

# Fostering inclusive growth

India's economy is headed in a new direction – striving to touch double-digit annual growth rates, and a sustainable, equitable and inclusive growth, taking into account the needs of all sections of society, writes **N.B.Rao**

**T**HE Indian economy, which has over the last six decades passed through various phases of growth, is now all set to enter an altogether different orbit: one marked by a high rate of expansion, combined with 'inclusive growth.'

The term, inclusive growth, is finding its way increasingly in the lexicon of government leaders, economists, planners, academicians and businessmen, not just in India but even internationally. Robert Zoellick, president of the World Bank group, focussed on the theme of 'An Inclusive and Sustainable Globalisation,' at a recent meet in Washington DC.

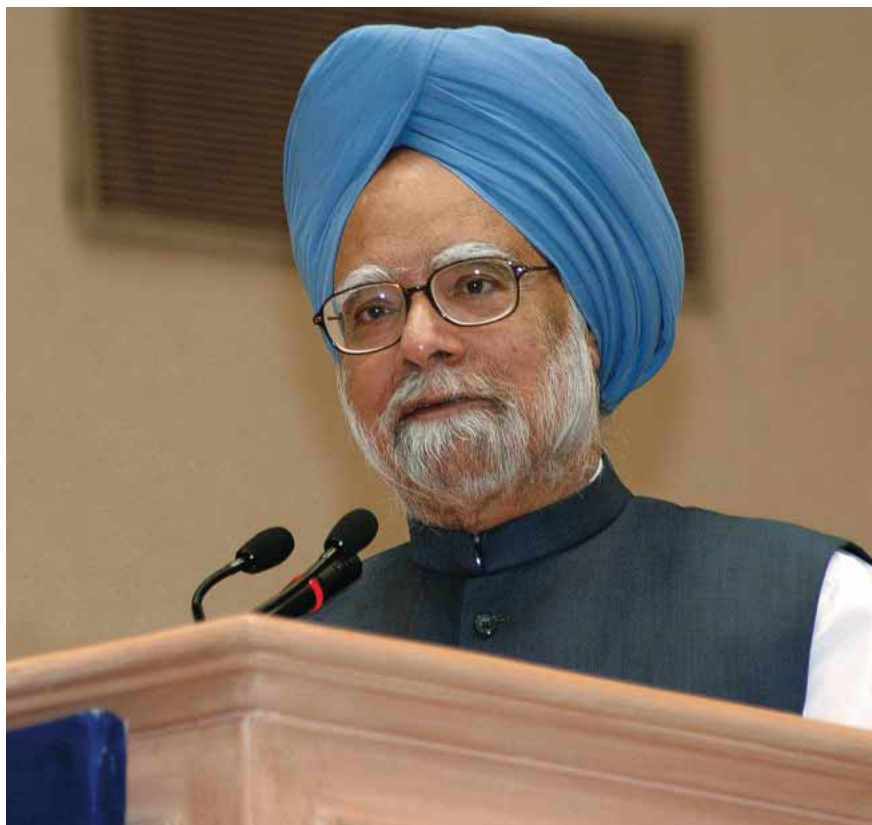
"Globalisation must not leave the 'bottom billion' behind," remarked the new chief of the World Bank. "This assertion is based on more than respect for the worth of our fellow men and women, and beyond an appreciation that any of us might have been born in similar circumstances. Inclusive globalisation is also a matter of self-interest. Poverty breeds instability, disease, and devastation of common resources and the environment. Poverty can lead to broken societies that can become breeding grounds of those bent on destruction and to migrations that risk lives."

Prime Minister Manmohan Singh notes that his government recognises that high national income growth alone does not address the challenge of employment promotion, poverty reduction and balanced regional development. Nor does growth in itself improve human

development, he adds.

Consequently, all the major initiatives of his government – in agricultural and rural development, in industry and urban development, in infrastructure and services, in education and health care – sought to promote 'inclusive growth'.

According to Singh, 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; increase in rural employment through a unique social safety net; and a sharp increase in public



**PRIME MINISTER MANMOHAN SINGH:** Seeking to promote inclusive growth



DPA

**REAPING THE BENEFITS:** Rural areas have to be integrated with the economic processes to ensure equitable growth

spending on education and health care.

