. The following factors encouraged the country to concentrate more on inclusive growth-

- India is the 7<sup>th</sup> largest economy in terms of nominal GDP.
- India is the seventh largest country by geographical area and second largest by population in the world.
- India is the twelfth largest economy in the world at market exchange rate.
- India is the third-largest economy by purchasing power parity (PPP).
- Young demographic profile places India favorably in terms of manpower availability.
- Savings and investment rates have enhanced significantly

## **Challenges before Inclusive Growth in India**

Unprecedented growth has been experienced in most part of the globe including India during last few decades. Unfortunately, such growth has not resulted in improving the life of all. Despite reduction in poverty in India, other socio-economic factors like unemployment, malnourishment, lack of proper sanitation and clean water, high infant mortality rate do clearly indicate that a large part of the population have been deprived of the opportunities in sharing the positives of the growth. This type of situations is surely unsustainable and is posing a great challenge to generate inclusive and sustainable growth. Table -1 is showing status of various socio-economic indicators to showing disparities in India.

**Table -1**

### **Status of Socio-Economic Indicators in 2012 to showing Disparities**

<b>Socio-economic Indicators</b>	<b>Average of India</b>	<b>Best State</b>	<b>Worst State</b>
<b>Per capita NNP</b>	11799	16679	3557
<b>Consumption Poverty</b>	27.8	5.2	46.5
<b>Literacy male (age 7+)</b>	75.3	94.2	59.7
<b>Literacy female (age 7+)</b>	53.7	87.7	33.1
<b>Child sex ratio (0-6years olds)</b>	927	975	793
<b>Infant mortality rate per 1000 births(in 2003)</b>	60	11	83

*Source: Various Reports of Government of India*

Inclusive growth is necessary for sustainable development, reduction in regional disparities and equitable distribution of wealth and prosperity. The best way to achieve inclusive growth is through developing people's skills by increasing literacy levels and human resource development. Achievement of inclusive growth is a biggest challenge for a country like India as there are many disparities. In a democratic country like India, bringing 600 million people living in rural and undeveloped areas into the mainstream is the major concern. The main challenges are to take the levels of growth to all sections of the society and to all parts of the country are given below in figure -2

**Figure -2**  
**Challenges before Inclusive Growth in India**



Agriculture has grown very slowly from the Ninth Five Year Plan onwards and this has widened the rural–urban disparities and also contributed to the severe distress in rural areas in some regions. Total employment in the economy has improved in recent years, but the labor force has grown even faster, leading to an increase in the unemployment rate. Despite organized sector firms may be increasing their informal employment, but permanent employment in the organized sector has declined. The economic growth across regions has also not been balanced, with some of the most backward areas yet to experience any significant growth. The delivery of essential social services at the grass roots level is also poor and this is a major causal factor in unequal development. Higher levels of human development can be achieved even with the given structure of the economy, if only the delivery system of these essential social services is improved. A major weakness in the Indian economy is that the growth is not perceived as being sufficiently inclusive for SCs, STs, minorities and other vulnerable sections. Gender inequality also remains a prevalent problem and some of the structural changes taking place have an adverse effect on women. The lack of inclusiveness is borne out by data on several dimensions of poor performance. The percentage of the population below the official poverty line is 28% in 2004–05 and the rate of decline in poverty has not accelerated along with the growth in GDP. Other indicators of hardship suggest that the proportion of the population deprived of a minimum level of living is much higher. Indicators of human development such as literacy & education, and maternal & infant mortality rates show steady improvement, but they also suggest that

the progress is slow. Corruption is main obstructer in rapid and inclusive growth. Corruption not only reduces the pace of economic growth but also obstructs equality of opportunity among all people of India. Indian economic growth and development leads to environmental degradation. Unsustainable development is deteriorating quality of life. It increases pollution in environment. Environmental pollution leads to loss of biodiversity, and in the shrinking habitats of wild animals. This degradation of natural resources reduces the well-being of people, and the poor and women suffer more, as they depend much more on natural resources.

### **Suggestions for Achieving Inclusive Growth in India**

India has the potential of developing into a leading economy and has the unique opportunity to make that growth inclusive, provided there is willingness on the part of all sections of society including vulnerable and woman to put in hard and disciplined work together with serious, sustained and purposeful planning. There is a need to build up India's potential by better governance, more and better educational institutions, increasing agricultural productivity; controlling inflation and improvement in infrastructure as they are some of the major steps required in this direction.

Growth rate and GDP of India is increased in few years but economic growth is not inclusive because a majority of the rural population had remained outside the purview of the increase in national GDP. India still has a majority stake in almost every essential sector e.g., health, sanitation and water. There is a need to take more social responsibility and contribute towards making growth more inclusive.

Education is extremely important for improving the skill levels of the population so that everyone can get an equal opportunity and become equal partner in the country's growth. More and better number of new universities, schools and technical institutes should be created. Inflation is the most, severely limiting inclusiveness of growth because it more severely affects poor men. Poverty is main obstructer in inclusive growth, so reduction in poverty and an expansion in economic opportunities for all sections of the population are necessary for inclusive growth of country. Inclusive Growth balanced to quantity & quality of employment in the industrial and services sectors leads to shift of the labor force agriculture to industrial and services sectors where they can provide higher real incomes per head. This accompanied by efforts to improve the income-earning opportunities of those who remain in agriculture by raising land productivity which in turn agricultural growth. Some suggestions for achieving inclusive growth in India are-

- For reducing income disparities, subsidies are only given to the lowest income people and not special groups of people.
- Motivating people to invest in their own skills and future incomes.
- Keeping the ratio of public debt to GDP (Gross Domestic Product) under control by limiting liabilities.
- Aligning responsibilities and resources among state levels government.
- Increase in quantity and quality of employment and use maximum young demographic transition of India.
- Improving social security, social justice and empowerment.
- Improving the sectors of health, sanitation and water.
- Minimize the environmental degradation and development should be in sustainable manner.
- Control over Inflation.
- Remove gender inequality and all types of disparities, poverty, and corruption.
- Equitable growth in all sectors (agricultural, industrial, service sector etc.).

### **Conclusion**

India seems to be improving its economic growth. However, high economic growth also increases disparities across regions and social groups and between rural and urban areas. There is a need to have a broad-based inclusive growth which can benefit all sections of the society

India is a growing economy. It has very high potential for economic growth due to young demographic transition but there are many obstructers in rapid growth, growth is not uniform across sectors; and large cross-sections of the population remain outside its purview. Several social, political and economic factors like corruption, gender inequality, regional disparities, poverty, low human resource development, low quality employment growth, low agriculture growth and environmental degradation need to be tackled for sustaining a high rate of growth, as well as to make this growth inclusive.



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