



INCLUSIVE GROWTH IN INDIA: CHALLENGES AND OPPORTUNITIES

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ABSTRACT

In the recent three decades India grows from the relative and absolute poverty and accelerated its growth in the last few years. In the first thirty years of planning from 1950 to 1980 India's growth was quite low. From 1980 the growth smoothly accelerated to shape uptrend and in the regime of then finance minister Mr Manmohan Singh when he introduces the policies for globalization, the real growth of Indian economy has seen to start. Despite some fluctuations in the growth rate from 1980 to 2000 a sustained and average rate of growth of 5.7% per annum could be maintained. Later on this growth rate gives a new millage to the Indian economy and we could see a better growth rate. But still we have seen that the several parts and sector of Indian economy could not participate in this growth story. So in this paper it has tried to analyse the challenges and opportunities in the growth trajectory of India.

Keywords: Inclusive growth, Growth rate, Challenges, Indian economy

Introduction:

The economic development in India has seen after the implementation of various policies of its post-independence. From 1950 to 1980 the per capita growth rate was very slow. Only 1% per capita growth rate has observed during this period. The growth rate has accelerated after the fundamental reforms of 1991 globalization and their renewal in the year 2000, India promote as a free market economy.

Agricultural Growth:

The history of Indian Agriculture dates back us to Indus Valley Civilization Era and today rank one of the top worldwide country in farm output. Agriculture and allied sectors

like forestry and fisheries accounted for 13.7% of the GDP (gross domestic product) in 2013, about 50% of the workforce. The economic contribution of agriculture to India's GDP is steadily declining with the country's broad-based economic growth. Still, agriculture is demographically the broadest economic sector and plays a significant role in the overall socio-economic fabric of India.

India exported \$39 billion worth of agricultural products in 2013, making it the seventh largest agricultural exporter worldwide and the sixth largest net exporter. Most of its agriculture exports serve developing and least developed nations. Indian agricultural/horticultural and processed foods are exported to more than 100 countries, primarily in the Middle East, Southeast Asia, SAARC countries, the EU and the United States.

Industrial Output:

India is 10th in the world in factory output. Manufacturing sector in addition to mining, quarrying, electricity and gas together account for 27.6% of the GDP and employ 17% of the total workforce. Economic reforms introduced after 1991 brought foreign competition, led to privatisation of certain public sector industries, opened up sectors hitherto reserved for the public sector and led to an expansion in the production of fast-moving consumer goods. In recent years, Indian cities have continued to liberalise, but excessive and burdensome business regulations remain a problem in some cities, like Kochi and Kolkata.

Post-liberalisation, the Indian private sector, which was usually run by oligopolies of old family firms and required political connections to prosper was faced with foreign competition, including the threat of cheaper Chinese imports. It has since handled the change by squeezing costs, revamping management, focusing on designing new products and relying on low labour costs and technology.

Service Industry:

India is 15th in services output industry. Service industry employee specially, English spoken workers on the supply side and on the demand side, has increased demand from foreign consumers interested in India's service exports or those looking to outsource their operations. India's IT industry, despite contributing significantly to its balance of payments, accounts for only about 1% of the total GDP or 1/50th of the total services.

During the Internet bubble that led up to 2000, heavy investments in undersea fibre-optic cables linked Asia with the rest of the world. The fall that followed the economic boom resulted in the auction of cheap fibre optic cables at one-tenth of their original price. This

development resulted in widely available low-cost communications infrastructure. All of these investments and events, not to mention a swell of available talent, resulted in India becoming almost overnight the centre for outsourcing of Business process. Within this sector and events, the ITES-BPO sector has become a big employment generator especially amongst young college graduates. The number of professionals employed by IT and ITES sectors is estimated at around 1.3 million as of March 2006. Also, Indian IT-ITES is estimated to have helped create an additional 3 million job opportunities through indirect, induced and in helpful manner have created employment.

GDP Growth Story:

The growth rate of Gross Domestic Product (GDP) of India at constant prices (i.e. at the price level of the base year 2004-05) has been fluctuating during the period 2001-02 to 2013-14. The fluctuations range from 3.84% in the year 2002-03 to 9.57% in 2006-07.

The GDP growth rate decreased from 5.81% in 2001-02 to 3.84% in 2002-03. Thereafter, GDP growth rate increased and reached a high growth trajectory of 9% plus growth. India experienced 3 consecutive years of GDP growth rate in excess of 9% viz. 9.48% in 2005-06, 9.57% in 2006-07 and 9.32% in 2007-08.

