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## Inclusive growth and social development in India

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### Abstract

Inclusive growth is a concept that advances equitable opportunities for economic participants during economic growth with benefits incurred by every section of society. Economic growth with equality and social justice has always been the prime objective of the development paradigm in India. Alleviation of poverty and unemployment, therefore, has been accorded top priority in rural development programmes since the inception of the planning era. Inclusive development is viewed in terms of economic and social inclusion reflected in poverty reduction, better health outcomes, increased access to education and improved access to basic amenities such as electricity, drinking water, sanitation, transport, banking facilities, etc. The first objective of the study is to understand the elements of inclusive growth in India. The second objective of the study is to understand the pattern of the economic growth in India. The third objective of the study is to understand the inclusive growth and social development in India. The results show that the impact of increase in GDP has positive impact on the quality of life of the people as the social indicators. The incidence of poverty was higher among STs, followed by SCs, compared to others. The proportion of unemployment in labour force with higher education levels is also high.

**Keywords:** GDP, inclusive growth, development, poverty, per capita, URP etc.

### Introduction

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. The definition of inclusive growth implies direct links between the macroeconomic and microeconomic determinants of the economy and economic growth. The microeconomic dimension captures the importance of structural transformation for economic diversification and competition, while the macro dimension refers to changes in economic aggregates such as the country's gross national product (GNP) or gross domestic product (GDP), total factor productivity, and aggregate factor inputs.

Inclusion is one of the most important words spoken with regard to diversity. But the most frequent spoken words among them could be inclusive growth. Inclusive growth basically means making sure everyone is included in growth, regardless of their economic class, gender, sex, disability and religion. Inclusive growth approach takes on long term perspective and the focus is on productive employment rather than merely direct income redistribution as a means of increasing income for excluded groups. Thus inclusive growth approach took a long term perspective of development. According to World Bank, the growth said to be inclusive when the growth to be sustainable in long run and it should be broad based across the sector and inclusive of large part of countries labour force. Inclusiveness should understand in the sense and focusing on equality of opportunity in terms access to markets, resources and unbiased regulatory environment for business and individual.

Sustainable economic growth requires inclusive growth. Maintaining this is sometimes difficult because economic growth may give rise to negative externalities, such as a rise in corruption, which is a major problem in developing countries. Nonetheless, an emphasis on inclusiveness especially on equality of opportunity in terms of access to markets, resources, and an unbiased regulatory environment is an essential ingredient of successful growth. The inclusive growth approach takes a longer-term perspective, as the focus is on productive employment as a means of increasing the incomes of poor and excluded groups and raising their standards of living.

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Contemporary policy emphasis is no longer only on eradicating absolute deprivation of income but on eradicating deprivation in its multiple dimensions. The multiple dimensions include both economic and non-economic aspects, which is in appreciation of the UNDP advocacy on promoting human development. Ever since the UNDP started advocating 'Inclusive Growth', developing countries in particular have set it as an avowed goal of development policies.<sup>1</sup> Though the concept is not explicitly defined, there is an implicit belief that the objective is to pursue a strategy that would provide for the inclusion of the socially and economically marginalized sections in the mainstream economy and its growth process. Policy evaluations of 'inclusive growth strategies', however, are carried out largely with reference to changes in income/consumption based deprivation measures like per capita income/consumption and incidence of poverty. However, policy pursuit sans explicit goals, targets and measures would be anybody's guess. Hence, it is quite important to define the concept of 'Inclusive Growth' and its statistical measures before any policy formulation for 'Inclusive Growth', which is economically sustainable. This would naturally raise the following questions:

When it comes to measuring inclusion, current approach is to use welfare measures like levels of living and deprivation in terms of incidence of poverty and food insecurity. This explains the contemporary emphasis of public activists on programmes like universal public distribution system. However, the limitation of this approach is that measures of consumption and poverty essentially reflect an economic scenario after income generation, its distribution, and redistribution through fiscal and non-fiscal instruments. A moot question is that if such a policy programme for inclusion based only on redistributive mechanisms would be sustainable in the long run. This is because there are reports and field studies, which indicate that farmers, small scale ones in particular, are no longer interested in cultivation when food grains are guaranteed at prices lower than the actual cost of production.

### Objectives of the study

To understand the elements of inclusive growth in India. The second objective of the study is to understand the pattern of the economic growth in India. The third objective of the study is to understand the inclusive growth and social development in India.

