

# UNIT 59 – UPSC - Inclusive growth and issues arising from it

Inclusive growth entails comprehensive growth, shared growth, and pro-poor growth. It lessens the fast growth rate of poverty in a country and upsurges the participation of people into the development of the country. Inclusive growth infers an impartial allocation of resources with benefits incurred to every section of the society. But the allocation of resources must be focused on the intended short and long term benefits of the society such as availability of consumer goods, people access, employment, standard of living etc. Rapid and sustained poverty reduction requires inclusive growth that permits people to contribute to and benefit from economic growth. Rapid growth is necessary to reduce poverty but for this growth to be sustainable in the long run, it should be broad-based across sectors, and inclusive of the large part of the country's labour force. This explanation of inclusive growth implies a direct link between the macro and micro determinants of growth. The micro dimension denotes the importance of structural transformation for economic diversification and competition, including creative destruction of jobs and firms. Inclusive growth is defined by many academicians as the pace and pattern of growth, which are considered interlinked, and therefore in need to be addressed together. UNDP has described inclusive growth as “the process and the outcome where all groups of people have participated in growth and have benefited equitably from it”. This inferred that inclusive growth should include all sections as recipients as well as partners in growth and that inclusion of the excluded should be embodied in the growth process. According to Basely et al (2007), inclusive growth is the “growth that has a high elasticity of poverty reduction”, i.e. It should have a higher reduction in poverty per unit of growth. Copious theoretical studies have demonstrated that the idea that both the pace and pattern of growth are critical to accomplish a high, sustainable growth record, as well as poverty reduction, is consistent with the findings in the Growth Report, Strategies for Sustained Growth and Inclusive Development (Commission on Growth and Development, 2008). The commission found in report that inclusiveness, a concept that incorporates equity, equality of opportunity, and protection in market and employment transitions is an essential element of any successful growth strategy. The Commission on Growth and Development (2008) considers systematic inequality of opportunity “toxic” as it will derail the growth process through political channels or conflict.



The inclusive growth approach takes huge perspective as the focus is on productive employment instead of direct income redistribution, as a means of increasing incomes for excluded groups. In the short run, governments could use income distribution schemes to weaken negative impacts on the poor of strategies intended to jump start growth, but transfer schemes cannot be an answer in the long run and can be challenging also in the short run. In poor countries such schemes can impose major burdens on already stretched budgets, and it is theoretically impossible to reduce poverty through redistribution in countries where average income falls below US\$ 700 per year. OECD study signified that even in developed countries, redistribution schemes cannot be the only response to rising poverty rates in certain segments of the populace.

Within the context of India, the Indian economy, which has undergone various phases since last many decades is currently enter an altogether different path, one marked by a high rate of expansion, combined with 'inclusive growth.' In the last few years, inclusive growth has been at the vanguard of studies supported by multilateral aid agencies, such as the United Nations, the World Bank, Asian Development Bank, and several nongovernmental organizations (NGOs). In India, governments have introduced several projects, such as Jawahar Rozgar Yojna, Integrated Rural Development Program, Rural Housing Scheme, Swarnjayanti Gram Swarozgar Yojana and Mahatama Gandhi National Rural Employment Guarantee Act to promote inclusive growth. Nonetheless, to boost inclusive growth in a country with the scale and size of India, private sector involvement is equally important. The private sector has started contributing with initiatives, such as the ICICI Foundation having been established with the purpose of promoting inclusive growth. The government and private sector both have imperative roles in driving inclusive growth. There is a need for the public and the private sector in India to have a combined approach towards how they can extend, innovate, and cooperate in innovative ways to enhance inclusive growth.

Developing India's stellar gross domestic product (GDP) growth rates have covered rapidly rising relative and absolute disparities that results in dual face of India. A "shining India", which is conflicting internationally and benefiting from the powers of globalization, technological developments and economies of scale, has grabbed the attention of the media and the world. On the contrary, another facade of India is "suffering India", not as well exposed but even more important, and has unsatisfactorily wide samples of its population who are poor and weak. These two facades of India are both an inspiration of hope and a symbol of anguish. Merging these two faces will be the development challenge over the next generation for the region. To address this challenge, inclusive growth with its focus on creating economic opportunities and ensuring equal access to them will play a key role. More and more countries are accepting it as the goal of development policy. India, which had poverty reduction as the main focus of its development strategy over the last 50 years, has recently swapped to a new strategy focusing on two objectives that include enhancing economic growth and making growth more inclusive (Planning Commission of India 2006). Inclusive growth as a development notion is also being comprised by many development partners of developing countries including bilateral and multilateral aid agencies, international organizations, nongovernment organizations, and civil society.

