

NEED FOR INCLUSIVE GROWTH

Harpreet Kaur

Bibi Sharan Kaur Khalsa College, Shri Chamkaur Sahib, Roopnagar Punjab, India

ABSTRACT

Indian economy has registered higher economic growth in past few years. This growth rate has been averaged around 7 percent for last decade gaining title of fastest growing major economy. Global institutions have been very optimistic about India's future growth performance given strong democratic framework and demographic indicators which are bound to keep demand as well as supply high. This optimism is also reflected in foreign investment inflow and coupled with high savings rate, growth rate will not be an issue for Indian economy in short term. However, the high growth rate of world's fastest growing major economy was not analogous with rate of employment and poverty reduction. India continues to have low socio-economic parameter compared to other countries. Therefore, it is clear that growth has not benefited all. We need a rapid growth that reduces poverty and creates employment opportunities, access to essential services in health and education especially for the poor, equality of opportunity, empowerment through education and skill development, employment opportunities underpinned by the National Rural Employment Guarantee, environmental sustainability, recognition of women's agency and good governance. This type of growth which covers all the sections of society is termed as inclusive growth.

INTRODUCTION

Inclusive economic growth is not only about expanding national economies but also about ensuring that we reach the most vulnerable people of societies. The "equality of opportunity" and "participation in growth by all" with a special focus on the working poor and the unemployed are the very basis of inclusive growth. (UNDP). In last few years' inclusive growth as a concept has got importance both at national and international level. The Organization for Economic Co-operation and Development (OECD) suggests that growth, at any level, often fails to tackle three significant elements: poverty, unemployment and inequality. Therefore, there is a need to address the quality and inclusiveness of economic growth. Number eighth of the 17 proposed Sustainable Development Goals is to "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all." India focused on inclusive growth with 11th plan with vision of "Towards faster and more Inclusive growth" and continued its strategy under 12th Five Year Plan with main theme as "Faster, More Inclusive and Sustainable Growth". Components of Inclusive Growth takes into account development of all sections in terms of their social, political and economic wellbeing. Social inclusion is the process of improving the terms on which individuals and groups take part in society— improving the ability, opportunity, and dignity of those disadvantaged on the basis of their identity. Indian society has been divided on different fault lines like caste, gender, religion etc.

Social inclusion is fundamental component for inclusive growth as it helps in fuller participation of all groups to their potential. It raises opportunities of individuals from all sections of society to make contribution to overall growth and development. Political inclusion measures the extent to which all members of a society are able to access the institutions of democracy. Democracy is dependent on the participation and representation of all citizens in democratic institutions and processes. Therefore, political inclusion is vital for sustainable democracy. Economic Inclusion is the process of increasing role of all sections of society in economic activities. It also covers improving economic opportunities and decreases inequality. Economic inclusion forms key component of inclusive growth as it is broadly

seen as pro poor growth. Financial inclusion is a key element of economic inclusion to achieve inclusive growth. Despite an improved performance India continues to rank low in Global Inclusive Growth Index released by World Economic Forum. India in 2017 ranked 62nd which is lower than Sri Lanka (40) and Nepal (22).

SOCIAL INCLUSION

A. For Health and Wellness of all

- As of 2005-6, India had 62 million stunted children, accounting for a third of the world's burden of stunting. The new NFHS-4 data for 15 states shows that 37 per cent of children under the age of five in these states is stunted, a fall of just five percentage points in a decade.
- Infant Mortality Rate is 41 according to NFHS 4 Report which is still high. A deeper look into NFHS shows that health indices are more adverse for SCs and STs.
- Life expectancy at birth has increased from approximately 32 years for both males and females in 1951 to 68.8 years in 2011. Yet this is well below the life expectancy of around 80 years in industrialized countries and 72 years in China.

B. For Education and Skill Development

- Indicators of human development such as literacy and education, and maternal and infant mortality rates, show steady improvement, but they also suggest that the progress is slow and we continue to lag behind several other Asian countries.
- While the literacy rate has gone up from 18.3% in 1951 to 74.04% in 2011, the number of illiterate persons still exceeds 300 million, making India the country with the highest number of illiterate persons in the world.

C. For Social Justice and Empowerment

- There must be equality of opportunity to all with freedom and dignity, and without social or political obstacles. This must be accompanied by an improvement in the opportunities for economic and social advancement. In particular, individuals belonging to disadvantaged groups should be provided special opportunities to develop their skills and participate in the growth process.
- Empowerment of disadvantaged and hitherto marginalized groups is therefore an essential part of any vision of inclusive growth.
- International Monetary Fund report says that raising women's participation in the labour force to the same level as men can boost India's Gross Domestic Product by 27 per cent. Women empowerment is therefore key to economic empowerment and inclusive growth.