The GDP growth rate declined to 6.72% in 2008-09 largely due to global financial meltdown following the collapse of Lehman brothers (investment bank) of US in September, 2008. GDP growth rate improved to 8.59% in 2009-10 and 8.91% in 2010-11 due to high capital inflows attributed to the massive Quantitative Easing (QE) undertaken by the US to combat economic slowdown of global level.

The GDP growth rate slumped to 6.69% in 2011-12, 4.47% in 2012-13 and 4.74% in 2013-14 (P). This was due largely to domestic policy logjam, tax disputes and shaken investor confidence in Indian economy with attendant lower Gross Domestic Savings Rate (GDSR) and Gross Fixed Capital Formation (GFCF). The data shows that the economy grow at 7.3% in 2014-15. We can summarise the GDP growth rate of India of recent years as following table :

Year	Growth (real) (%)
2000	5.6
2001	6
2002	4.3
2003	8.3
2004	6.2

2005	8.4
2006	9.2
2007	9
2008	7.4
2009	7.4
2010	7.1
2011	6.8
2012	6.5
2013	5.1
2014	6.9
2015	<u>7.3</u>

Regulation, public sector, corruption:

India ranked 133rd on the Ease of Doing Business Index in 2010. Corruption in many forms has been one of the pervasive problems affecting India. For decades, the red tape, bureaucracy and the *Licence Raj* that had strangled private enterprise. The economic reforms of 1991 cut some of the worst regulations that had been used in corruption.

Corruption is still large. A 2005 study by Transparency International (TI) India found that more than half of those surveyed had firsthand experience of paying a bribe or peddling influence to get a job done in a public office. The chief economic consequences of corruption are the loss to the exchequer, an unhealthy climate for investment and an increase in the cost of government-subsidised services. The TI India study estimates the monetary value of petty corruption in 11 basic services provided by the government, like education, healthcare, judiciary, police, etc., to be around ₹ 211 billion (US\$3.1 billion). India still ranks in the bottom quartile of developing nations in terms of the ease of doing business, and compared with China, the average time taken to secure the clearances for a start up or to invoke bankruptcy is much greater.

The Right to Information Act (2005) and equivalent acts in the states, that require government officials to furnish information requested by citizens or face punitive action, computerisation of services and various central and state government acts that established vigilance commissions have considerably reduced corruption or at least have opened up avenues to redress grievances. The 2006 report by Transparency International puts India at 70th place and states that significant improvements were made by India in reducing corruption

Employment Scenario:

India's labour force is growing by 2.5% every year, but employment is growing only at 2.3% a year. Official unemployment exceeds 9%. Regulation and other obstacles have discouraged the emergence of formal businesses and jobs. Almost 30% of workers are casual workers who work only when they are able to get jobs and remain unpaid for the rest of the time. Only 10% of the workforce is in regular employment.

From the overall stock of an estimated 458 million workers, 394 million (86%) operate in the unorganised sector (of which 63% are self-employed) mostly as informal workers. There is a strong relationship between the quality of employment and social and poverty characteristics. The relative growth of informal employment was more rapid within the organised rather than the unorganised sector. This in formalisation is also related to the flexibilisation of employment in the organised sector that is suggested by the increasing use of contract labour by employers in order to benefit from more flexible labour practices.

Environmental degradation:

About 1.2 billion people in developing nations lack clean, safe water because most household and industrial wastes are dumped directly into rivers and lakes without treatment. This contributes to the rapid increase in waterborne diseases in humans. Out of India's 3119 towns and cities, just 209 have partial treatment facilities, and only 8 have full wastewater treatment facilities (WHO 1992). 114 cities dump untreated sewage and partially cremated bodies directly into the Ganges River. Downstream, the untreated water is used for drinking, bathing, and washing. This situation is typical of many rivers in India as well as other developing countries.

Conclusion:

India's record of achieving inclusive growth was examined in the context of the experiences of the Asian countries. This comparison shows that although India's growth since 2000 has been beneficial to the poor, India's achievements are fairly modest relative to other Asian countries. Several measures are outlined to strengthen the source of inclusive growth in India. The key areas are- a) employment and growth in agriculture, b) Increased public expenditure on education and health c) Improved infrastructure and d) more effective governance at all level.

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