## **Reason for India to embrace Inclusive Growth:**

The recognition of the significance of inclusive growth in developing Asia have been generated by a rising concern that the benefits of remarkable economic growth have not been equitably shared (Ali 2007). Developing India experienced rapid economic growth during the last two decades. Asia's

rapid growth has led to dramatic reduction in the level of extreme poverty. Using the \$1-a-day poverty line established by the World Bank in 1990, the incidence of extreme income poverty declined from 43.5% to 35.00% between 1990 and 2005, with each percentage point of growth related with an almost 2-percentage point decline in poverty incidence on average (ADB 2004c). Most Asian countries accomplished the income poverty target of the Millennium Development Goals (MDGs) by 2005 for except those in South Asia.

### Need for Inclusive Growth in India:

Many intellectuals and government executives accentuated that inclusive growth is required for sustainable development and impartial distribution of wealth. For India, it is a tough task to accomplish inclusive growth. In a democratic country India, majority of population living in rural India and to bringing them into the mainstream is main concern. The challenge for Indian government is to take the levels of growth to all section of the society and to all parts of the country. The best way to realise inclusive growth is through developing people's talents. It is said by government authorities that a multidimensional approach towards education and skills development is essential to achieve growth. The challenge of skills shortage can be addressed through public private partnership. Since independence, noteworthy improvement in India's economic and social development made the nation to grow strongly in the 21st century. The following factors enable the India to focus on inclusive growth.

- i. India is the 7th major country by area and 2nd by population. It is the 12th largest economy at market exchange rate. Yet, development is not visible in India and it's the neighbourhood nation, i.e., China is progressing at speedy rate.
- ii. The exclusion in terms of low agriculture growth, low quality employment growth, low human development, rural-urban divides, gender and socialine qualities, and regional disparities etc. are the problems for the nation.
- iii. Decreasing of poverty and other disparities and raising of economic growth are major objectives of the nation through inclusive growth.
- iv. Political leadership in the country plays a vital role in the overall development of the country. But, the study has found that politicians in India have a very low level of scientific literacy.
- v. Studies assessed that the cost of corruption in India amounts to over 10% of GDP. Corruption is one of the ills that prevent inclusive growth.
- vi. Though child labour has been banned by the law in India and there are stringent provisions to deter this inhuman practice. Still, many children in India are unaware of education as their lives are spoiled to labour work.
- vii. Literacy levels have to rise to provide the skilled workforce required for higher growth.
- viii. Economic improvements in the country are overwhelmed by out dated philosophies and allegations by the politicians and opposition parties in India.
- ix. Achievement of 9% of GDP growth for country as a whole is one of the boosting factor which gives the importance to the Inclusive growth in India.
- x. Inclusiveness benchmarked against achievement of monitor-able targets related to
  - i. Income & Poverty
  - ii. Education
  - iii. Health

- iv. Women & children,
- v. Infrastructure
- vi. Environment
- xi. At global scale, there is a concern about dissimilarities and exclusion and now they are also taking about inclusive approach for development.

### Elements of Inclusive Growth:

Major components of the inclusive growth strategy included a sharp upsurge in investment in rural areas, rural infrastructure and agriculture spurt in credit for farmers, increase in rural employment through a unique social safety net and a sharp increase in public spending on education and health care.

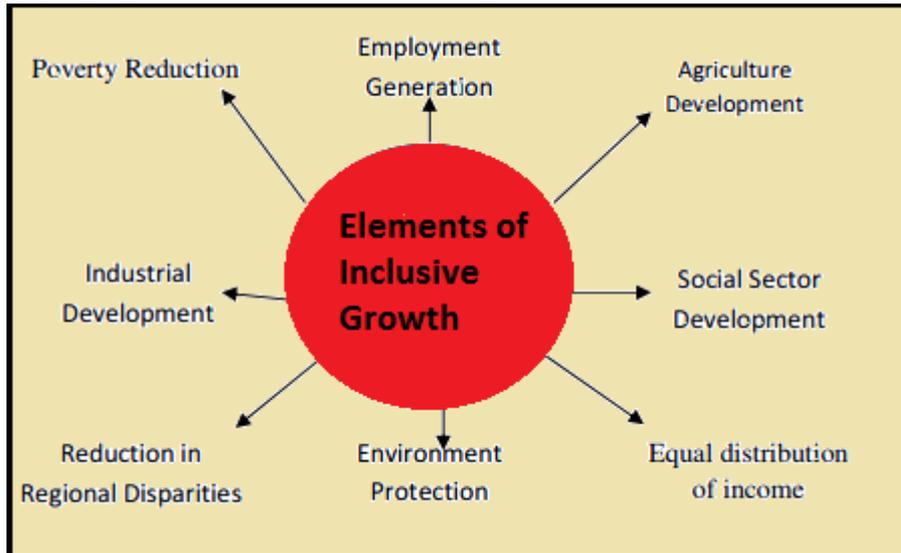
There are several interrelated elements of inclusive growth:

- Poverty Reduction
- Employment generation and Increase in quantity & quality of employment.
- Agriculture Development
- Industrial Development
- Social Sector Development
- Reduction in regional disparities
- Protecting the environment.
- Equal distribution of income

### Major elements of Inclusive Growth:

1. Agriculture Development
2. Industrial Development
3. Environment
4. Protection
5. Poverty Reduction
6. Employment
7. Generation
8. Reduction in
9. Regional Disparities
10. Equal distribution of income
11. Social Sector Development

Elements of inclusive growth



### Challenges of Inclusive Growth in India:

'India' is expanding business at global scale. The economy growing at a remarkable rate, combined with a booming democracy is making people sit up and take notice across the world. Still, India is far from reaching its true potential. The country remains shackled in dishonesty, red tape, traditional social hurdles and a bewildering lack of transparency. It is witnessed that growth is not uniform across sectors and large cross-sections of the population remain outside its purview. Numerous social, political and economic factors need to be tackled for sustaining a high rate of growth, as well as to make this growth inclusive. Indian society has to seriously introspect major issues such as eradication of child labour, women empowerment, removal of caste barriers and an improvement in work culture. Tackling corruption in high places, removing the ills of the electoral system, snubbing politics of agitations and keeping national interest above petty politics may not be too much to ask to the country's policy makers. In order to accomplish major objectives for progression Indian government must focus on rapid growth in the rural economy, well planned and targeted urban growth, infrastructure development, reforms in education, ensuring future energy needs, a healthy public-private partnership, intent to secure inclusivity, making all sections of society equal stakeholders in growth, and above all good governance.

The social limits of Indian democratic politics: In top business person around the globe, many Indian entrepreneurs are listed but the sarcasm still remains that there is a marginal farmer in many states of India who is struggling to feed his five children, the youngest of whom is a son, uneducated and unemployed, and the farmer cannot afford her daughter's marriage. There are jobs escalating in the IT sector in big cities like Bangalore and Hyderabad, disposable income for the 'Call Centre' crowd, that is spurring on the foray of several luxury goods never before seen in the nation, is becoming all the more accessible but the poor are still poor even though the rich have become super rich and the previously not so rich.

The growth is far from inclusive in India. There is worst condition in country. Many beggars are found on the streets, and there are reports for farmer suicides in states like Maharashtra. People understand their dilemma and they even sympathize and empathize with them.

Overcoming difficulties to rural growth and urban transformation can escalate growth. People living in cities earn far more than those dwelling in rural areas. The majority of whom live below poverty levels, are undernourished and just survive. It is this population, very nearly forgotten by

the power brokers, who need to be brought into the development scheme. They must be given the option of living and working on jobs in non-agricultural sectors, jobs that guarantee the basic subsistence for themselves and their families. Simply transferring resources from one head to another, which has been done, cosmetically sometimes, by politicians has not changed much. The reality remains that the fund is limited. Even if national funds distribution is perfect, it will not reduce poverty level in country.

Every leading industrialised economy in the world has followed a path which began with agriculture being the major source of income for the mainstream of the population and ended with agricultural occupation being a very small fraction of the total labour force. For economic development, agriculture growth is necessarily be two-fold. One, experts have to develop villages, improve agriculture and agro-industries and infrastructure in rural India. Secondly, it is imperative to empower the rural people and give them new opportunities and provide jobs outside villages and agriculture. As India develops, the intervention of Government in people's lives must come down. It is necessary that Government officials must change their mind set from overseas masters to facilitators. It is well observed that corruption is wide spread in the country. It is weakening the economic status of India. Though effective schemes and plans are device with extravagant aims and claims of potential success equally extravagant to garner the support of the upset public, but they are of no use unless the delivery systems are improved considerably. That would require a truly massive effort from changing the working style of administration, tackling corruption to involving the private sector fully in the development process.

In India, government devised effective policies and making sustained effort to improve the life style of those living below the poverty line and to streamline delivery systems so as to ensure that the benefits reach the intended beneficiaries. It was said by authorities that 'Inclusive Growth, is a challenges for Corporate India. This was especially timely since the media, both print and electronic, have hardly been sensitive to this issue, taken up as they are by stories of mega mergers, super rich tycoons, and eyeing corporate sponsorships.

