

Effects of Inclusive Growth on India

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India is one of the largest emerging economies in the world. It is the seventh-largest country in area and second largest in population size. Inclusive growth, one of the prime agenda of the five-year plan and continued to get focus in the NITI AYOGE mission also. The Indian economy has been progressing in many direct economic terms such as GDP, receipt of foreign capital, and competitiveness. Inclusive growth is a significant challenge faced by many of the developing economies in the world. For the past many years, the state and central governments take initiatives to impart equality among people in their socioeconomic well-being, the equality in the sense the equality of health, human capital, food security and social protection. Until a few years back, majority of the people in India did not even have a bank account, the insurance penetration, particularly in rural areas, was very marginal and the country is at the back in terms of many of the economic and social indicators. It was claimed that the well-planned framework initiated by the government could resolve this issue at least partially, while many of them are still arguing for more innovative measures to have inclusive growth. (T.G, 2019)2

Given the current economic crisis afflicting the high income advanced nations, neo-liberal economics appears to have gone full circle. Since 1991, an economic policy regime based on neo-liberal economics that has moved significant economic power in favour of private corporate capital has replaced India's mixed economy

model, which had been followed since Independence in 1947.

The existence of a democratic political system with universal adult suffrage within a multi-party system provides significant room for the previously economically and socially disadvantaged segments of the population to demand greater political as well as economic inclusion and to aspiration for improving an otherwise deplorable standard of living. Of course, there has always been a disconnect between the rising ambitions of the underprivileged and the state's and its economic model's failure to meet those goals. But in the wake of early 1990s economic changes, the disparity appears to be dramatically growing.

Without a question, India's economic growth performance has been quite spectacular, and several macroeconomic indices have also been very outstanding, giving India the new moniker of a "emerging economy," along with a few other developing nations. According to neo-liberal economic theory, such growth performance should have led to gains trickling down to the lower classes, therefore rescuing the working poor from poverty and other types of suffering.

Economic disparity would, however, rise if the poorer sectors' income growth were to be markedly slower than the overall income growth. In such a case, the reduction in poverty would occur more slowly the wider the difference between these two growth rates. Even though there has been some improvement in the absolute

levels of poverty and deprivation, such a growth process cannot be described as inclusive; rather, it would be more accurate to refer to it as "exclusive growth" because it creates economic inequality. The second concerns variations in inequality with regard to not only income and consumption but also a number of other significant factors, including wealth, geography, and most importantly, social groupings.

The components of inclusive growth are:

1. Skill Development:

The employability of the working-age population, as well as their health, education, vocational training, and skills, will be key factors in leveraging the demographic dividend. Here, skill development is crucial.

India's talent development faces two challenges:

- First, there is a shortage of highly skilled workers.
- Second, young people with traditional training are not being employed.

2. Technological Development :

The fourth industrial revolution is about to begin. Depending on how they are applied, these technological breakthroughs have the potential to either reduce or worsen inequality.

- ❖ The government has launched a number of efforts, such as the Digital India Mission, to enable a populace that is digitally savvy to take advantage of technology for many opportunities.
- ❖ Technology may also be used to address other issues, such as:
 - ✓ Agriculture: Using modern technology, an agro-value chain may become more

effective and competitive from the farmer to the customer.

- ✓ In the manufacturing industry, technology may alleviate issues with money, land, and connections to the consumer market. Only with the assistance of reliable technology GST was made possible.
- ✓ Education: New adaptive and peer learning models may be developed, allowing for greater access to mentors and trainers and the real-time delivery of helpful data.
- ✓ Health technologies have the potential to change how public health services are provided by extending care through remote health services.
- ✓ Governance: The use of technology can reduce inefficiencies, delays, and corruption in the provision of public services.

Financial Inclusion

- Financial inclusion is the process of providing underprivileged populations with inexpensive access to financial services.
- Financial inclusion is essential for inclusive growth because it promotes a saving culture, which starts a positive cycle of economic development.

