

# INCLUSIVE GROWTH IN INDIA: ISSUES AND CHALLENGES

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## Abstract

The amazing growth of India's gross domestic product (GDP) has eclipsed the growing gaps in absolute and relative inequality, revealing two sides of the country. On the one hand, India is a bright country that is gaining media and international attention as it competes globally and benefits from economies of scale, globalization, and technological advancement. However, there is a more significant but less obvious suffering in India, where a sizable portion of the populace still lives in poverty and in peril. These two sides reflect the hope and misery of India. Promoting inclusive development and striking a balance between these two factors will be the region's largest task in the next years. Examining the potential and challenges of accomplishing this kind of growth in India is the aim of this study.

**Keywords:** Inclusive Growth, Growth Strategies, Economics.

## Introduction

The Indian economy saw significant and acceptable expansion throughout the course of many decades, but it did little to improve the lot of the nation's population. The majority of the poorer population remained in terrible circumstances. As a result of their exclusion from the benefits of development, there was uncertainty and discontent. This exclusion was the consequence of weaker and poorer groups' inability to participate in the development process due to a lack of resources. They were unable to engage in development projects or gain from programs intended to raise their quality of life because of their poor literacy, knowledge, and abilities. The eleventh

plan attempted to solve this problem by promoting the idea of inclusive growth, with the objective of making sure that every member of society may engage in and profit from economic development. Sustainable growth must be inclusive, involving a diverse array of industries and a large segment of the workforce, even though rapid growth is necessary for poverty reduction. This definition of inclusive growth suggests a strong link between the macroeconomic and microeconomic factors that influence development. The micro dimension emphasizes the need for structural change for economic competitiveness and diversity, such as the creative destruction of companies and employment.

Inclusive growth means considering both the speed and direction of economic growth since these two factors are related and must be treated as a unit. The Growth Theory holds that the rate at which growth occurs and its manner are both essential for fostering sustained, long-term growth and alleviating poverty. Report: Strategies for Inclusive Development and Sustainable Growth (Commission on Growth and Development, 2008). The commission asserts that any successful growth plan must include inclusiveness, which includes fairness, equal opportunities, and assistance during market and employment transitions. Our emphasis is on providing equitable access to markets, resources, and fair regulations for both enterprises and individuals. Systematic inequality of opportunity is referred to by the Commission on Growth and Development (2008) as "toxic" because it has the potential to stifle growth by generating political unrest or disputes. The inclusive growth model focuses on the long term, focusing on generating good employment rather than merely increasing the income of the poor. Governments may utilize money-sharing programs in the near term to assist the needy during growth initiatives, but these programs are unable to address long-term poverty and may even create issues in the near future. These programs might be quite expensive for already stretched resources in low-income nations, and there are locations where poverty cannot be alleviated through income sharing, where the average annual income is less than US\$700. An OECD report from this year similarly states that in certain communities, even affluent nations are unable to address growing poverty simply via money sharing.

### **Need for Inclusive Growth in India**

The most difficult task in a democracy like India is to integrate its 600 million rural residents into the mainstream. Developing people's skills is the best way to achieve inclusive growth. According to Mr. Jeffrey, the Chairman & CEO of Manpower Planning, USA, a multifaceted strategy to education and skills development is essential for growth, and that public-private

partnerships can solve the issue of a lack of talent. India's economic and social progress has made great strides since independence, which has fuelled the country's rapid growth in the 21st century.

**The following factors encouraged the India to concentrate more on inclusive growth:**

- In terms of size, India ranks seventh, and it is the second most populous nation in the world. When considering market exchange rates, it is the 12th largest economy; when using PPP, it is the fourth. India, on the other hand, is still lagging behind China in terms of growth.
- The nation struggles with issues like poor agricultural output, inadequate job opportunities, poor human development, urban-rural disparities, gender and social inequality, and regional disparities.
- The primary goals of the nation are to foster economic growth through inclusive development while simultaneously lowering poverty and other inequalities.
- The nation's progress depends greatly on its political leadership. However, research indicates that Indian politicians have a low level of scientific literacy.
- According to studies, India loses more than 10% of its GDP to corruption. One of the biggest barriers to inclusive growth is corruption.
- In India, child labour is legally prohibited with harsh measures to combat this cruel behaviour, yet many children are still compelled into work, leaving them ignorant of their education.
- Literacy rates must be increased in order to have a qualified labour force that can support long-term growth.
- Politicians and opposition parties frequently make accusations and hold outdated beliefs that impede the nation's economic reforms.