In Indian system, it is realized that corruption is prevalent in the highest offices and it persist into even the most unimportant of day to day activities. Bureaucrats, politicians and entrepreneurs want to become rich at any cost. Corruption is ill practice and considerably avert inclusive growth instead of enabling the rich to get richer and keeping the poor to poorer. Corruption works like an exchange with gains for both the people giving as well as the people accepting and is therefore as much a crime committed by the givers as it is by the takers. Bureaucrats in India may be mercenary, but the private sector is also to be blamed for its complicity. It is on this class that the responsibility lies to be responsible and refuse to be a part of corruption. Legislation enabling seizure of properties of public servants convicted of corruption is yet to be passed. Politicians in India also involved in corrupt practices to get elected and are even sought after at public and social functions. The strategy to tackle corruption must necessarily be multi-pronged at the legal level, the enforcement level, as well as at the educational and social levels. Efforts at inclusiveness of society are predestined to failure unless more than just a semblance of attention is brought about on the corruption front.

Important mechanism to deal with the corruption issue is to bring about greater transparency, both in the policy making and in the delivery systems. The Right to Information Act was a great step in this direction. Governments have been defensive in their thinking. They have failed to give full flow to the intentions of the framers of this Act. Information Commissioners, who have been

appointed so far, both at the Central Government level, as well as at the State Government levels, have mostly been of the retired bureaucrats. There is need to balance out the Information Courts with the addition of people from other social and professional categories, be they prominent journalists or social activists or those distinguishing themselves in the non-governmental social organizations. Greater transparency will bring greater accountability, and hopefully a much larger percentage of money would eventually reach the intended beneficiaries of Government schemes. Corruption is one, of the most significant, but there are several other problems that need to be overcome and problems that need to be tackled.

There are many social causes of exclusivity. When talking about inclusive growth, a major factor to be scrutinised is the socio-economic inclusiveness of the people. Inclusive growth being a long term process necessarily originates from the inclusive nature of socio-economic development across regions and people. As per the UNDP Human Development Report 2009 (HRD 2009), India ranked 134 out of 182 countries of the world placing it at the same rank as in 2006. There will be no growth inclusive unless it takes satisfactory care of women and children. Child labour, despite several of laws and India's commitments at the ILO, is still unfortunately very much predominant. Child labour has been banned by law in India and there are severe provisions to dissuade this callous practice. But companies ignore laws and involve children to work for high productivity. Millions of young children continue to work in roadside eateries, glass factories, carpet looms or sweeping and cooking in homes in violation of the Child Labour (Prohibition and Regulation) Act. Failure to implement the law and poor rehabilitation policies need urgent attention. Though an increase in the number of officials and labour inspectors is called for, together with imparting better training and instilling greater sensitivity in them but, there is a need to lessen poverty which is the main reason driving parents into pushing their young children to work instead of sending them to schools. This major problem is one of the main challenges to resolve while discussing inclusive growth. The country's philosophy needs to change to end practice of child labour, together with a strong political and bureaucratic commitment for eradicating child labour. There is a need to attract children from poverty stricken families to schools. Mid-day meal schemes of Governments gain partial success. Again, however, lack of transparency has ensured that funds and rations are embezzled and misused. Literacy levels have to rise to provide the skilled workforce required for higher growth. India has large number of scientists, engineers and doctors in the world, but their potentials are realized as majority of its vast population. A majority of its population is still trickled in superstition. The caste system is another curse of Indian society. To reform education and health sectors, government must have to take bold steps for higher allocations for education and the social sectors along with visionary social and political leadership. This can overlay the way for reforms in these sectors. The Government of India focuses on social security as part of its inclusive growth programme. It introduced a law in parliament to provide social security to unorganized labour. Such social schemes deserve strong support and would go a long way in making inclusive growth a reality.

For inclusive growth, a peaceful and stable environment is a must. Currently, it is observed that in India, many demonstrations, agitations and 'bandhs' (forcible closure of shops, offices & transport) are going on. For the slightest pretext, trains are stopped, buses and private vehicles burnt and offices and business establishments powerfully closed. This leads to unconceivable loss of man hours and economic output, besides loss of confidence of the outside world for making investments. In this context, officials need to initiate proper reforms in the criminal justice system, especially in the police. The Supreme Court has time and again reminded the Government of the

need to reform the police force. Some outdated laws must be revived for glorious inclusive growth. The Police force needs to be made more responsive and accountable. It should not work under corrupt politicians but responsible to the law of the land. After such reforms, government can provide a secure atmosphere for economic activity to prosper and remove earlier weaknesses towards inclusiveness.