### Research Methodology and Data Source

This study is based on secondary data sources. The secondary data has been obtained from sources are Planning Commission of India, New Delhi, different round of National Sample Survey (1997, 2001, 2006), Census of India, 2001, 2011, Economic Survey, Human Development Report, National Council of Applied Economic Research report, Labour Bureau, Ministry of Labour and Employment working papers, articles, journals, and many more. All statistical analysis derived from EXCEL. For analytical purpose study has been use to simple tabulation, graphical representation.

### Results and Discussion of the Study

According to many economists, the key 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 a sharp increase in public spending on education and health care.

The typical theoretical model of inclusive growth for Indian Economy can be constructed as follows. First and foremost, faster and sustainable economic growth is pre requisite of inclusive growth. Perhaps this best explains why the emerging Economies like Brazil, China, India etc. focus more on the accelerated economic growth in the last couple of decades. Economic Growth should provide basic socio economic amenities in the form of food for all, health for all, education for all, electricity for all, access to all weather-good roads and safe drinking water. Government should achieve administrative efficiency and should guarantee gender equity so that the trickle-down effect of the growth will actually materialize. Good governance and gender equity will enhance the human capabilities. Followed by economic growth productive employment is the key driver of inclusive economic growth since jobless growth is as dangerous as stagnation. Productive employment can increase the labour productivity. Employment outcome is an important outcome of inclusiveness. Naturally employment should be capable of poverty reduction. Inclusive growth assumes significant since it alone can uproot the absolute poverty. Inclusive growth can substantially reduce the income inequality both vertical and horizontal. All these will enhance the quality of human capabilities.



Elements of Inclusive Growth

### Pattern of the Economic Growth in India

After Independence Indian government, chose planned growth of the economy on the pattern of the Soviet Union. Though economic growth refers to increase in production of goods and services or the GDP at constant prices, a broader approach of economic growth has been taken in this study. For economic growth to be meaningful it should not only increase the Gross Domestic Product (GDP) and per capita income of the people, but there should also be corresponding increase in saving and Capital formation in the country. Besides the export and import of the country should also shows the increasing trend. On the other hand the growth should have the positive impact on the quality of the life of the people.

**Table 1:** Economic Growth in Independent India.

Year	GDP at constant Prices Rs. Crores	GDP Growth Rate (at 04-05 prices)	Index of Industrial Production base 2004-05=100	Index of Agricultural Production base 1980-81=100	Saving Rate % GDP	Capital Formation % GDP
1950-51	224786	2.3	7.9	46.2	9.5	9.3
1960-61	329825	7.1	15.6	68.8	11.6	12.8
1970-71	474131	5	28.1	85.9	14.3	13.6
1980-81	641921	7.2	43.1	102.1	17.8	17.9
1990-91	1083572	5.3	91.6	148.4	22.9	23.8
2000-01	1864300	4.3	162.6	165.7	23.8	22.8
2007-08	3896636	9.3	141.7	207.1	36.8	32.9
2008-09	4158676	6.7	145.2	194.1	32	32.3
2009-10	4507637	8.4	152.9	191.4	33.8	31.6
2010-11	4885954	8.4	165.6	215.3	32.3	30.4
2011-12	5222027	6.9	171.56	220.23	-	-

**Source:** Economic Survey 2011-12, Government of India

Table 1 show that the Gross Domestic Product (GDP) of India has grown from 224786 crores in 1950-51 to 5222027 crores in 2011-12 and it has constantly raised. The pace of growth has increased from initial 2.3 per cent in 1950-51 to 9.3 per cent in 2007-08. The growth rate latter slow down due to financial crisis erupting in European countries and spreading over the world. Likewise the per capital income of the country has also grown from 5708 crores in 1950-51 to Rs.41149 at constant prices. The other indicators like imports, exports, savings and capital formation has also shown increasing trend throughout the years.

