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# The Indian Economic Journal

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## Inclusive Growth of India @75: Pillars and Prospects

Dinesh Kumar Gupta

### Abstract:

Inclusive growth in India is an endeavour by the government for persons with developmental/intellectual disabilities in India. Its aim is to spread awareness to facilitate inclusion. A broad term, Inclusion, can mean different things for different people. For example, it means policies that include different economic strata of society, it means gender equality, non-exclusion on the basis of religion, caste or creed and full participation of persons with disabilities in the society and place of work. In this research paper, the current status of inclusive growth in India and the economic growth process is analysed to show the lack of inclusivity in the country. Along with this, this paper identifies the pillars and various economic and social dimensions of inclusive growth and suggests policy measures. This paper provides evidence to show that inter- and intra-regional income inequalities are increasing along with India's economic growth and that poverty levels are much higher than previously estimated. Governments are trying to reduce it. It is also important that government and industry continue to deliver critical broadband infrastructure and all necessary services to accelerate the development potential of villages and towns. The government has made efforts at many levels for inclusive growth so that India's growth is not only continuous but also inclusive so that the benefits of development can be distributed equally to all sections of society.

**Keywords:** *Economic growth, Inclusive Growth, Inequalities, Equity, Inequality*

### Introduction:

Inclusive growth refers to economic growth that creates employment opportunities and works towards reducing poverty. This means the poor classes have access to essential health and education services. This includes providing equal opportunity and empowering people through education and skill development. It also involves a development process that is environment-friendly, aimed at good governance and helps in building a gender-sensitive society. According to the OECD (Organization for Economic Co-operation and Development), inclusive growth is economic growth that is fairly distributed throughout society and creates opportunities for all. In other words, development creates new economic opportunities and ensures equitable access to such opportunities for all sections of society. Thus, inclusive growth refers to a situation where higher growth rates of GDP per capita are reflected in a situation where inequality of income and wealth is reduced. Inclusive growth focuses on providing basic amenities to all sections of the population, i.e. housing, food, drinking water, education, and health as well as generating means of livelihood to live a dignified life. At the same time, it is necessary to take care of environmental protection for inclusive development, because the development process on harm to the environment can neither be called sustainable nor inclusive.

In any country, the rapid sustained pace of poverty reduction requires inclusive growth. But to make this growth sustainable in the long term, it needs to be broad-based across all sectors. This definition of inclusive growth emphasizes the importance of both comprehensive and intensive growth. A rapid pace of growth and employment can be achieved through extensive development, which requires expanding the number of resources required. This definition shows the direct relationship between macroeconomic and microeconomic dimensions of growth. The macroeconomic dimension is consistent with the vast literature, which relies on Solow-Swann-balanced growth models

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(Solow, 1956; Swann, 1956) and generally considers the empirical redistribution of labour experienced by rapidly growing economies. The reallocation process, often called "structural change," has been documented by researchers such as Kuznets (1957) and Chenery (1960), but this literature ignores the Kaldor properties related to balanced growth. A more recent paper by Kongsamut, Rebelo, and Xie (2001) brings together these two strands of the literature by putting forward a theoretical model consistent with balanced growth and the dynamics of sectoral labour reallocation. Inclusive growth focuses on economic growth, which is a necessary and crucial condition for poverty reduction. It adopts a long-term perspective and is concerned both with the **pace and pattern** of growth. High pace of growth is important, but how growth is generated is critical for growth **sustainability** and for accelerating employment creation and poverty reduction.

### **Objectives of the Study:**

1. Through this research paper, we have tried to find the concept of inclusive growth and its impact on the lower sections of society.
2. To study the measures and pillars of inclusive growth.
3. It has also tried to find the goal of rapid inclusive growth in India that can be achieved in the current and future.
4. To study what efforts have been made by the Government of India in this direction.

### **Research Methodology:**

The research Design in the presented paper is descriptive and based on published secondary data on India's inclusive growth indicators. In this paper, we have used the Government of India and foreign institutions' published data, and from that, an attempt has been made to find conclusions and prospects of inclusive growth in India.