Inclusive growth has been projected as the strategic pillar of 12th five year plan. The policy designers are of the opinion that the 'inclusive growth strategy for the 12th five year plan should be based on the experience of inclusive outcomes of the 11th five year plan'. The approach to 12th five year plan titled 'Faster, Sustainable and More Inclusive Growth'. The progress towards inclusiveness is more problematic to assess, because inclusiveness is a multidimensional concept.

**Inclusive growth has many positive aspects:**

1. Lower incidence of poverty.
2. Broad-based and significant improvement in health outcomes.
3. Universal access for children to school.
4. Increased access to higher education and improved standards of education, including skill development.
5. Better opportunities for both wage employment and livelihood.
6. Improvement in provision of basic amenities like water, electricity, roads, sanitation and housing.

For good inclusive growth there is a need of the SC/ST and OBC population. Women and children comprises for 70% of the population and deserves special attention in terms of the reach of relevant schemes in many sectors. Physically challenged / minorities and other excluded groups also need special programmes to bring them into the mainstream. To accomplish inclusiveness in all these dimensions requires multiple interventions, and success depends not only on introducing new policies and government programmes, but on institutional and attitudinal changes. System is continually changing. It is encouraging to observe that planners become conscious of the need for inclusive development. The approach paper on the eleventh five year plan is titled "Towards faster and more inclusive growth". It reveals the need to make growth more inclusive in terms of benefits flowing through more employment and income to those sections of society which have been left out of the economic growth witnessed in recent years. In previous years, there was an attempt on the part of the Planning Commission to seek some inclusiveness, when in the mid-term appraisal of the 10th five year plan (2002-2007), it devoted nearly 100 pages to 'human development'. It also contained an appendix on the Millennium Development Goals (MDGs) adopted by all U.N. member states, including India, at the Millennium Summit in 2000. The Eleventh Plan gave a special push to several programmes aimed at building rural and urban infrastructure and providing basic services with the objective of increasing inclusiveness and reducing poverty. Some of these programmes were new, while others augmented existing initiatives. Thirteen such flagship programmes are listed as under.

Sl no	Programme	Ministry/Department
1	MGNREGA	Rural development

2	<b>Indira Awas Yojana(IAY)</b>	<b>Rural development</b>
3	<b>National Social Assistance Programme(NSAP)</b>	<b>Rural development</b>
4	<b>Pradhan Mantri Gram sadak Yojna(PMGSY)</b>	<b>Rural development</b>
5	<b>NHRM</b>	<b>Health and Family Welfare</b>
6	<b>ICDS</b>	<b>Women and Child Development</b>
7	<b>Mid Day Meal(MDM)</b>	<b>School Education and Literacy</b>
8	<b>Sarva Siksha Abhyan(SSA)</b>	<b>School Education and Literacy</b>
9	<b>JNNURM</b>	<b>Urban Development</b>
10	<b>Accelerated Irrigation Benefit Programme (AIBP) and other water resource programme</b>	<b>Water Resource</b>
11	<b>Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY)</b>	<b>Power</b>
12	<b>Rajiv Gandhi Drinking Water Mission (Rural Drinking Water), NRDWP and Total sanitation Campaign(TSC)</b>	<b>Drinking water Supply</b>
13	<b>Rashtriya Krishi Vikas Yojana</b>	<b>Agriculture and cooperation</b>

Most of these programmes are Centrally Sponsored Schemes (CSS), which are implemented by State Government agencies, but are largely funded by the Central Government with a defined State Government share.

OCED reports indicated that India is one of the world's biggest and faster-growing research and development (R&D) players. However, India displays comparatively low capacity in science,

technology and innovation as compared to advanced OECD countries and emerging economies such as China. This rapid growth of India's R&D performance is the outcome of a strategic approach to promoting innovation that emphasises local capacity development and inclusive innovation as well as focusing on spending efficiency. In India, there are huge number of English speaking skilled workforce which make country as a global hub for outsourcing knowledge-intensive services.

### Major causes for less inclusive growth:

There are several reasons for disrupting inclusive growth. Firstly, growth has been jobless, and the employment growth has declined for the same level of economic growth. Despite of remarkable growth which has made India the world's fourth biggest economy, "employment in different sectors has not been rising. This jobless growth in recent years has been accompanied by growth in casualization".

Secondly, growth has been uneven across sectors and locations. For instance, agriculture has been lagging behind and in countries such as India and China, some regions have advanced faster than others. Policies are also relatively ignored the agriculture sector.

Third is the rapid rate of globalisation. Due to trade competitiveness, foreign direct investment and new technologies has demanded skilled labour. In some cases, labour laws also often discriminate against formal employment and encourage 'casualization' of labour.