- The fact that India has a 9% GDP growth rate is a good indicator that inclusive growth is important.
- There is increasing worry about inequality and exclusion, even on a global scale, and there is currently a move toward inclusive development strategies.

## **Elements of Inclusive Growth**

An increase in spending on healthcare was one of the key components of the inclusive growth plan, according to former Prime Minister Sri Man Mohan Singh. and education, enhancing rural infrastructure, providing farmers greater credit for agriculture, generating more employment in rural areas via a specific support scheme, and boosting investment in rural communities. Lowering poverty, increasing the number of jobs and the quality of employment, expanding the agriculture and industrial sectors, and enhancing social inclusion are the five primary components of inclusive development. services, decreasing regional disparities, safeguarding the environment, and ensuring equitable income distribution.

## **Challenges before Inclusive Growth in India**

### **1. The Employment Challenges:**

Job creation is one of the major obstacles to India's progress. Currently, India's population is experiencing a demographic transition, with a rapid rate of growth. The number of young people joining the workforce is still rising, even if the pace is slower. As a result, the unemployment rate and the number of job Although there have been some advancements in job prospects, demand from job seekers remains strong. As a result, inclusive growth must prioritize the creation of more employment opportunities. This is highlighted by the Eleventh Five-Year Plan.

The capacity to create enough productive jobs will be a crucial measure of the success of development. But it's critical to create a growth model that creates employment opportunities for both newcomers to the workforce and those who are already working. transferring from farming to labour-intensive sectors. Additionally, small and medium-sized businesses (SMEs) will contribute significantly to job creation in the service and industrial sectors.

Poverty Alleviation: The prevalence of poverty at such a high rate is just unacceptable. According to the Tendulkar Report, also known as the Expert Group Report, roughly 37.2% of India's population was considered to be poor in 2004–2005. Despite significant GDP growth and 60 years of progress, the poverty rate is still excessively high. According to the Eleventh Plan, the most important aspect of an inclusive growth strategy is a significant reduction in poverty and greater economic opportunities for all. Because it helps generate more employment and increase income for more people over time, rapid economic development is crucial.

## **2. Disadvantages of the Social Justice and Empowerment:**

Everyone should have an equal opportunity to succeed, with liberty and respect, and without encountering social or political obstacles, according to the Eleventh Plan. This freedom to move and change should be accompanied by greater opportunities for people to advance their economic and social well-being. Only if members of marginalized communities feel empowered and engaged in society can this occur. Hence, any strategy for inclusive growth must prioritize helping marginalized and neglected populations, according to the Eleventh Plan. The concept of inclusiveness should include giving fair opportunities and the potential for advancement in life for everyone, not just addressing poverty. everyone, including women, minorities, Scheduled Castes, Scheduled Tribes, and Other Backward Classes.

Gender Equity: Because of gender inequality, it is worrisome that women, who make up about half of India's population, are still mostly excluded from the development process. in practically every socioeconomic sphere, including employment, health, and education, which causes frustration and uncertainty. As a result, the inclusive growth strategy acknowledges that women are agents of socioeconomic change and growth, rather than merely focusing on empowering them. In order to guarantee women's rights and entitlements, inclusive growth attempts to make sure that their demands, rights, and contributions to development are recognized and given priority.