**Table 2:** Sector wise Growth Rate in India

Period	Agriculture	Industry	Services	GDP
1950s	2.7	5.6	3.9	3.6
1960s	2.5	6.3	4.8	4.0
1970s	1.3	3.6	4.4	2.9
1980s	4.4	5.9	6.5	5.6
1990s	3.2	5.7	7.3	5.8
2000s	2.5	7.7	8.6	7.2
2011-2 to 2015-16 (NS)	1.7	5.5	8.9	6.5

**Source:** Economic Survey 2014-15, Government of India

Table 2 show that the growth rate of Gross Domestic Product of India has been has increased from initial 2.7 per cent in 1950 to 6.5 per cent in 2015-16. The service sector is an important part of the Indian economy. The growth of service sector has been increased from 3.9 per cent in 1950 to 8.9 per cent in 2015-16. On the hand the growth rate of agriculture sector continually declined from 2.7 per cent in to only 1.7 in 2015.

### Growth of the Social Indicators in India

Table 3 represents the Growth of the Social Indicators in India. The impact of increase in GDP has positive impact on the quality of life of the people as the social indicators. Table three clearly show that decreasing birth and death rates (Per 000) which were 39.1 and 27.4 respectively in 1950-51 has fallen constantly throughout years and has reached to 22.1 and 7.2 respectively in the year 2011-12. Due to fall in death rates life expectancy has increased from 32.1 years to 63.5 years in the year 2011-12. Literacy rates have also gone up from 18.3 per cent in 1950-51 to 74 per cent in 2011-12.

**Table 3:** Social Indicators of Economic Growth

Years	Population in million	Life Expectancy At Birth	Birth Rate Per 000	Death Rate Per 000	Literacy Rate %
1950-51	359	32.1	39.9	27.4	18.3
1960-61	434	41.3	41.7	22.8	28.3
1970-71	541	45.6	36.9	14.9	34.4
1980-81	679	50.4	33.9	12.5	43.6
1990-91	839	58.7	29.5	9.8	52.2
2000-01	1019	62.9	25.5	8.4	64.8
2007-08	1138	-	23.5	7.4	-
2008-09	1154	-	22.8	7.4	-
2009-10	-	-	-	-	-
2010-11	1210	63.5	22.1	7.2	74.0

**Source:** Registrar of Census, provisional population table

Table 4 clearly shows that the growth rates of literacy rate from since 1951 are continuously increased. Lowest literacy growth rate found between decades 1961 to 1971. Especially after 1991 decade difference of literacy rate between 1991 to 2001 is that near about 12 percent that is highest among all decade from 1951 to 2011, the highest growth rate. Table 4 also present an extremely positive development in the present decade is that the gap of 21.59 percentage points recorded between male and female literacy rates in 2001 Census has reduced to 16.68 percentage points in 2011.

**Table 4:** Literacy rate in India: 1951 to 2011

Census Year	Persons	Male	Female	Male-Female gap in literacy rate
1951	18.33	27.16	8.86	18.3
1961	28.3	40.4	15.35	25.05
1971	34.45	45.96	21.97	23.08
1981	43.57	56.38	29.76	26.62
1991	52.21	64.13	39.21	24.84
2001	64.83	75.26	53.67	21.59
2011	74.04	82.14	65.46	16.68

**Source:** Registrar of Census, provisional population table

Enough the target set for the year 2011-2012 by the Planning Commission of reducing the gap to 10 percentage points has not been achieved; it is heartening that the

reduction has been to the order of almost 5 percentage points.

**Table 5: Poverty across Social Groups**

Social Groups	Share in Population	Percent Population Below Tendulkar Committee Poverty Line			Percentage Point Poverty Reduction	
	2011-12	1993-94	2004-05	2011-12	1993-94 to 2004-05	2004-05 to 2011-12
Rural						
ST	11.1	65.9	62.3	45.3	3.7	16.9
SC	20.8	62.4	53.5	31.5	8.9	22.0
OBC	45.0	44.0	39.8	22.7	9.0	17.1
FC	23.0		27.1	15.5		11.6
All	100.0	50.3	41.8	25.4	8.5	16.4
Urban						
ST	3.5	41.1	35.5	24.1	5.6	11.4
SC	14.6	51.7	40.6	21.7	11.1	18.8
OBC	41.6	28.2	30.6	15.4	5.8	15.2
FC	40.3		16.1	8.1		8.0
All	100.0	31.9	25.7	13.7	6.2	12.0
Rural +Urban						
ST	8.9	63.7	60.0	43.0	3.7	17.0
SC	19.0	60.5	50.9	29.4	9.6	21.5
OBC	44.1	39.5	37.8	20.7	8.1	17.1
FC	28.0		23.0	12.5		10.5
All	100.0	45.7	37.7	22.0	8.0	15.7