In India, there is need to create large-scale job otherwise growth becomes, lower down. Millions of people are looking for structured work and unable to find it. The problem becomes more persistent when one factors in India's prospective demographic "bulge" in the coming decades, as ever-increasing numbers of young people join the workforce every year before fertility rates fall and the population stabilizes around 2040 at about 1.5 billion. Economists project is as a "demographic dividend" could turn out to be a period of crisis marked by sheer unemployment and rising social turbulence.

In Indian land, 60% of population is directly or indirectly dependent on agriculture. But growth rate of agriculture is miserable, just 2%.Policy makers and government officials need to work on agriculture productivity, in order to be more inclusive. Lack of access to credit for agriculture and small and medium enterprises and lack of social protection have all contributed to the exclusion of deprived groups from the growth scenario.

A major weakness in the Indian economy is that the growth is not perceived as being adequately inclusive for many groups, especially Scheduled Castes (SCs), Scheduled Tribes (STs), and weaker section. Gender inequality is also a major problem and some of the structural changes taking place have an adverse effect on women. Growth will not be inclusive if some groups are discriminated against, overtly or covertly. Empirical evidence across the world designates that group discrimination is largely on the basis of caste, ethnicity, gender and religion. These groups cannot be ignored for good inclusive growth of country.

This huge task cannot be done by government alone. Industry and civil society must partner with government to drive inclusive growth. Issues like income disparities and growing aspirations of the people must be collectively resolved by the government and society.

## Financial inclusion in India:

"Financial inclusion is delivery of banking services at an affordable cost to the massive sections of disadvantaged and low income group. According to OCED, India's financial system has developed significantly since the 1990s and has gnarled the global crisis better than other countries. Competition in the banking sector has exaggerated as new private banks have been allowed to enter and most interest rates have been liberalised. Still, Country has to make the financial sector stronger and more efficient and to ensure optimal allocation of capital. While such an optimal allocation is important in any country, it is even more important in a fast-growing economy like India. Another challenge is to promote financial inclusion which can notably support the development in rural areas and help the poor to cope with high income variability.

There are many issues in financial inclusion: Uncontrolled access to public goods and services: As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination should be the prime objective.

No-Frills' Account: RBI insisted the banks to achieve greater financial inclusion, to make available a basic banking 'no frills' account either with 'NIL' or very minimum balances as well as charges that would make such accounts accessible to vast sections of the population. The nature and number of transactions in such accounts would be restricted and made known to customers in advance in a transparent manner. All banks are advised to give wide publicity to the facility of such 'no frills' account, so as to guarantee greater financial inclusion.

Another factor in enhancing financial inclusion is simplification of 'Know Your Customer (KYC)' Norms: In order to safeguard that persons belonging to low income group both in urban and rural areas do not face difficulty in opening the bank accounts due to the procedural troubles, the 'KYC' procedure for opening accounts for those persons who intend to keep balances not exceeding rupees fifty thousand (Rs. 50,000/-) in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed rupees one lakh (Rs. 1,00,000/-) in a year has been simplified to enable those belonging to low income groups without documents of identity and proof of residence to open banks accounts.

Ensuring reasonableness of bank charges: To ensure fair practices in banking services, the RBI has issued instructions to banks making it obligatory for them to display and continue to keep updated, in their offices/branches as also in their website, the details of various services charges in a format prescribed by it. The Reserve Bank has also decided to place details relating to service charges of individual banks for the most common services in its website. In order to improve financial inclusive growth, India must liberalise the allocation of bank credit, further open the capital of public-sector banks while allowing new private banks, including foreign ones, transform rural banks and cooperatives into smaller privately-owned banks free of governmental shareholding and concurrently modernise their regulation, streamline regulatory arrangements so as to reduce overlaps and compliance costs, modernise the financial sector's legal infrastructure, improve databases on household creditworthiness (OECD).

For inclusive growth, it is of paramount importance that country must promote green growth. Rapid economic growth in India in the past two decades has brought wonderful benefits, yet it has also emphasised the demand for energy and natural resources. While continued growth is essential for further improving living standards, there is need to promote green environment to meet India's

poverty reduction objectives, as well as food and energy access requirements. Efforts are therefore needed to increase energy and resource efficiency, notably through lower fossil fuel subsidies, and accelerate the adoption of clean technologies. India has integrated sustainable growth as a focus area in its growth strategy plan within the 12th Five-Year Plan (2012-2017) faster, sustainable and more inclusive growth. India's priorities for green growth centre on providing food and energy security, including also actions on sustainable agriculture, waste management, resource efficiency and energy access, sustainable water provision, sustainable transport and green housing.

