

## **Is Inclusive Economic Growth – A Reality or Myth**

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India is the fastest growing economy in the world with a growth rate of 7.6% in Financial Year (FY) 16. India has a huge advantage in terms of young workforce with 50% of the people being below the age of 25, however, there lies a challenge of providing employment to all as well. The overall macroeconomic situation in India is stable with a decline in fiscal deficit (below 4%), upward trend in FDI and a greater emphasis on capital expenditure, although, there are some economic challenges which need to be addressed. There is a need to push the stalled projects (worth USD 160 Bn till 31.12.2015), address the issues of rising NPA's (5.1% in Sept, 2015), deteriorating financial health of Discoms with a burden of more than USD 67 Billion as a result of which they are not able to buy power and is one of the major contributors for the declining PLF (~62%) of power plants and there is a need to spur exports.

### **Inclusive Growth:**

However, inclusive growth is a term which is often used interchangeably with terms like broad based growth, overall growth, pro-poor growth etc., Inclusive growth may be defined as economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society (OECD).

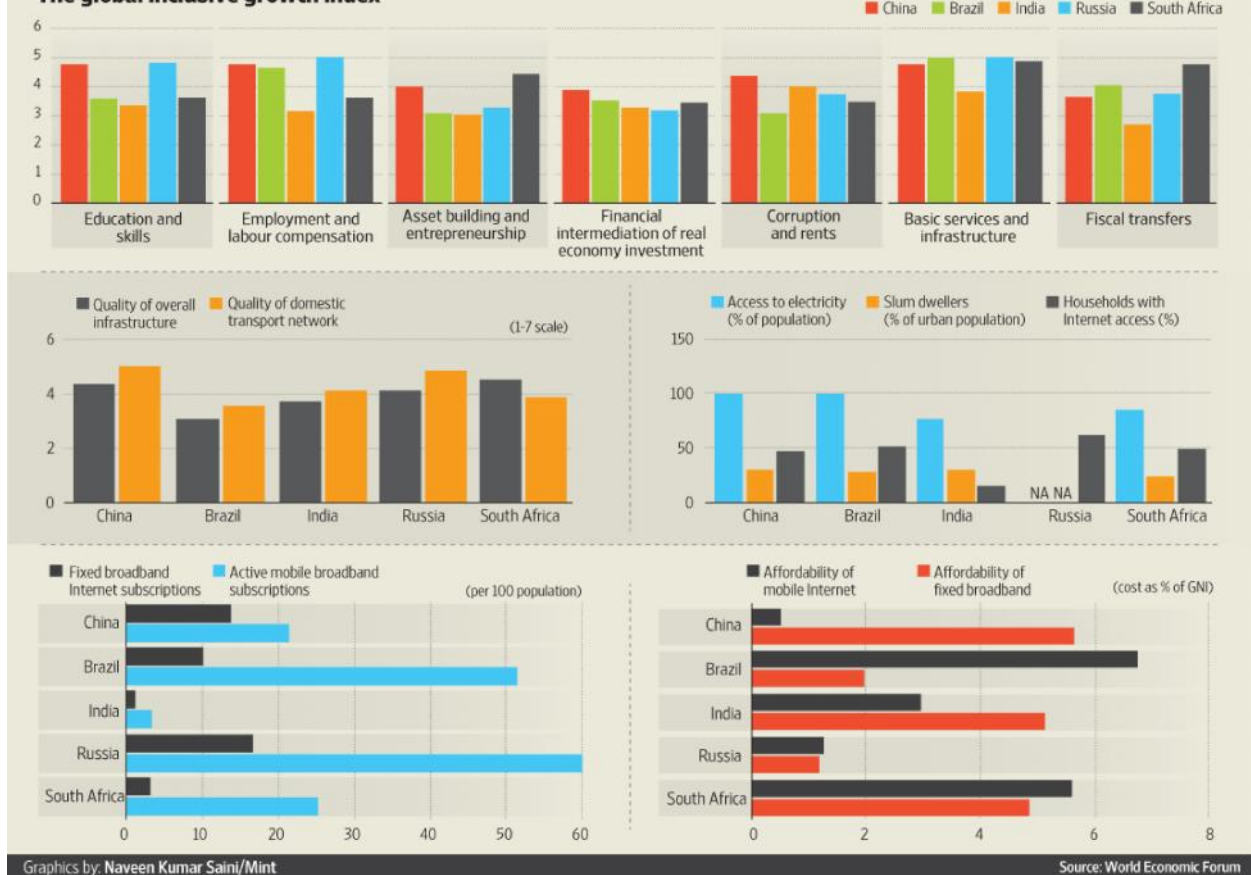
Inclusive growth is a concept focusing on economic development rather than economic growth. Economic growth primarily refers to an increase in a country's real GDP over a certain period of time, whereas economic development is a comprehensive concept covering economic growth along with progressive changes in social, economic, cultural & historical levels. So, inclusive growth is an idea that is multidimensional in nature which goes beyond GDP and focusses on a variety of parameters like rising median income per capita, reducing poverty, providing basic amenities in terms of health, education, jobs etc. The developing countries like China, India, and Brazil etc. serve as good examples where economic growth is being achieved over the years but that has not kept pace with the overall economic development of the nation. India is one of the nations that lags in inclusive growth which is well evident from the widening gap between the rich and the poor, the former capturing the lion's share of financial growth of the country. For e.g. one fourth of India's population has still not access to electricity and about 60% of the people rely on solid fuels, primarily biomass for cooking which has a huge health implication, especially on rural women and children due to the large amount of smoke generated. The global inclusive growth report came out with a global inclusive growth index indicating that India has to work quite hard to ensure that the growth process is broad based which would expand a small middle class and reduce the number of people living in poverty.