Development with Distributive Justice: Inclusive growth is not simply about expanding the economy as usual and then incorporating elements like fairness and aid to the needy. Rather, it's a strategy for economic development that genuinely includes everyone and addresses the demands of both the environment and equity. Therefore, policies should also ensure that more people are able to participate and that those who are left behind are not excluded in order for the economy to grow at a rapid rate. out receive their fair share of the rewards. This implies

that there must be ways to distribute the benefits of growth to those who are unable to participate completely in the typical market-driven economy. As a result, inclusive growth must guarantee that the nation expands rapidly while also ensuring that the poorest and most marginalized members of society gain significantly.

**Social Sector Initiatives:** The administration has launched a number of schemes, projects, and activities at both the national and state levels in order to assist in expanding the economy in an inclusive manner. The goal of these programs is to increase employment options and future prospects for marginalized, impoverished, and frequently ignored segments of society. They provide essential services such as basic education and health care to enable individuals to participate in development initiatives. Scheduled Castes (SCs) and Scheduled Tribes (STs) are among the marginalized populations that get particular attention. In order to enhance their social and economic circumstances, plans are being developed and implemented.

**Inclusive Growth and Social Sector Expenditure:** If the nation's economy is expanding rapidly and there are concerted attempts to provide the underprivileged and marginalized with access, growth should be inclusive of everyone. basic services such health care and education, clean water, improved sanitation, roads in rural regions to facilitate movement, and other essential public services. In addition to helping people live better lives, these services also support the future growth of the economy. People in a village may miss out on development opportunities if they lack necessities such as roads that connect them to cities or a means of interacting with distant markets. Someone, for instance, is less likely to engage in development if they lack access to adequate education or healthcare due to their illiteracy, lack of information, or bad health.

To enable underprivileged and marginalized communities to share in the nation's economic progress, gain the advantages of development, and increase their productivity and capacity to utilize Spending on social services is essential to creating new economic opportunities, even those that rapid growth may not provide by itself.

### **3. Possible Solutions:**

The issue might take many forms, such as improving government expenditure, enhancing institutional functioning, implementing policies more successfully, or providing higher quality services. India has made significant strides since gaining independence in a number of areas, including maintaining a democracy, halving poverty, and improving literacy. lot, and better

health conditions. But with these successes, new problems have also arisen. The most important ones are:

Ensuring improved basic public services: People want better access to healthcare, education, law enforcement, clean restrooms, roads, and electricity as they make more money. Despite the fact that these services are now more accessible to the public, the focus is now on the quality of these services. It is possible to enhance public agencies from the inside out, provide people with consistent and trustworthy information, strengthen local governments, give them greater authority, and more. Outside organizations may be able to provide more assistance. Nevertheless, it cautions that merely planning reforms is not enough; the key is to ensure that the reforms are implemented correctly.

India's primary medium-term challenge is not to boost growth from 8% to 10%, but rather to maintain its rapid growth while ensuring that everyone benefits from it. Because the differences between cities and rural areas, between wealthy and impoverished states, and between skilled and unskilled workers are increasing.

#### **4. Reforms to improve economic efficiency:**

**Labor Legislation:** India's stringent labour regulations have hampered the expansion of the formal manufacturing sector. Improved legislation may encourage investments that need more employees and create better employment possibilities for India's large number of jobless and low-wage earners. the 80 million new workers anticipated to enter the labour market during the next decade.

**Financial Sector:** A significant obstacle for Indian SMEs is obtaining credit. Improving access to financial services and ensuring that financial systems operate efficiently is essential for equitable growth. For broad development, strong and well-managed financial organizations are crucial. The difficulties in ensuring that these businesses are well-governed and appropriately regulated are demonstrated by the experience with deposit-taking NBFCs and dual-regulated cooperative banks. Although India maintains a strict line with larger banks, it has been more accommodating to smaller banks, such as regional rural banks and tiny urban cooperative banks that operate inside a district. the greatest global practices without sacrificing liquidity or safety standards.