The National Action Plan on Climate Change (NAPCC) from 2008 outlines existing policies and programmes, as well as eight "national missions" focussed on the promotion of solar energy, energy efficiency, sustainable habits, water efficiency, and the preservation of the Himalayan Ecosystem. It is advised that environmental scientists must continue efforts to reduce fossil fuel subsidies to free-up scarce public resources while reducing the incentives for environmentally harmful activities, evaluate the use of environmentally related taxes and consider carefully whether the tax rates applied reflect environmental damage caused by consumption and production, continue promoting a balanced expansion of the renewable energy sector.

Another major area in which efforts are needed for speedy inclusive growth is health sector. It is important to improve health care quality and access while improving efficiency. In India, huge portion of the population suffers from poor health and, although it has been increasing, average life expectancy remains relatively low. Improvements in health status would not only have a direct impact on welfare and poverty but could also boost economic growth through higher worker productivity. Indian government must also focus on improving quality and access in education. Education has major role in promoting inclusive economic development. It can particularly help reduce the share of informal employment going forward and promote social inclusion. Higher human capital is also essential in supporting productivity and innovation. Since last decades, Long-term investment in a small number of leading higher education institutions has helped the development of India's IT and business services sectors and has contributed to the country's strong growth performance.

With the implementation of the Right to Free Education Act, elementary education is free and compulsory, leading to increases in enrolment. Additionally, the goal of increasing the coverage and quality of secondary education is reflected by the commitment to generalise secondary education included in India's latest Five-Year Plan and the government's Secondary Education for All Action Plan, the Rashtriya Madhyamik Shiksha Abhiyan (RMSA). In higher education, India has an expanding number of institutions, many of which are privately funded and managed and a growing demand for undergraduate places. In spite of these major opportunities, India faces the challenge of aligning its higher education system with the evolving skill requirements of its economy, while ensuring impartial access. It is recommended that for enhancing education sector, policy makers continue with current programmes, such as RMSA, that seek to increase participation in secondary education while also improving learning outcomes, develop a system of assessment to better identify reform priorities and track implementation and progress.

Reform is also needed in labour market for high inclusive growth. The high rate of informality raises a number of issues, with workers in informal jobs experiencing low wages, limited access to training and weak job security. The strong segmentation of the labour market, between formal and informal employment has played an important role in driving significant increases in earnings inequality. It signifies an important barrier to achieving inclusive growth. Major policy

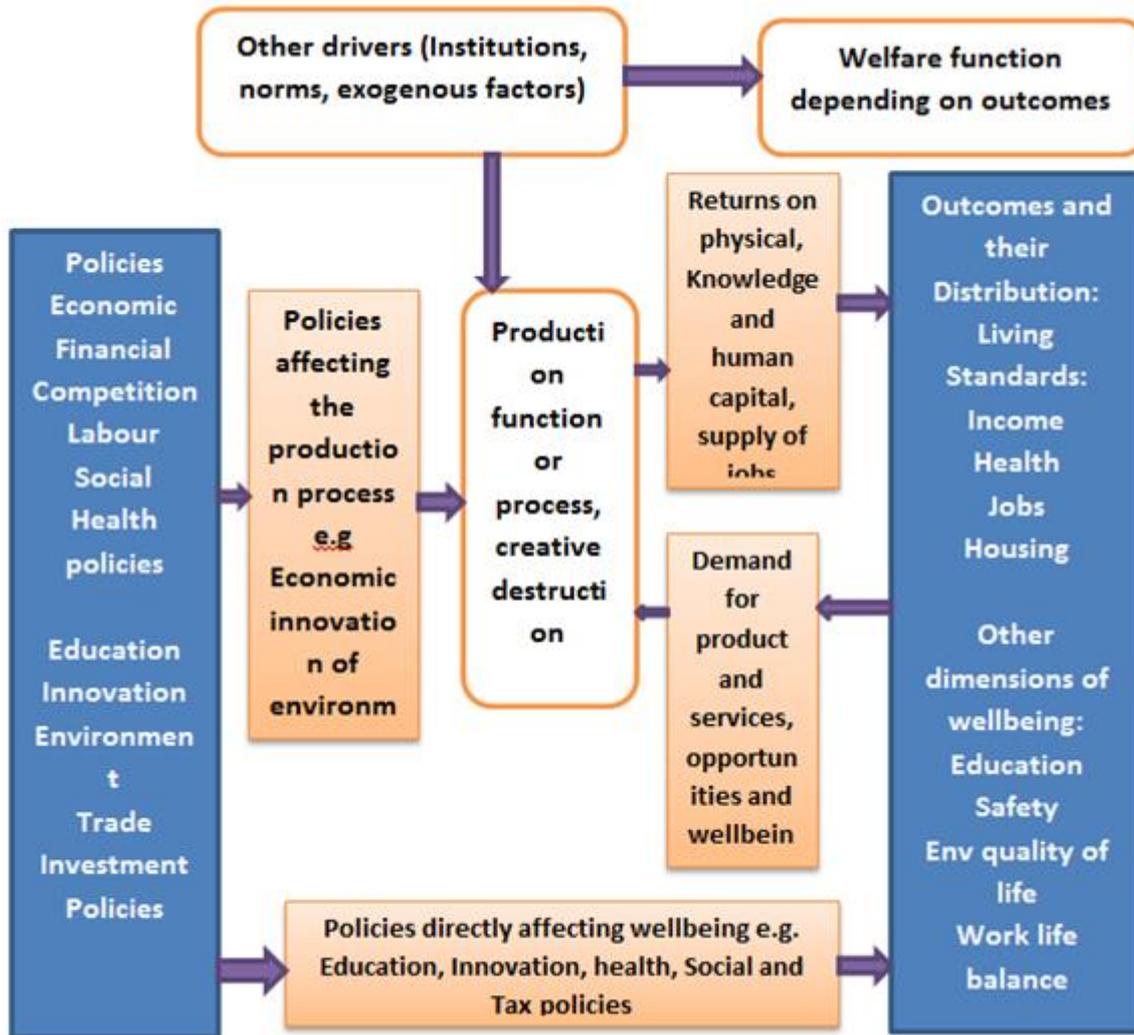
recommendations for labour reform is to encourage job creation in the formal sector by reducing the administrative burden for dismissal faced by large firms, couple greater scope for firms to adjust employment levels with greater severance entitlements for dismissed workers and greater provision of reemployment support for dismissed workers, organise labour market reforms with measures to strengthen and better target social protection systems, to increase more inclusive growth.