### **Initiatives of the Government for Inclusive Growth:**

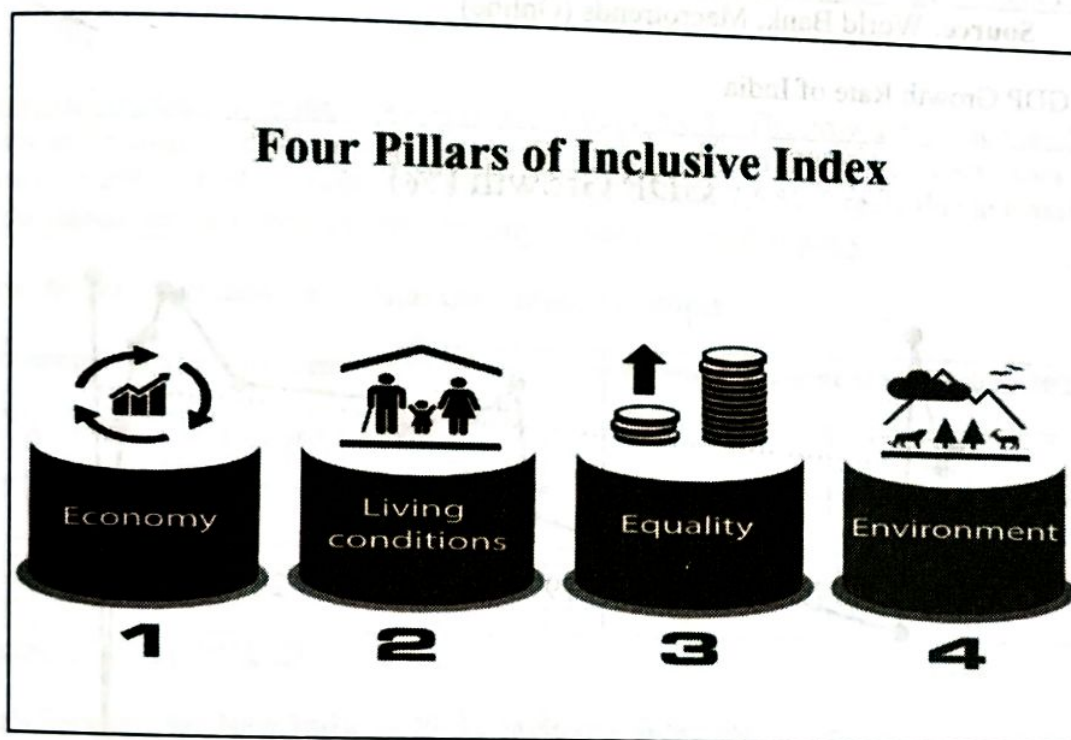
The concept of inclusive growth was first introduced by the government in the 11th Five-Year Plan. This scheme talks about improving the quality of life of people for all sections of society and providing them with equality of opportunities. The 12th Five Year Plan (2012-17) completely focused on inclusive growth and its theme was 'Rapid, Inclusive and Sustainable Growth'. In this plan, special emphasis was given to poverty, health, education and providing livelihood opportunities so that the growth rate of 8% prescribed in the plan could be achieved. Also, many schemes were started by the government to achieve inclusive growth like Deendayal Antyodaya Yojana, Integrated Child Development Programme, Mid-Day Meal, MNREGA, Sarva Shiksha Abhiyan etc. Many efforts were made to accelerate inclusive growth through financial inclusion schemes like mobile banking, Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Mudra Yojana, Senior Pension Insurance etc. Important schemes like Start-up India, Support to Training and Employment Program for Women, Mahila Entrepreneurship Forum and Pradhan Mantri Kaushal Vikas Yojana, Pradhan Mantri Krishi Irrigation Scheme, Pradhan Mantri Fasal Bima Yojana and National Food Security Mission have been implemented in this direction.

