



**PART I: INTRODUCTION:**

To begin with, the term inclusive growth is defined as the economic growth that creates an opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society. Inclusive growth is both a process and an outcome. As a process, the focus is on wider participation in the process of growth and as an outcome, it concerns benefit-sharing, removal of poverty, and reducing income inequalities. For the Government of India, inclusive growth has become the central focal point of all policies, fiscal policy, monetary policy, trade policy, labour market policy, price policy, etc.

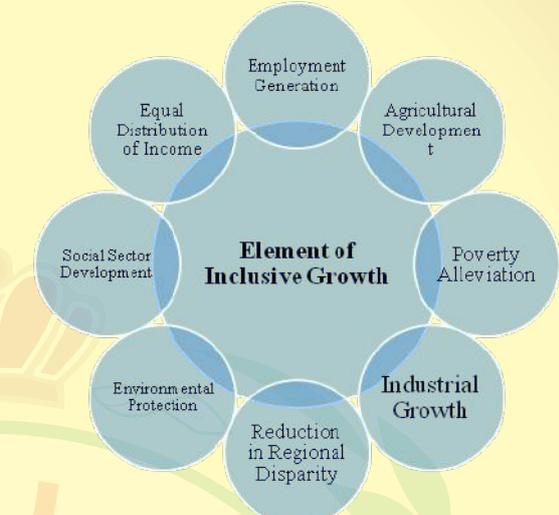
**PART II: WHAT IS INCLUSIVE GROWTH?**

In the year 2021, in the Inclusive Development Index (IDI) compiled by the World Economic Forum (WEF), India ranked 62 out of 74 emerging countries. Before dwelling on the significance of the inclusive growth, we, first, need to clear our understanding of inclusive growth:

**INCLUSIVE GROWTH: AN INTRODUCTION:**

To put it simply, economic growth, which is properly distributed over the society is called Inclusive growth. As per Organization for Economic Co-operation and Development, which stands for the OECD, inclusive growth is economic growth that is distributed fairly across society and creates opportunities for all.

In this sense, an inclusive growth regime, though taken longer-term perspective, creates an equal opportunity for all strata of society to reduce the poverty in society and increase well-being. Such kinds of growth call for skill development, financial inclusion, technological advancement, economic growth, and social development; these all are the elements of inclusive growth.



**PART III: NEED FOR THE INCLUSIVE GROWTH:**

According to the erstwhile Planning Commission of India (2007), the concept of “Inclusion” should be seen as a process of including the excluded as agents, whose participation is essential in the development process, and not welfare targets of development programs.

In this context, sustained inclusive growth in India possibly requires changes in the prevailing growth approach and a definite line of deed to include the excluded representatives. After pursuing the current growth strategy for a long time, economic inequality in India is still very severe.

There are several factors, which call for the need for inclusivity in economic growth: -

- Inequalities in all segments of the economy have increased during the last three decades. Some of the plausible reasons are rapid growth in GDP, liberal and expansionary fiscal policy, large public debt, and changes in the nature of production using more capital, increasing share of services in GDP,

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unfavorable policies and institutions, etc.

- Beyond the rise of inequality, there have been other profound changes in labour markets over recent decades. These arise from technological change, increased migration, and shifting employment patterns. The directions of these changes have often drifted the economies away from inclusiveness and social justice and these forces will also continue to evolve.
- Moreover, the informal economy embodies the exact opposite of inclusive growth: workers are effectively excluded from accessing many of the resources they need to make them more productive and thereby improve their life chances. It is estimated that about 80% of India's labour force works in the informal economy.

For the Indian economy to reach its growth potential, ways and means must be found to move workers from informal to formal employment. Ultimately, the economy can reach its full potential only when the hundreds of millions of Indian workers can escape the trap of low productivity.

**PART IV: INITIATIVES ARE TAKEN TO PROMOTE THE INCLUSIVE GROWTH: -**

In this direction, the recent reform initiatives are preparing the ground for greater inclusion. India is continuously focusing on equitable, inclusive growth and on bridging income inequalities:

- The biometric-based unique identification system, Aadhaar, now ensures that the poor are no longer invisible and, therefore, more empowered. Through the Pradhan Mantri Jan Dhan Yojana, a bank account for every adult now ensures universal access to financial services, at least in principle. When combined with Aadhaar, such access will accelerate financial inclusion.
- The legislation, by the combined name of Code on Wages Bill, or Labour Code, which was passed in by the Parliament, is poised to reinvent the relationship between monetary capital and human capital in order to develop an economy, which nurtures the well-being of both enterprises and workers. These

developments also come at a time when there is a pressing need for the economy to enhance domestic capacities of manufacturing and competitiveness in national and international markets.