Financial inclusion is the key to inclusive growth: Inequality and exclusion are two of the most pressing challenges faced by the world today. In recent years, policy planners have realized that development will be uneven and not wholesome if we do not address the problem of exclusion in a big way. Inclusive growth is necessary for ensuring that the benefits of a growing economy extend to all segments of society. Providing opportunities to every individual to use his potential for improving his well-being is essential for developing prosperous and stable societies. Unleashing people's economic potential starts with connecting them to the vital networks

that drive the modern economy. According to the Consultative Group to Assist the Poor (CGAP), the development arm of the World Bank, “The financial system is, in a sense, the nerve system of an economy. It is the platform used for market transactions to occur, the means by which governments distribute benefits, and the mechanism used by citizens to demonstrate their civic responsibilities by payment of taxes and government services. Ensuring the financial system is inclusive is paramount in the process of creating a more inclusive, equal and peaceful society.” Beck et al. (2008) insist that recently the debate expanded to include the notion of financial exclusion as a barrier to economic development and the need to build inclusive financial systems. Besides banking, insurance companies too would be required to target Bottom of the Pyramid (BoP) customers to achieve inclusive banking and in turn to achieve inclusive growth. According to Rangarajan (2008), Financial Inclusion is defined as “the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low- income groups at an affordable cost” in the report of the Committee on financial inclusion in India. Chakraborty, (2009) comments that Inclusive Growth cannot come without FI and enabling people to get credit from small money lenders and the like is not FI but the access has to be through mainstream institutional players and only then such access will be fair, transparent and cost effective. (Guruprasad, 2019)

Need for Specific Policies for Inclusive Growth

International organizations like the OECD, the World Bank, and the IMF now place a high premium on ensuring inclusive growth across the globe. The advantages of prosperity are now concentrated in the hands of a small group of affluent individuals, and the amount of income flowing to workers has been declining in the majority of Western countries

for more than a decade. Over 80% of profits made worldwide are accounted for by less than 10% of publicly listed corporations. ⁹ But in today's shifting circumstances, the frequently used policy response to the changing nature of work—promoting skills-training and education—becomes more and more inadequate. Workers want more than just educational possibilities; they also require greater minimum salaries, a powerful collective voice, efficient dispute resolution procedures, health benefits, retirement benefits, paid time off, and reasonably priced, high-quality essential services (such as housing, child care, transit and education). It is necessary to shift the emphasis away from redistribution and toward altering "pre-distribution" in order to make the economy more equitable from the start. Global growth has decreased in the past due to the consequent geopolitical unpredictability, pressure from climate change, and population ageing. The implications of growing inequality have become more obvious in a setting of weak development. Notably, the growth of new technologies and the "gig economy" threaten to aggravate inequality by further increasing corporate concentration and lowering worker bargaining power, rather than democratising the economy. Therefore, it is necessary to create a model of inclusive growth.

Trends and Dimensions in Poverty

1. The Official Poverty Line: The income poverty assessed by household consumption spending is one of the most extensively discussed aspects of poverty in India. The discussions around the official poverty threshold have drawn attention to how ridiculously low it is for official reasons. The assertion that the official poverty line was simply intended for estimate and not for use as a standard for various programmes to eradicate poverty is only partially accurate. It is only because the concerned state governments decided to shoulder the

additional financial burden of including these sections that such a criterion has been relaxed and the poorer sections that are not officially classified as Below the Poverty Line (BPL) have been included in the official poverty line in some states.

2. **Poverty Bands or Groups:** It has been noted that this poverty profile has a clear-cut social component in terms of its strong relationship with the hierarchical social structure, i.e., the higher the incidence of poverty, the lower the group's social standing. The ranking of the poor inside each poverty band was discovered to be closely related to the structure of social hierarchy, i.e., it served as a reflection of the social hierarchy.

There is reason to suppose that the faster rate of poverty reduction is related to the execution of policies and particular direct intervention programmes born out of a political commitment as well as political necessities, therefore inclusive growth needs to be understood cautiously. As an illustration, the national rural employment guarantee plan is a direct intervention standalone programme that offers households in rural regions that require such job limited employment during public hours.

How did the new dualism emerge??

It has been simpler for businesses to raise funds thanks to the capital market's opening up to international investment and increasing encouragement of local savers. Access to external commercial borrowings has given the private corporate sector another way to generate more funding. Access to credit has been considerably improved by the entrance of new generation banks. All of these changes have produced a secular increase in organized manufacturing's production as well as a secular rise in the

percentage of profits. A rise in profits has been made possible by factors such as the declining negotiating strength of organized labour, the government's growing pro-capitalist stance, the goal of restricting job growth through technical advancements, and the creation of luxury products.

The growth of both large and small businesses in the service sector, including those in information and communication technology, new generation banks, and financial services, as well as in industries like aviation, visual media, tourism, and entertainment, has also been a hallmark of the Indian corporate sector's development.