**Table-1: Performance Indicators of Inclusive Growth:**

Pillars	Performance Indicators
Growth and Development	High growth rate GDP (Per capita) Higher Labor Productivity Employment generation Healthy Life Expectancy
Inclusion	Median Household Income Income Gini Poverty Rate Wealth Gini
Intergenerational Equity and Sustainability	Adjusted Net Savings Dependency Ratio Public Debt (as a share of GDP) Carbon Intensity of GDP

UNCTAD's new Inclusive Growth Index shows countries' performance across four pillars: economy, living conditions, equality and environment.

**Figure-1: Pillars of Inclusive Index**



Source: <https://unctad.org/>

**Economic performance:**

From the 1960s to the end of the 1970s, India's economic growth rate averaged about 3.5% per year. In the 1980s, growth rates averaged about 5.5%. In the late 1980s, India's fiscal deficit increased significantly. India's balance of payments crisis in 1990–1991, after that, Indian policymakers initiated a number of measures aimed at reducing the role of the government in the economy. The industrial licensing system was largely abolished. A financial liberalization policy was also adopted. The Indian rupee was made convertible on the current account and the dual exchange rate system was abolished.

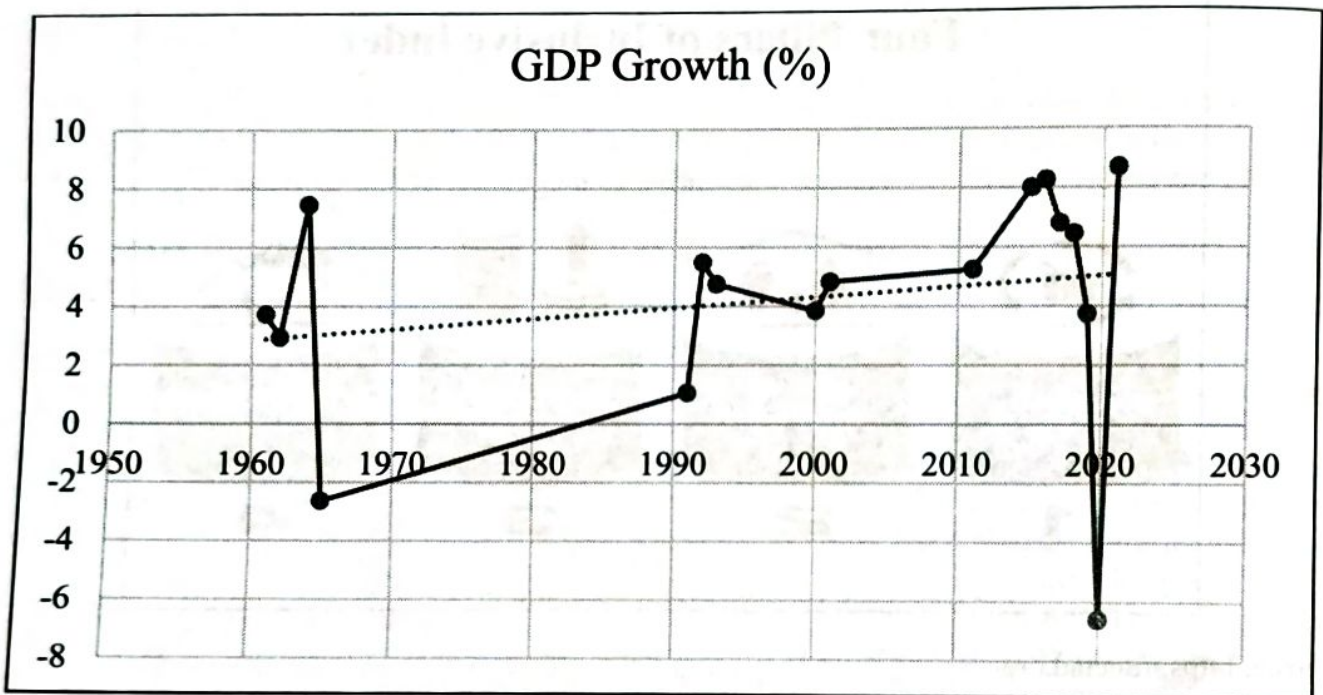
All this, found result in positive accelerated economic growth, although reported inequality in growth rates, and economic reforms were immediately implemented.