\_\_\_\_\_ The Text of the 14<sup>th</sup> *Rajiv Gandhi Memorial Lecture* delivered by **Dr. V. K. Saraswat**, Member, NITI Aayog, Govt. of India, New Delhi, on 20 August, 2016 at Tirupati under the aegis of *Academy of Grassroots Studies and Research of India, Tirupati, Andhra Pradesh*.

# INDIA LAGS IN INCLUSIVE GROWTH

India must take further action to ensure that the growth process is broad-based to expand a small middle class and reduce the share of people living in poverty, according to the Global Inclusive Growth Report 2015. India scores well in finance for business development and real economy investment, yet new business creation continues to be held back. The country ranks well below other BRICS nations on the percentage of population with access to electricity and percentage of households with Internet access.

## The global inclusive growth index



Source: World Economic Forum

A comparison of the BRICS countries on various parameters in the figure above puts forth a dismal scenario for India. However, taking a note of the above, a slew of measures/tools would be needed to achieve an inclusive growth inter-alia, a robust policy framework, greater coordination and consultation with the concerned stakeholders while policy making and citizens of the country and driving programs that would enhance the accessibility of services and the overall growth of the citizens etc.

## Technologies that would play a vital role in inclusive growth:

The rapid advances in various technologies have the potential to address our Country's social & economic challenges. We need to focus upon the technologies that could raise the overall standard of living of the citizens and have the potential to empower India in coming years. A prospective list of technologies is listed below:

- Enhanced Digitization: High penetration of internet will lead to electronic delivery of services (e-services) like digital transactions through internet banking, availing public services like land records, caste certificates etc online and E- Governance has

the potential to reform India. The next step would be to move towards a cloud technology in a big way that would provide with storage and computer applications over a network or the internet.

- Increased focus on Energy: India's energy demand is poised to rise over the next few years substantially as the Country moves further on the path of development. India has huge ambitions in the field of renewable energy, especially solar and wind and is also leading an International Solar Alliance. The solar and wind capacity has increased at a CAGR of 11% and 64% respectively from 2012-16, which is quite encouraging keeping in view of 175 GW renewable energy target. Since, renewable energy is an intermittent source of supply, advanced battery storage systems are critical to address the same. Also, India is quite underexplored in oil and gas resources, to improve the energy security of the nation, it is high time we invest in exploration of not only conventional resources but also unconventional resources, particularly shale oil and gas.
- Smart Systems: Advanced geographic information systems that could combine data with other type of data to manage physical activities across geographic areas could be quite helpful. Apart from this, advanced genetic technologies are required to improve the agricultural productivity, nutrition and healthcare.

Therefore, to achieve inclusive growth, India needs to make leapfrog transformations in a multitude of areas like healthcare – raising average life span, Education – increasing the literacy rate, Energy – making available 24\*7 reliable power to all & increased usage of clean fuels for cooking, Agriculture – enhancing productivity, Financial Inclusion – providing banking services to more people, Increased digitization as explained above and improving connectivity through enhanced infrastructure of road, rail and airways.

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

The Government has taken a number of initiatives and has launched various programs to ensure the overall development of the country, some of which are mentioned below.

- 24X7 electricity for all by 2019
- Housing for all by 2022
- 100 smart cities mission
- Digital India
- Jan DhanYojana
- Skill India
- Start-Up India Stand-Up India

It would be a long list if all of them are mentioned, without going into the specifics of all, a brief of the above initiatives is as follows:

The target of 24X7 electricity to all is not only about providing a connection in places where the grid has not reached; it aims to provide quality and reliable power round the clock to all the citizens. Such initiatives might have been launched in the past as well,

but it is very necessary to effectively measure the performance and outcome of the initiative which is presently being done on the real time basis through a Garv dash board. The housing for all initiative aims to provide affordable housing for all by the year 2022 so that none of the people are homeless. Jan DhanYojana has been a milestone in achieving higher financial inclusivity than before as more than 20 Crore new bank accounts have been opened. Similarly, Skill India aims to bridge skill gaps in the country in addition to the development of micro-enterprises.

## Conclusion:

However, India lags in inclusive growth; it would be a very challenging task for such a large country like India to perform well on various different parameters. An integrated approach would be needed that would take on board all the stakeholders for effective implementation and monitoring of the different initiatives taken. Inclusive growth, being a gradual process, it still may take another a quarter of century for India to have an overall economic development.



Dr. V. K. Saraswat, Member, NITI Aayog, Govt. of India, New Delhi, is delivering the 14<sup>th</sup> *Rajiv Gandhi Memorial Lecture* on '*Is Inclusive Economic Growth: A Reality or Myth*', at Tirupati under the aegis of *Academy of Grassroots Studies and Research of India (AGRASRI)*, Tirupati, Andhra Pradesh, on 20 August, 2016. The Chief Guest *Dr. A. Chakrapani*, the then Hon'ble Chairman of the Andhra Pradesh State Legislative Council, Hyderabad, is also seen in the picture.