POLITICAL INCLUSION

D. For Increasing Political Participation

- There is a need for more representation of women in decision making process in the country, There political participation has been low despite women accounting for 49 per cent of the population.
- In 2017 Lok Sabha had 64 (11.8 percent of 542 MPs) and Rajya Sabha 27 (11 percent of 245 MPs) women MPs.
- Gender justice in political sphere is necessary for growth of all sections.

ECONOMIC INCLUSION

E. For Rapid Growth and Poverty Reduction

- The percentage of the population below the official poverty line has come down from 36% in 1993–94 to 21.9% in 2011–12. However, its not only high but the rate of decline in poverty has not accelerated along with the growth in Gross Domestic Product, and the incidence of poverty among certain marginalized groups, for example the STs, has hardly declined at all. Because population has also grown, the absolute number of poor people has declined only marginally from 320 million in 1993–94 to 269 million in 2011–12.
- The persistence of poverty on the scale at which it still exists is not acceptable. A decisive reduction in poverty and an expansion in economic opportunities for all sections of the population should therefore be a crucial element of the vision New India.
- Rapid growth of the economy is an essential requirement to achieve this outcome since it is an instrument for achieving a steady increase in employment and incomes for large number of our people.
- Economic growth across regions has not been balanced, with some of the most backward areas yet to experience any significant growth.

F. To meet the Employment Challenge

- India is currently at a stage of ‘demographic transition’ where population growth is slowing down but the population of young people entering the labour force continues to expand.
- The dependency ratio i.e. ratio of dependent to working age population declined from 0.8 in 1991 to 0.73 in 2001 and declined further to around 0.52 in 2017.
- Moreover it is essential to produce a growth process in which employment would be available not only for new entrants to the labour force but also in the non-agricultural sector for workers leaving agriculture.
- Permanent employment in the organized sector has decreased, although organized sector firms may be increasing their informal employment.

G. Reduce economic inequality

- According to Oxfam International Survey, richest 1 percent population in India cornered 73 percent of wealth generated in last year.
- Whereas 67 crore of poorest people saw their wealth rise by just 1 per cent in 2017 -18. This shows that already existing economic inequality is on the rise rather than decreasing.
- Growth in recent years has not resulted in declining economic inequality which necessitates inclusive growth for all.

ELEMENT OF INCLUSIVE GROWTH STRATEGY

A strategy which aims at achieving a particular type of growth process which will meet the objectives of inclusiveness and sustainability. This strategy must be based on sound macroeconomic policies which establish the macroeconomic preconditions for rapid growth and support key drivers of this growth. It must also include sector specific policies which will ensure that the structure of growth that is generated, and the institutional environment in which it occurs, achieves the objective of inclusiveness in all its many dimensions

Eleventh Five Year Plan had formulated following strategy for achieving inclusive growth.

1. MACROECONOMIC FRAMEWORK

- Focus on increasing investment and savings should be continued. India has witnessed widening of CAD in recent years as forex reserves are sufficient in short and medium run. There is a real challenge in the fluctuation of oil prices and excessive dependence on imports.
- A strong macroeconomic framework which will have low ICOR will be able to create high growth rate.
- Recently banking sector has been under strain due to rising Non-Performing Assets. Banking sector reforms are urgently required to address twin balance sheet problem. Credit facilities are important for investment flows and growth of economy.

2. AGRICULTURE SECTOR

- Even though share of agriculture sector in Gross Domestic Product has come down, share of agriculture in employment is still high. There is need to create non-farm jobs and reduce employment pressure on agriculture on one hand and on the other hand to fulfil these elements of Inclusive Growth:
- Social Sector Development, Employment Generation, Agriculture Development, Poverty Reduction, Equal Distribution of Income, Reduction in Regional Disparities, Environment Protection, Industrial Development and to increase growth rate of agriculture sector itself. Eleventh Five Year Plan set target of 4 percent annual growth rate for agriculture sector.
- Agrarian reforms in India has been incomplete from long time. Agricultural investment in research and development, credit facilities and most importantly reforms in market are much needed.
- Adoption of best practices typically involves additional investment. The most important area for investment in agriculture relates to the provision of water and its efficient use. It is also necessary to undertake watershed management programmes in dry land areas.