**Real Growth:** The move to floating exchange rates following years of set exchange rates has resulted in a significant expansion of the foreign exchange market. The worldwide derivatives market is currently valued at over \$480 trillion, or twelve times the size of the world economy. This degree of financial leverage is now quite high during the ongoing economic downturn. The expansion of financial operations is clearly outpacing actual economic development. The actual economy, which includes agriculture, industry, and services, has been overlooked and undermined. Money laundering and other dangerous activities like terrorism have also been fuelled by the enormous amounts of cash and capital that flow freely across borders.

**Agriculture and the rural economy:** Getting a decent return on investments in agricultural equipment and technology is crucial for increasing agricultural productivity. Additionally, fostering non-agricultural enterprises in rural regions is essential for improving the local economy. States That Are Lagging Behind: The gap between states has widened due to differential rates of growth. These slower-growing states must generate employment and draw investment in order to catch up. They should streamline regulations, enhance rural infrastructure, guarantee safety and order, and establish a solid framework for investing in natural resources that strikes a balance between business and the environment. and addressing community needs while increasing financial help for rural communities. Real progress and shared growth are contingent upon the government operating effectively as a unit and comprehending every component of it.

**The Right to Information Act:** With the aid of this legislation, people may discover more about the various government initiatives that are launched from time to time and how they are implemented. People can use these programs more effectively if they have this information.

**Cooperation between the public and private sectors:** Partnerships between public and private organizations can help provide a wide range of services more efficiently, including basic education, airport improvements, telecom services, and healthcare. Unless private organizations also ensure that they are held responsible for their work, it is unrealistic to anticipate significant improvements in service from them alone.

**Opportunity and Empowerment:** Policy reforms should prioritize giving people more power and better opportunities so that everyone in India may participate in the fair economic expansion that results in inclusive development for all. Despite the improvements in rural areas, this advance alone is insufficient. In terms of possibilities and empowerment, more assistance

is required. Improving people's access to finance in rural areas may be beneficial, but only if combined with additional initiatives that enable the underprivileged to profit from the local economy.

**Change Accountability:** Money spent doesn't always produce positive outcomes. People are worried about the real effects of these changes. The process by which reforms are implemented should be improved, and it should be done in an efficient and transparent manner. At the moment, these changes are only benefiting the wealthy and middle classes, not the poor. Therefore, the priority should be on ensuring that the underprivileged also receive these advantages.

**Land:** Despite the critical importance of boosting agricultural production to offset the loss of agricultural land, the sluggish growth of non-agricultural jobs, the necessity for industrialization—including SEZs—The fact that there are so many smallholders who depend on urban housing for their livelihood has caused misunderstanding and irritation. Land acquisition requires a balanced and careful strategy, as emphasized by this.

**The issue of social security persists:** The 11th Plan's targeted livelihood support is at risk because the government is not interested in or committed to raising the circumstances of workers in the unorganized sector. schemes that seek to raise the productivity and earnings of individuals working in low-paying industries like weavers, artisans, small and micro businesses, and craftsmen. In accordance with the recommendations of the National Commission for Enterprises in the Unorganized Sector (NCEUS), the government has implemented initiatives to provide social security through health care, old-age pensions, life insurance, and general insurance. However, at the moment, only families living below the poverty line (BPL) are eligible for these programs. It would be more inclusive and helpful to include middle-class families.

## Conclusion

A nation's citizens must be inclusive in order for it to advance. Despite having one of the largest economies in the world and one of the fastest rates of economic growth, the growth distribution in India is extremely uneven and skewed. The difference is clear in terms of both geography and personal interaction. Lawmakers and politicians should keep in mind that exclusivity and inequality are time bombs because they undermine the entire system and foster societal unrest.

In order to reach Golden India and become one of the top-performing states in the country, the states must learn from the errors committed during the previous sixty years. years and focus on the aforementioned priority areas for the next ten or so years. Otherwise, India might lag far behind many other countries in achieving inclusive, broad-based development. Fortunately, the inadequate execution of plans and policies intended to engage the bottom of the pyramid is more of a problem in India. rather than a deficiency in resources or skills. It is in the best interest of the nation's managers to recognize this as soon as they can.

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