Schemes for Inclusive Growth in India

❖ MISSION ANTYODAYA (RD)

- Announced in Budget 2017-18
- Aims to bring 1 Crore households out of poverty
- To make 50,000 Gram Panchayats poverty free by 2019 (150th birth Anniversary of Mahatma Gandhi)

❖ Prime Minister's Employment Generation Programme (PMEGP)

- Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) were two programmes that were in operation until March 31, 2008, and the Government of India has approved the introduction of a new credit-linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) to create employment opportunities through the establishment of micro businesses in both rural and urban areas.

- To create jobs in rural and urban parts of the nation by starting new micro businesses, initiatives, and self-employment activities.
- To give a significant portion of the nation's traditional and aspiring craftsmen, as well as jobless rural and urban young, ongoing and durable work in order to stop the exodus of rural youth to metropolitan regions.
- To strengthen the ability of craftsmen to earn a living wage and to help boost the growth rate of both rural and urban employment.

❖ **Pt. Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)**

A central government programme called Deen Dayal Upadhyaya Grameen Kaushalya Yojana was launched in 2014. The Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) programme helps underprivileged rural youth gain work skills and get employment with regular monthly salaries or higher. It is one of a number of projects the Indian government's Ministry of Rural Development is pursuing to support rural lives. It is a component of the Aajeevika Mission for Poverty Reduction within the National Rural Livelihood Mission (NRLM). More than 55 million underprivileged rural youngsters who are willing to learn will profit from the programme by receiving stable jobs.

❖ **Pradhan Mantri Jan Dhan Yojana**

The Pradhan Mantri The government of India's Jan Dhan Yojana (Prime Minister's People's Wealth Scheme), which is available to all Indian citizens and allows minors 10 and older to open accounts with a guardian to manage them, aims to increase access to financial services like bank accounts, remittances, credit, insurance, and pensions at reasonable costs. The drive for financial inclusion was started on August 28,

2014, by Indian Prime Minister Narendra Modi. On August 15, 2014, at his inaugural address on Independence Day, he had made this plan public. Run by the Ministry of Finance's Department of Financial Services, this programme saw the opening of 15 million new bank accounts on the day of the inauguration.

❖ **Atal Pension Yojana (APY)**

1. To establish a universal social security system for all Indians, particularly the poor, the underprivileged, and employees in the unorganised sector, the Atal Pension Yojana (APY) was introduced on May 9, 2015. Pension Fund Regulatory and Development Authority oversee APY (PFRDA).

2. APY is available to all bank account users between the ages of 18 and 40, and the contributions vary according on the pension amount selected.

3. At the age of 60, subscribers will start receiving the guaranteed minimum monthly pension of Rs. 1000, Rs. 2000, Rs. 3000, Rs. 4000, or Rs. 5000.

4. The subscriber would be eligible for the monthly pension, and after him, his spouse. After their deaths, the subscriber's nominee would get the subscriber's pension corpus as it had been amassed at age 60.

CONCLUSION

Reasons of Inclusive growth & Sustainable development

- **Social** – Lack of inclusive growth leads to unrest among many people
- **Economic** – The measures which raise equity also promote economic growth

- **Political** – No government in a democracy can afford to ignore large sections of workers and non- working population.
- **Environmental** – Good life or growth does not mean over consumption as resources are limited.

The general publics in both wealthy and poor nations are protesting the unequalizing effects of globalization and how it affects people's possibilities for work and a living in the current international climate. However, "inequality is not only a result of this component of globalization, but also a structurally contagious incidental factor that caused the financial crisis."

Rethinking the viability of the Neo-liberal policy regime should have been prompted by the policy deadlock in advanced capitalist nations amid a recession and a reduction in people's standards of living. For emerging nations like India, the present global environment necessitates a reconsideration of the Neo-liberal model of growth and emphasizes the need of expanding domestic markets. This in turn necessitates the urgent need to address the severe underdevelopment of the major economic sectors. The development problem is generally unchanged from before, but it must be adjusted for the altered internal and external situation.

By closing the gap between the informal and formal sectors, a series of fundamental development initiatives to address the under-development in the informal economy might then result in a "upgrade" process. This necessitates a specific concentration on the planned encapsulation of agricultural and associated operations in rural regions as well as the significant portion of micro and small industries in rural and urban areas. In order for these industries to thrive, such infrastructure must be built in both urban and rural locations. This exercise's principal goal would be to make full employment with safe and acceptable working conditions the main goal of policy.

Works Cited

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