**Table 2: India GDP Growth Rate - Historical Data**

Year	GDP Growth (%)	Year	GDP Growth (%)
2021	8.68	1996	7.55
2020	-6.60	1995	7.57
2019	3.74	1994	6.66
2018	6.45	1993	4.75
2017	6.80	1992	5.48
2016	8.26	1991	1.06
2015	8.00	1970	5.16
2011	5.24	1966	-0.06
2001	4.82	1965	-2.64
2000	3.84	1964	7.45
1998	6.18	1962	2.93
1997	4.05	1961	3.72

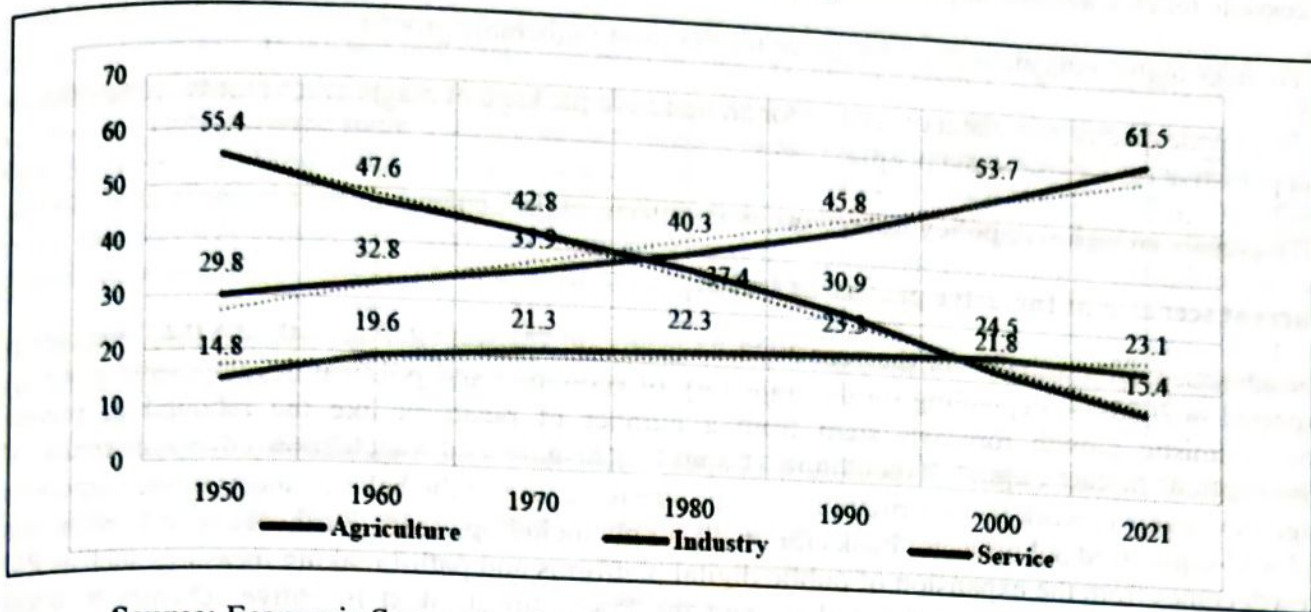
Source: World Bank, Macrotrends (Online)

**Figure 2: GDP Growth Rate of India**





**Figure 3: Sectoral Composition of Gross Domestic Product (%)**



Source: Economic Survey (various years), Ministry of Finance, Govt. of India.

The average annual growth rate in the 1990s was only around 5.6%. The growth rate increased to about 7% in the new millennium and continued at about the same level until 2008. In the six years since the global recession of 2008–2009, growth rates have averaged about 7.5%, largely due to massive fiscal stimulus. It decreased during Covid 19 but currently, it has increased slightly.