3. INDUSTRY AND MINERALS

- It is necessary to build on momentum during last few years and, indeed, impart additional impetus to generate 10% growth in industry, and even higher growth in manufacturing.
- This will not only provide the additional job opportunities needed to absorb some of the surplus labour in the rural workforce but also generate employment for the new entrants that are expected to join the labour force both in rural and urban areas.
- Industries should not only grow, but grow in a manner that leads to the absorption of large numbers of workers.

4. SKILL DEVELOPMENT

- A deficit in skill has also emerged in virtually all areas of manufacturing as one of the major impediments to rapid industrial growth. The shortages are at all levels, from executives and designers at the top to baselevel skilled worker such as tailors and machine operators. There is a huge gap in the vocational training capacity, which is less than one-fourth of the entrants to the workforce per annum.
- In addition to the existing basic problem with the skill development system in the country, the urgency of skill development is underscored by the demographic changes taking place. It is estimated that the ageing phenomenon globally will create a skilled manpower shortage of

approximately 46 million by 2020 and if we can take effective action on skill development, we could have a skilled manpower surplus of approximately 47 million.

- In present globalized world, where national frontiers are yielding to cross-border outsourcing, it is not inconceivable that within a decade we can become a global reservoir of skilled persons.

5. INFRASTRUCTURE

- Good quality infrastructure is the most critical physical requirement for attaining faster growth in a competitive world and also for ensuring investment in backward regions.
- This includes all-weather roads; round-the-clock availability of power at a stable voltage and frequency; water for irrigation; railways that are not overcrowded, which run on time and do not overcharge for freight; ports with low turnaround time to reduce costs of imports and exports; airports to handle the growing traffic; air services that provide connectivity to all parts of the country; and telecommunications and broadband connectivity to provide the benefits of the Internet to people all over the country.

6. HEALTH AND NUTRITION

- Good health is both an end in itself and also contributes to economic growth. In order to meet the health needs of the population requires a comprehensive and sustained approach. Our health services should be affordable and of reasonable quality.
- It is necessary to strengthen all aspects of the healthcare system—preventive, promotive, curative, palliative and rehabilitative. This should be accompanied by emphasis on access to clean drinking water, sanitation, diet, hygiene and feeding practices, which will significantly affect the health status of the people. Public health spending should be raised to at least 2% of GDP.

Other important areas which need equal emphasis are women and child welfare, environmental sustainability, livelihood opportunities and rural development, urban infrastructure and urban poverty alleviation, science and technology.

Eleventh Five Year Plan had outlined following 13 state specific targets to achieve inclusive growth for individual states they are as follows; 1. GDP growth rate 2. Agricultural growth rate 3. New job opportunities 4. Poverty ratio 5. Dropout rate in elementary schools 6. Literacy rate 7. Gender gap in literacy rate 8. Infant mortality rate (IMR) 9. Maternal mortality ratio (MMR) 10. Total Fertility Rate (TFR) 11. Child malnutrition 12. Anaemia among women and girls 13. Sex-ratio

FINANCIAL INCLUSION

Financial inclusion is a process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups in particular at an affordable cost, in a fair and transparent manner. It is the path to achieve the goal of inclusive growth. As per RBI, financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.

NEED FOR FINANCIAL INCLUSION

Financial inclusion broadens the resource base of the financial system by developing a culture of savings among large segments of rural population and plays its own role in the process of economic

development. Further, by bringing low income groups within the perimeter of formal banking sector; financial inclusion protects their financial wealth and other resources in exigent circumstances. Financial inclusion also mitigates the exploitation of vulnerable sections by the usurious money lenders by facilitating easy access to formal credit.

BENEFITS OF FINANCIAL INCLUSION

1. Financial inclusion leads to inclusive growth as it gives access to credit to all sections of societies.
2. Access to financial services opens doors for families, allowing them to smooth out consumption and invest in their futures through education and health.
3. Access to credit enables businesses to expand, creating jobs and reducing inequality.
4. Financial inclusion is the bridge between economic opportunity and outcome.

PRESENT STATUS OF FINANCIAL INCLUSION

According to NSSO 51.4% of farmer households are financially excluded from both formal/ informal sources. Of the total farmer households, only 27% access formal sources of credit; one third of this group also borrowed from non-formal sources. As per census 2011, only 58.7% of households are availing banking services in the country. In June 2013, CRISIL first time published a comprehensive financial inclusion index. For constructing the index, CRISIL identified three critical parameters of basic banking services namely branch penetration, deposit penetration and credit penetration. As per 2018 index 31 crore deposit accounts opened under Pradhan Mantri Jan-Dhan Yojana have been opened. There are 1.35 lakh total bank branches in India.

