Abstract: The concept of 'Inclusive Growth' finds place more frequently in the debates and discussions at different forums. The Government aimed at promoting ‘inclusive growth’ as it recognized that high national income growth alone did not address the challenge of employment promotion, poverty reduction and balanced regional development or improving human development. The subject of inclusive growth has been in the spotlight recently, for very obvious reasons. This orientation is most visibly manifested in the theme of the Eleventh Five-Year Plan. The theme is ‘towards faster and more inclusive growth,’ which clearly reflects the need to find a sustainable balance between growth and inclusion. Many people view ‘inequality’ and ‘exclusiveness’ as being the same thing. The Eleventh Plan defines inclusive growth to be “a growth process which yields broad-based benefits and ensures equality of opportunity for all”. The inclusive growth and development vision as envisaged in the Five Year Plan also reflected the budgetary and political commitment of the government. Though, efforts and progress in the direction of inclusive growth and development appears to be quite satisfactory, however, challenges, problems and constraints in achieving the goals of inclusive planning have emerged that require multiple approaches and strategies to address them effectively and efficiently. The present paper attempts to examine the emerging challenges in achieving inclusive development and growth in India.

Inclusive growth is a major concern for human development in India with rising inequalities. Despite tremendous growth of economy, failure on distributive front has aggravated the progressive journey towards collective well-being. Inclusive growth has become the buzzword in policy-spheres with recent phenomenon of rapid growth with characteristic patterns of exclusion. Exclusion continued in terms of low agriculture growth, low quality employment growth, low human development, rural-urban divides, gender and social inequalities, and regional disparities etc. The sectoral, social and spatial inequalities have raised questions about welfare approaches of Government planning, and emphasized the role of the private sector in addressing development issues in the country. Employment generation, social and developmental infrastructure, health-care and rural diversification are some of the major concerns. Due to faulty approaches and often politically motivated policies, growth has generated inequalities. It is imperative for the planners and policy-makers to make growth inclusive through adoption of pragmatic policies. The journey towards balancing the outcome of economic growth involves many challenges. The dominant challenges include the imperative of maintaining the acceleration of economic growth without compromising on human development and sustainability.

The Eleventh Five Year Plan Strategy is ‘Towards Faster and More Inclusive Growth’. The Approach Paper states that the Plan provides “an opportunity to restructure policies to achieve a
new vision based on faster, more broad-based and inclusive growth. It is designed to reduce poverty and focus on bringing the various divides that continue to fragment our society.”"1 These are the broad objectives that successive Five Year Plans in India have sought to achieve in some form or the other right from the beginning. Of course, the context of economic reform, involving changes in the economic policy framework since 1991, has called for a careful scrutiny of the distributional consequences of the growth process and an appropriate strategy to deal with the emerging issues.

WHAT IS INCLUSIVE GROWTH?
The Eleventh Plan defined inclusive growth as a “growth process which yields broad-based benefits and ensures equality of opportunity for all” it stands for “equitable development” or “growth with social justice”.

WHY INCLUSIVE GROWTH?
While it is quite evident that inclusive growth is imperative for achieving the equity objective, what is, perhaps, not so obvious is, why inclusive growth is now considered essential even to sustain the growth momentum.

Majority population living in rural areas, it is often identified with the agriculture sector. However, it is the unorganised non-farm sector that is increasingly absorbing most of the labour force. This sector has huge potential for growth once there is sufficient investment in infrastructure ensuring linkage to markets and easier access to assets and skills. Infusion of appropriate technology, skills, and easier access to credit, especially start-up capital, apart from facilitating market development, can make this segment an expanding base for self-sustaining employment and wealth generation and also foster a culture of creative and competitive industry. Entrepreneurial development has to be encouraged by having an enabling competitive environment and easy availability of finance for newer projects and enterprises. In Prof. C. K. Prahalad’s words, “If we stop thinking of the poor as victims or as a burden, and start recognising them as resilient and creative entrepreneurs and value conscious consumers, a whole world of opportunity will open up.”"2

Thus, there are several factors to be considered for inclusive growth. Uppermost among these, is the need for raising the allocative efficiency of investment and resource use across different sectors of economy – this can be met by addressing two basic supply-side issues viz. (i) effective credit delivery system to facilitate productive investment in employment impacting sectors especially, agriculture, micro, small and medium enterprises and (ii) large scale investment in infrastructural facilities like irrigation, roads, railways, communication, ports, power, rural/urban reconstruction and in social infrastructure such as health care, education and sanitation.