**Table 3: Growth across various sectors of the Indian Economy**

Sr. No.	Sector of the Economy	Growth Rate at Basic Prices 2022-23
1	Agriculture and Allied Activities	3.5%
2	Industrial Sector	4.1%
3	Services	9.1%

Source: Economic Survey 2022-23

**NITI Aayog's Strategy for New India @75 As Inclusive Growth:**

NITI Aayog's Strategy for New India @75 has the following objectives for inclusive growth:

- To have a rapid growth, which reaches 9-10% by 2022-23, which is inclusive, clean, sustained and formalized.
- To Leverage technology for inclusive, sustainable and participatory development by 2022-23.
- To have an inclusive development in the cities to ensure that urban poor and slum dwellers including recent migrants can avail city services.
- To make schools more inclusive by addressing the barriers related to the physical environment (e.g.











accessible toilets), admission procedures as well as curriculum design.

- To make higher education more inclusive for the most vulnerable groups.
- To provide quality ambulatory services for an inclusive package of diagnostic, curative, rehabilitative and palliative care, close to the people.
- To prepare an inclusive policy framework with citizens at the center

**Current scenario of Inclusive growth of India:**

The advance GDP estimates for the year 2022-23 is around 7% and GDP growth of 6.0-6.8 per cent is expected in 2023-24, depending on the trajectory of economic and political developments globally. The optimistic growth forecasts stem from a number of positives like the rebound of private consumption, higher Capital Expenditure (Capex), near-universal vaccination coverage, return of migrant workers to work in construction sites, the strengthening of the balance sheets of the corporates and well-capitalized public sector banks for credit supply including others. Further support to economic growth comes from the expansion of public digital platforms and path-breaking measures such as PM GatiShakti, the National Logistics Policy, and the Production-Linked Incentive schemes to boost manufacturing output. India remained an outlier among major economies, with an expansionary composite Purchasing Managers' Index (PMI) reading in December 2022.

**Ten Priorities by 2030:**

Aspirations across 10 Priorities for Sustainable, Inclusive Growth			
Sector/themes	Drivers	From (2022)	To (2030)
 Agriculture	Exports (\$Bn)	\$50Bn	\$100 Bn
 Manufacturing	High value exports in prioritized value chains	\$140bn	\$400bn
 Consumer Tech	E-retail transactors (#)	160 Mn	770 Mn
 IT / ITES	Workforce trained in digital skills (%)	25-30%	100%
 Financial services	MSME Formal Credit Lending (%)	<40%	>80%
 Healthcare	Medical Doctors per 10,000 pop.	7-8	20
 Infrastructure and Logistics	Logistics Costs (% of GDP)	13-14%	8-10%
 Emerging energy	Share of RE Generation capacity	155GW	500GW
 Water	Households with Tap Water Connections	50%	100%
 Education	Higher education Gross enrolment ratio	27%	40-50%

Source: Achieving sustainable, inclusive growth, A roadmap for India. December 2022

**Conclusion:**

By this research paper, we found that economic development and inclusive growth are continuing in the Indian economy. In the last few years, the growth rate of GDP has been 7 to 8% annually. The post-reform policy period has seen an increase in inequalities between some sectors of society and rural-urban areas, but we found there has also been a decline in social inequality in many areas. There is a need for broad-based and inclusive development for the benefit of all sections of the society. The Indian economy has changed a lot in the last 60 years. Tremendous structural change is likely in the next 40 years. Government efforts will empower vulnerable and marginalized populations through inclusive growth, improve livelihoods and help in skill development for women.

An attempt has been made here to list some important initiatives which will ease the path of inclusive growth -

1. To create opportunities for quality education and secure a future for the weaker section of the society.
2. Create opportunities for good and decent jobs and secure livelihoods.
3. Support inclusive and sustainable business practices.
4. To promote better government policies, fair with accountable public institutions.

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