- The demonetization and the introduction of the new national goods and services tax will gradually expand India's tax base, Insolvency and Bankruptcy Code, repeal outdated laws, give thrust to the road and air connectivity, increased focus on infrastructure, housing, and agricultural sectors have enabled the economy to gather momentum.
- Saubhagya and Ujjwala stand testament to the core values of inclusiveness that India adheres to; moreover, for the Sustainable Development Goals 2030, which emphasizes upon the need for nations to focus more on equitable economic growth and to reduce inequalities, the Government of India has embarked on a similar path in the last some years by having "Sab ka Saath, Sab ka Vikas" as the overarching goal.
- The dynamic, visionary leadership in India at the national and state levels is engaged in reforming governance, reaching higher performance benchmarks & transforming the lives of people. This captivating growth story ensures that India of today is a land of infinite possibilities and tremendous opportunities.
- The leveraging of Information Technology through mission mode projects like Digital India has simplified many complicated and multi-layered procedures. Adopting the Antyodaya approach, the development strategy has been refashioned to include the excluded. Social and financial inclusion has been the main thrust of all governmental programs.
- The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA), an inclusive growth scheme for the economic empowerment of rural people, is the scheme aims to augment wage employment opportunities by providing employment on demand and thereby extending a security net to the people and simultaneously creating durable assets to alleviate some aspects of poverty and address the issue of development in the rural areas

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- Moreover, various other schemes, such as Support for Marginalised Individuals for Livelihood and Enterprise (SMILE), PM-DAKSH (Pradhan Mantri Dakshta Aur Kushalta Sampann Hitgrahi), Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Start-Up India Scheme, etc. have been initiated to enhance the self-reliance in the employment in the spirit of Aatmanirbhar Bharat.

**PART V: CHALLENGES IN THE PATHWAY :**

Poverty, unemployment, agriculture backwardness, issues with social development, and regional disparities are key challenges in achieving inclusive growth:-

**Unemployment:** - As per the recent Periodic Labour Force Survey (PLFS) for 2020-21 released by the Ministry of Statistics and Programme Implementation (MOSPI), the rural areas recorded an unemployment rate of 3.3%, and urban areas recorded an unemployment rate of 6.7%. This disparity shows the overburden that has been imposed on the urban areas; moreover, the instances of reverse migration during the COVID-19 pandemic also highlighted the lack of employment opportunities and inadequate agricultural resources in the rural areas.

**Agricultural Backwardness:** - Agriculture is the primary source of livelihood for about 58% of India’s population, and the share of agriculture in GDP increased to 19.9 percent in 2020-21 from 17.8 percent in 2019-20. This data shows that the significance of agriculture in the Indian economy is remarkable, and the pandemic situation has proved the same. A major population of the agriculture community, still, is indulging in the traditional, and conventional agricultural practices; hence, the technical upgradation, and cooperatization of agriculture, is well needed to double the income of the farmers by the year 2025, as the government stated.

**Enhanced Inequality:** - The Oxfam report titled “Inequality Kills” pointed out a stark income divide worsened by the COVID pandemic, globally and in India. The report pointed out that the income of 84% of households in the country declined in 2021, but at the same time, the number of Indian billionaires grew from 102 to 142. This data shows that the rich are getting richer during and post-pandemic and the poor are getting poorer in this span of time. This, clearly, requires us to re-look into our policy regimes,

incentives, and strategy to become a country not just with economic growth, but inclusive growth.

**Decline in Social Security Expenditure:** - The same Oxfam report also shows that the country’s healthcare budget saw a 10% decline even after the COVID-19 situation has drastically shaken our health infrastructure. Similarly, there was a 6% cut in allocation for education. The budgetary allocation for social security schemes declined from 1.5% of the total Union budget to 0.6%. These data do not show a very good picture of our social security regime for the upliftment of human development. This urgently needs our attention.

**PART VI: THE ROAD AHEAD :**

**Need for Reforms, and Promotion of the MSMEs:** - Any reforms that have an impact and are worth doing are necessarily disruptive. Without short-term cyclical effects, there are no longer-term structural gains. The COVID-19 pandemic has made us realize the lacunae that need to be addressed, majorly, in the informal sectors; moreover, we have realized that for inclusive growth, the local markets, and the MSME sectors should be promoted inclusively. Much greater gains will be realized when the different reforms begin to converge to bring more people into the mainstream economy altogether. What is needed is to sustain the push for more reforms, not fewer.

**Learn from the Best Practices:** - While developing countries are focusing more on expansion and quality of services, developed countries’ focus is on the delivery of services. India can learn from the best practices adopted by these countries, in designing and implementing suitable country-specific policies. For instance, countries like Argentina, Indonesia, Brazil and Japan, have introduced policies that promote inclusive growth in terms of productive employment, equity, promoting innovation and entrepreneurship and social protection. Despite low per capita income, countries like Argentina and Indonesia have been achieving success in achieving the basic tenets of inclusive growth including growth, participation and redistribution across the economy.

**Rejuvenation in the Agricultural Strategy:** - 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;

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an increase in rural employment through a unique social safety net and the sharp increase in public spending on education and health care. The government also should go for a variety of legislative interventions to empower the disadvantaged. Some of the challenges and opportunities before inclusive

### PART VII: CONCLUDING REMARKS :

Conclusively, the key implications from the concept of inclusive growth would essentially include ensuring fiscal health of India with ever increasing role of government in the economic sphere, effective use of resources and increasing devolution and decentralization, transforming employment regime, and human resource management, changing budget regimes and practices, and introducing results-oriented approaches in the policy structure to achieve sustainable development goals.

The positive picture is that the GDP per capita has more

than doubled in ten years, extreme poverty has declined substantially, access to education has steadily improved, life expectancy has risen and India is gradually progressing towards meeting some of the goals set in the Sustainable Development Goals (the SDGs); however, much more needed is to be done.

India is working towards overcoming the problem of unemployment. Amid all, like other countries, India is also facing the twin challenge of repairing the damage caused by the global economic and social crisis and creating quality jobs for the tens of millions of new labour market entrants every year. Several steps have been taken; India has made advances in integrating in global value chains and developing a competitive advantage in fields such as information and communication technology. Now is the time to secure continued progress by boosting competition and further lowering barriers to trade and investment.



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