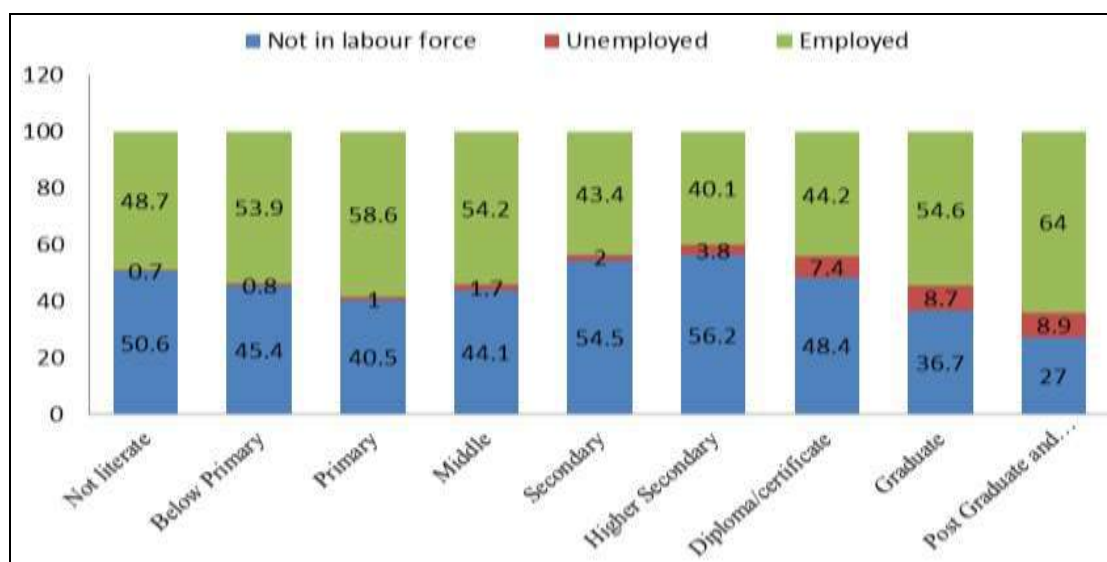
Source: Panagariya (2013)

Table 5 represents that the poverty declined much faster for all the social groups during the period 2004-05 to 2011-12 as compared to the period 1993-94 to 2004-05. The rate of decline in poverty is the highest for SCs. The decline in poverty for SCs and OBCs exceeded the national average during the period 2004-05 to 2011-12. Poverty decline for STs was more or less similar to that of national average. It looks like SCs, STs and OBCs benefited equally or more in the high growth phase of 2004-05 to 2011-12. However, the poverty levels are higher for STs and SCs as compared to other groups. Particularly the poverty ratio of STs was two times to that of national average in 2011-12. There is a need to focus on policies relating to STs for reduction in their

poverty.

#### Unemployment amongst higher educated is also high

The Labour Bureau's survey report for 2013-14 reveals that the proportion of unemployment in labour force<sup>2</sup> with higher education levels is also high. Almost 9% of the graduates and post graduates labour force is currently unemployed as against less than 1% in case of illiterates and semi-literate labour force. Besides the issue of unemployment, this data also points towards the issue of employability due to mismatch of skills with the work requirements.



Source: Labour Bureau, Ministry of Labour and Employment.

**Fig 1: Unemployment status according to education level**

Amongst the formally trained labour force, the unemployment rate is above 10% for several trades and is significantly high in case of 'engineering trades other than civil and computer trades' (25.2%) and 'textile related work' (16.7%). Amongst the informally trained workforce, the percentage of unemployed is mostly low (below 5%) for most of the trades except for certain trades like fitter (10.7%) and 'engineering trades other than civil and computer trades' (12.2%).

### Conclusion

Finally we can say that the growth rate of Gross Domestic Product of India has been increased continually from initial 2.7 per cent in 1950 to 6.5 per cent in 2015-16. The growth of service sector has been increased from 3.9 per cent in 1950 to 8.9 per cent in 2015-16. On the hand the growth rate of agriculture sector continually declined. The impact of increase in GDP has positive impact on the quality of life of the people as the social indicators. This study also found that there has been a continuous reduction in the incidence of poverty. The poverty declined much faster for all the social groups during the period 2004-05 to 2011-12 as compared to the period 1993-94 to 2004-05. The rate of decline in poverty is the highest for SCs.

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