INCLUSIVE GROWTH IN INDIA
From an annual average growth rate of 3.5 per cent during 1950 to 1980, the growth rate of the Indian economy accelerated to around 6.0 per cent in the 1980s and 1990s. In the last four years (2003-04 to 2006-07), the Indian economy grew by 8.8 per cent. In 2005-06 and 2006-07, the Indian economy grew at a higher rate of 9.4 and 9.6 per cent, respectively and now at around 8%. Reflecting the high economic growth and a moderation in population growth rate, the per
Capita income of the country also increased substantially in the recent years. An important characteristic of the high growth phase in recent years is its resilience to shocks. The Indian economy, for instance, successfully avoided any adverse contagion impact of the East Asian crisis, sanctions like situation post-Pokhran nuclear test, and border conflict with a neighboring country during May-June 1999 and recent economic crisis in USA.

Despite the impressive numbers, growth has failed to be sufficiently inclusive, particularly after the mid-1990s. Agricultural sector which provides employment to around 60 per cent of the population lost its growth momentum from that point, though there has been a reversal of this trend since 2005-06. The percentage of India’s population below the poverty line has declined from 36 per cent in 1993-94 to 26 per cent in 1999-2000. The approach paper to the Eleventh Plan indicated that the absolute number of poor is estimated to be approximately 300 million in 2004-05.

Concerns about financial exclusion, especially in rural areas have surfaced in India in recent years following the results of the NSSO’s All-India Debt and Investment Survey (AIDIS), 2002. According to the Survey results, though the share of non-institutional sources of credit for the cultivator households had declined from 92.7 per cent in 1951 to 30.6 per cent in 1991, it had increased to 38.9 per cent in 2002 mainly due to increase in moneylenders’ share. Simultaneously, the share of institutional sources such as commercial banks, co-operative societies, etc. increased from 7.3 per cent in 1951 to 66.3 per cent in 1991, before declining to 61.1 per cent in 2002. It is expected that the doubling of agriculture credit and other measures since 2004 would have led to some improvement in the share of institutional sources.

The Finance Minister Mr. Pranab Mukherjee in his budget speech (2011-12) said that – “In my last budget speech I had advised Banks to provide banking facilities to habitations having a population of over 2000 by March, 2012. The Banks have identified about 73,000 such habitations for providing banking facilities using appropriate technologies. A multi-media campaign, “Swabhimaan”, has been launched to inform, educate and motivate people to open bank accounts. During this year, banks will cover 20,000 villages. Remaining will be covered during 2011-12.”

CHALLENGES AHEAD AND SOLUTIONS:

The challenge is expressed in different ways—“improving quality of public expenditures” or “increasing institutional capacity” or “more effective implementation” or “better service delivery”.

In sixty five years since its independence, India has been successful on a number of fronts: the country has maintained electoral democracy, reduced absolute poverty by more than half, dramatically improved literacy, and vastly improved health conditions. Its achievements have, however, created new challenges. Two of the most prominent are:

1. Improving the delivery of core public services: As incomes rise, citizens are demanding better delivery of core public services such as water and power supply, education, policing, sanitation, roads and public health. As physical access to services improves, issues of quality have become more central. There are four avenues for reform: internal reform of public sector agencies; producing regular and reliable information for citizens; strengthening local governments and decentralizing responsibilities; and expanding the
role of non-state providers. It however cautions that planned reform alone cannot bring about the desired changes - ultimately implementation is everything.

2. Maintaining rapid growth while making growth more inclusive: With growing disparities between urban and rural areas, prosperous and lagging states, skilled and low-skilled workers, the primary medium term policy challenge for India is not to raise growth from 8 to 10 percent but to sustain rapid growth while spreading its benefits more widely.

CONSTRAINTS TO OVERALL GROWTH

Infrastructure: India needs to invest an additional 3-4 per cent of GDP on infrastructure to sustain current levels of growth and to equalize its benefits. Although this will clearly require a government role, the relative roles of the government and private sector need to be defined.