It has been established in reform in agriculture sector also need to boost inclusive growth. Major challenge for India is to make its agricultural sector more prolific and more sustainable. Agriculture still accounts for 17% of India's GDP and about half of total employment. Two-thirds of India's population depend on agriculture and related activities for their livelihood. In the last two decades, agriculture-related growth is sluggish as compared to in non-agricultural sectors, contributing to the widening of inequality.

Some suggestions to enhance the agriculture growth for country are to begin to shift public expenditures away from price support and input subsidies towards productivity enhancing investments that support the long-term competitiveness of the agriculture sector, improve agriculture innovation systems, including research and development, technology adoption and transfer, education, and farm training and extension services, develop water resources and irrigation management institutions to improve the sustainable use of water, improve rural finance by enhancing supervisory oversight, creating an enabling environment for the development of micro finance institutions in rural areas, and strengthening the legal framework for loan recovery.

Innovation and inclusive growth: Recently, it became clear that economic growth as measured by GDP can no longer be the overriding goal for government policy and can also not be an end in itself. Governments are increasingly focusing on inclusive growth aiming to improve living standard and share the benefits of increased prosperity more evenly across social group. This is particularly relevant in high income countries and emerging market economies where income inequalities have reached levels unprecedented to the post war period. Inclusive play important role in the discussion of inclusive growth. The debate focused on the three dimensions that are considered in the OECD's framework for inclusive growth namely, income, job and health, although there were several dimension of inclusiveness that could also be affected by innovation such as education (OECD, 2014).

## OECD framework for policy analysis of inclusive growth



Many reports noted that India must take stern action to ensure that the growth process is broader in order to enhance the living of a small middle class and reduce the share of population living on less than \$2 a day. Among many organization, The Organisation for Economic Co-operation and Development (OECD) aims to promote better policies for better lives by providing a forum in which governments gather to share experiences and seek solutions to common problems.

To summarize, inclusive growth is a notion that enables unbiased opportunities for economic participants during economic growth with benefits incurred by every section of society (Ranieri, 2013). Inclusive growth is the progress that reduces inequalities among per capita incomes in agriculture and non-agriculture, in rural and urban areas, and in different socio-economic groups, particularly between men and women and among different ethnic groups. The result of inclusive growth is lessening in vertical inequalities (individual inequalities) and horizontal inequalities (group inequalities). In the context of India, its economy has grown at a remarkable pace since last decades as a result of numerous structural reforms to open up the economy and make it more competitive. Currently, activity has slowed that reveal not only the weak global environment but also the emergence of strains created by the pressure that rapid economic growth has put on energy, natural resources, infrastructure and skills.

Institutions, regulation and economic governance need to acclimate to maintain the economic transformation required for India to tackle its social and economic challenges. According to

business leaders and economists, to boost productivity and promote the development of the formal sector, there is a need to take adequate steps to strengthen business environments and support the introduction of new technology, including through fostering competition, further reducing international trade and investment barriers and improving of corporate and public governance.