CHALLENGES FACED

1. Most of the accounts opened under the Pradhan Mantri Jan-Dhan Yojana are non-operative and have nil balance which hinders the implementation of technological advancements as a matter of concern.
2. The rural households do not have adequate financial literacy resulting in lack of awareness of many financial services provided by financial institutions.
3. There is a need for technical and institutional infrastructure for e-payment systems to service a large number of new and existing accounts.
4. There is a skill requirement of sufficient technical skill development and training for banks and institutional staff.
5. The security of electronic transactions is a matter of concern especially with a large number of new accounts, in remote parts of India.
6. On the operational side, despite the convenience offered by the ATMs in providing banking services, the debit card penetration continued to be low with only 30 percent of deposit account holders having a debit card.
7. Factors such as lower income or asset holdings, lack of awareness about financial products, perceivably unaffordable products, high transaction costs, products which are not convenient, inflexible, and not customised to the rural sector income pattern are a major barrier for gaining access to the financial system.
8. Costs in terms of increasing expenditure on IT deployment and risks in terms of monetary losses, data theft and breach of privacy are a cause of concern.

INITIATIVES FOR FINANCIAL INCLUSION

1. Advised all banks to open Basic Saving Bank Deposit (BSBD) accounts with minimum common facilities such as no minimum balance, deposit and withdrawal of cash at bank branch and ATMs, receipt/ credit of money through electronic payment channels, facility of providing ATM card.
2. Relaxed and simplified KYC norms to facilitate easy opening of bank accounts, especially for small accounts with balances not exceeding Rs. 50,000 and aggregate credits in the accounts not exceeding Rs. one lakh a year.
3. Simplified Branch Authorization Policy, to address the issue of uneven spread bank branches, domestic SCBs are permitted to freely open branches in Tier 2 to Tier 6 centers with population of less than 1 lakh under general permission, subject to reporting.
4. Compulsory Requirement of Opening Branches in Unbanked Villages, banks are directed to allocate at least 25% of the total number of branches to be opened during the year in un-banked (Tier 5 and Tier 6) rural centers.
5. Banks have been advised that their FIPs should be disaggregated and percolated down up to the branch level. This would ensure the involvement of all stakeholders in the financial inclusion efforts.

RECENT INITIATIVE FOR ACHIEVING INCLUSIVE GROWTH

Achieving inclusive growth has been one of the main priorities of the Government. For promoting inclusive growth, the Government is implementing various programmes/schemes for creating better employment opportunities, strengthening social infrastructure and providing basic amenities like water, electricity, roads, sanitation and housing for covering all sections of population.

- Pradhan Mantri Jan Dhan Yojana (PMJDY): The scheme was launched by the central government in 2014 with aim to provide banking facilities to poor. Under the scheme a bank account can be opened without requirement of any minimum balance. Moreover, PMJDY also provides insurance facilities to account holders.
- Pradhan Mantri Jivan Jyoti yojana has been launched to provide insurance coverage at very low premium to people between age group of 18 to 50.
- Similarly, Atal Pension Yojana aims to provide pension scheme for people employed in unorganized sector.
- Various schemes such as Mahatma Gandhi National Rural Employment Guarantee Act Scheme (MGNREGA), Prime Minister's Employment Generation Programme (PMEGP), Pradhan Mantri Rojgar Protsahan Yojana, Pt. Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) and Deendayal Antyodaya Yojana- National Urban Livelihoods Mission (DAY-NULM) are being implemented by the Government in both rural and urban areas of the country which aim to create directly and indirectly additional employment opportunities to reap the benefits of the demographic dividend.
- The Union Budget 2018-19 has announced various measures to provide maximum livelihood opportunities in the rural areas by spending more on livelihood, agriculture and allied activities and construction of rural infrastructure.

- The strategies include promoting labour-intensive sectors by encouraging agro-based industries, and Medium, Small and Micro Enterprises (MSMEs). Focus has also been given to growth of labour intensive textile sector.
- For social protection, under Ayushman Bharat, the National Health Protection Scheme, has been proposed in the Union budget 2018-19 which is expected to cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage up to 5 lakh rupees per family per year for secondary and tertiary care hospitalization.
- The Union budget has also proposed an increase in the volume of Institutional credit for Agriculture to the tune of Rs. 11 lakh crore during 2018-19.

CONCLUSION

India has a unique opportunity to join forces and work together toward expanding opportunities and reducing vulnerabilities with the hope to ensure sustainable economic growth for all, leaving nobody behind. We must move beyond simply talking about the importance of inclusive growth and work to generate decent jobs and focus on establishing proper mechanisms that will make such advancements possible.

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