The massive demands now on power networks, transport, urban infrastructure, and ports are the result of India’s success in promoting economic growth. The danger is that poor economic infrastructure now will put a brake on that overall growth. Infrastructure is also important to equalize growth—investments that raise productivity and farmer incomes in agriculture, infrastructure that help jobs move to people, as well as the infrastructure that is needed to connect rural India with the benefits of a growing economy.

Fiscal deficit: It is a major concern that in the recent budget (2011-12) the fiscal deficit has risen to 4.6 per cent of the GDP from 2.7 per cent of the GDP in the 2008-09. Added to this, the off-budget items and the deficits of States, the combined total fiscal deficit may well exceed 10 per cent of GDP. This excess expenditure over income is to be funded almost wholly through government borrowing. Fiscal discipline is vital to contain this problem.

REFORMS TO IMPROVE ECONOMIC EFFICIENCY

Labor regulations: India’s restrictive labor regulations have constrained the growth of the formal manufacturing sector. Better designed regulations can attract more labor-intensive investment and improve the job prospects for India’s unemployed millions, those trapped in poor quality jobs, and the 80 million new entrants who are expected to join the work force over the next decade.

Financial sector: Problems in accessing finance are a major impediment to the performance of small and medium size businesses in India. Improving financial intermediation and ensuring broader access to financial services is critical for equalizing growth.

Inclusive growth needs financial institutions to be strong and efficient. The experience with cooperative banks under dual regulation, and deposit taking NBFCs with poor governance, points out the challenges in ensuring effective regulation and supervision of entities allowed to access public deposits. While aligning regulation with international best practices, a more relaxed approach is adopted in India for smaller units such as regional rural banks and small urban cooperative banks operating within a district, without compromising on solvency and liquidity principles.

Real Growth: As the countries the world over switched to the floating exchange rates after decades of fixed rates, the foreign exchange market began to grow by leaps and bounds. In the
United States alone, forex transactions leaped from 10.7 per cent of the GDP in 1970 to 195.3 per cent in 1980, i.e. within a decade.

Similarly, between 1980 and 2008, the size of the world stock markets is estimated to have swelled from about $3 trillion to over $35 trillion, most which are said to be speculative nature. The world derivatives market, again is, estimated at about $480 trillion face or nominal value 12 times the size of the entire world economy. This kind of financial leveraging is to have reached incredible levels in the current global melt down. According to the latest Mc Kinsey report the current debt levels amount to more than three times the GDP in the US and Europe, where historically they have been around 150 to 200 per cent.

The implications of unbridled financial growth can only awesome. The world is being run on credit, which is untenable. ‘Can swelling be muscle?’ ‘Can debt be money?’ the answer is never. Instead of being a catalyst of economic growth, finance has become an end in itself. The consequences of financial growth are running far ahead of real growth already blatant. The real economy based on agriculture, manufacturing and services has been undermined and neglected. The unprecedented surge in money and capital and their free flow across economies have globalised money laundering fueling terrorism and many other anti-social activities.

AGRICULTURE AND THE RURAL ECONOMY
Raising agricultural productivity requires a return to investments in agricultural technology and infrastructure. Getting the rural economy moving will also require facilitating rural-non farm-entrepreneurship.

LAGGING STATES
Faster economic growth has seen rising inter-state disparities. Lagging states need to bring more jobs to their people by creating an attractive investment destination. Reforming cumbersome regulatory procedures, improving rural connectivity, establishing law and order, creating a stable platform for natural resource investment that balances business interests with social concerns, and providing rural finance are important. Good understanding and coordination between the government machinery is essential for development and inclusive growth.

RIGHT TO INFORMATION ACT
This Act will make awareness among the people about different schemes introduced by the government from time to time and their implementation. This, will help them for better utilization of the schemes.

PUBLIC-PRIVATE PARTNERSHIPS
Public-private partnerships (PPP) can play an increased role in the provision of services of all types, from telecommunications to health, from airport modernization to primary education. As with all other service delivery reforms merely involving the private sector (which could be either for profit or for non-profit (e.g. NGO)) cannot be expected to improve services unless it increases accountabilities.
SOCIAL DEVELOPMENT

• In social sector, significant achievements in education and health.
• In the HDI index of India ranked at 119 in 2010. India belongs to Medium Human development category. UNDP 2010 report says that Indian income grows, but not development and it also pointed out that income inequalities are increasing.5
• Social indicators are much lower for Scheduled castes and Scheduled tribes.
• Malnutrition among children is one major problem (46% of children suffer from malnutrition) are to be given top priority for inclusive growth.

ENVIRONMENT

• Degradation of land, water. Increase in pollution levels
• Challenges of climate change
• Consumption patterns of rich
• Higher economic growth should not lead to decline in our environment

EMPOWERMENT AND OPPORTUNITY

In order to achieve inclusive growth, policy reforms should focus on empowerment and opportunity—enabling all Indian citizens to engage with the emerging economy on fair terms. Expanding rural infrastructure is good, but without complementary investments in empowerment and opportunity will not be enough. Increased access to rural finance can be important, but only if embedded with other reforms to make the rural economy work for the poor.

ACCOUNTABILITY OF REFORMS

Outlays do not necessarily mean outcomes. The people of the country are concerned with outcome. Emphasis should be laid on the need to improve the quality of implementation and enhance the efficiency and accountability of the delivery mechanism. The fruits of reforms are now being enjoyed by the rich and to some extent by the middle class and they are not reaching the poor. Hence, efforts should be made in this direction.

INCLUSIVE GROWTH WITH RESPECT TO EMPLOYMENT

• Generation of productive employment (decent work) for labour force in the economy, as employment is a key to inclusive growth,
• Employment generation in all sectors, regions and for all socio-economic groups
• Particularly (1) for poorer sections of population, (2) backward regions, (3) lagging sectors and (4) ST / SC / OBC / women etc
• Inclusion of small enterprises / producers preferably in a decentralized framework
• Controlling inequalities and disparities.

In this context, NREGA is yielding good results, but the following loop-holes should be paid immediate attention:
Challenges Ahead for Inclusive Growth in India

- It lacks a long term perspective in designing and in implementation.
- Weak planning component: (1) lack of perspective planning, (2) lack of convergence and (3) lack of multi-level planning.
- Designing problems of NREGA: Role of institutions/social mobilization not recognized
- Lack of commitment, and poor supervision & monitoring
- Lack of political strategy to address structural issues
- Corruption.

LAND

While raising agricultural productivity is a must to cope with the shrinkage of agricultural land, the very slow growth of non-farm opportunities for employment (The rising demand for industrialization, including SEZs, and for housing in expanding urban areas) and livelihoods and social security for small holders poses a challenge and argue for a careful and calibrated approach for land acquisition.

SOCIAL SECURITY

Providing social security is a challenge. As in the previous plans, the 11th. Plan proposes targeted livelihood support programmes aimed at increasing productivity and incomes of the poor in several low income occupations, such as small and micro enterprises weavers, artisans, crafts men, etc. Lack of concern and commitment by the government poses a threat for the plight of these unorganized sections. The recent suicides of weavers in certain parts of the country reflect lack of concern.

In this context, the recommendation of National Commission for Enterprises in the unorganized Sector NCEUS 2006) assume significance. The Government has introduced schemes to provide social security coverage through life cover, health insurance and old age pension on the lines recommended by NCEUS, but by restricting to sections of below poverty line (BPL) house holds. It will be better if this is extended to middle class house holds also.

INCLUSIVE GOVERNANCE

Governance has to be viewed and shaped in the context of ongoing social change through the functioning of our democratic system. Experience has amply demonstrated that anticipatory or inclusive governance is indispensable for achieving inclusive growth.

Union Budget: 2011-12 focuses on Inclusive development, the finance minister said “The Government has engineered a major directional change in public policy by its focus on inclusive development. Creation of legal entitlements for an individual’s right to work has added to resilience and dynamism in our rural economy. The right to information and the right to education are effective tools of empowerment for removing social imbalances. The country has carried for long enough the burden of hunger and malnutrition. After detailed consultations with all stakeholders including State Governments, we are close to the finalisation of National Food Security Bill (NFSB) which will be introduced in the Parliament during the course of this year. The proposed allocation of `1, 60,887 crore for social sector in 2011-12 is an increase of 17 per cent over current year. It amounts to 36.4 per cent of the total plan allocation”.
To conclude, inclusive growth is a wider connotation encompassing social, economic and political factors. Socially, lack of inclusive growth leads to unrest among many people. The measures which raise equity also promote economic growth. The political argument is that no government in a democracy can afford to ignore large sections of workers and non-working population. If it is not inclusive it can generate very severe social tensions. Thus, politically, for having a stable and democratic society one needs to have inclusive growth.

References

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