The government also went in for a variety of legislative interventions to empower the disadvantaged, he notes.

Addressing the annual general meeting of the Confederation of Indian Industry (CII) earlier this year, Singh had urged Indian industry to make growth processes both efficient and inclusive. He also drew up a ten-point social charter, to ensure that “our growth process is both inclusive and broad-based.”

Finance Minister P. Chidambaram wants to take India from ‘a high rate of growth’ era to one of ‘more inclusive growth.’ “Growth is necessary but not sufficient,” points out Chidambaram. “Growth has to be inclusive. Growth with equity is the only road that India can take.”

According to him, growth is not an end in itself, but the means to an end – which is the participation of all 1.1 billion Indians in the growth story. But today, 26 per cent Indians still live in ‘abject poverty,’ and many, who had enough to eat did not have access to water, sanitation, health-care and education.

The government has taken measures to increase the allocation to social sectors;

for instance, allocations to education had quadrupled to \$7.2 billion over the last four years, and to the health sector it had doubled to \$3.6 billion.

India’s economic growth has passed through four major phases over the past 60 years, and is now set to enter a new phase. The first 30 years after Independence, GDP (gross domestic product) grew at an unremarkable 3.5 per cent per annum. During the 1980s, with the initial whiff of reforms, it accelerated to 5.6 per cent per annum.

In the reforms era of the 1990s, the average growth rate of the GDP went up slightly to 5.8 per cent. But the last five years have seen the fastest pace of growth in the country’s history – to an average of 8.5 per cent per annum. In fiscal 2006-07, GDP accelerated to an impressive 9.4 per cent, and the government is now determined to boost this to double-digit rates.

Montek Singh Ahluwalia, deputy chairman, Planning Commission, believes that if the reforms process continues, India’s growth rate will touch the 10 per cent rate by the end of the 11th Five Year plan (2012). “The Plan has a lot for those people living below poverty line, including farmers and labourers,” he says. “We are

confident that the growth process we are witnessing today is more inclusive and will do more for the poor than in the past.”

Union Commerce and Industry Minister Kamal Nath warns that the high growth rates witnessed in recent years would become unsustainable if growth is not inclusive and uniformly spread across the country.

The urban-rural divide has to be bridged and rural areas integrated with the economic processes to ensure equitable and inclusive growth, points out Nath. The Minister feels the private sector has an important role to play in enhancing employment opportunities in farm and non-farm enterprises in rural areas, and should provide the necessary expertise to these areas.

There are many sectors that private players can participate in to bridge this gap, including providing micro finance, contract farming, setting up storage facilities for agro-produce, and procuring them from farmers. The private sector could also develop heritage sites and tourist spots and encourage the promotion of traditional arts and crafts in joint ventures with rural enterprises, says Nath.

The next revolution that is waiting



**GAINING FROM THE GROWTH STORY:** It is important that all sections of society benefit from economic growth

to happen in India is in agriculture, he says. This is a sector that poses major challenges, but overcoming them would ensure all inclusive growth.

The private sector in India is increasingly responding to these appeals by government leaders, and is working towards ensuring fair, sustainable, equitable and inclusive growth.

“Inclusive growth is necessary for sustainable development and equitable distribution of wealth and prosperity,” says Sunil Kant Munjal, chairman, CII Mission for Inclusive Growth. The CII launched the mission this year, convinced that the corporate sector can play a significant role

in broadening and deepening the spectrum of growth. “Let us create winning inclusive projects together to integrate India’s socially and economically backward sectors into the mainstream economy,” remarks Munjal. “This, in many ways, will be the best national building we can do, in our own self-enlightened interest, while creating a large potential market for products and services produced by industry.”

Tejpreet Singh Chopra, who recently took over as the new CEO of GE in India, believes that ‘inclusive growth’ is a crucial factor for the stability of the country. It is important that all sections of society,

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including farm workers and the poor, benefit from the India growth story, he adds.

Y.C. Deveshwar, chairman, ITC Ltd, feels that the Prime Minister’s “clarion call” – his 10-point Social Charter – “is not only a responsibility that we, in Indian business and industry, must commit ourselves to, but a crying need that we cannot afford to neglect any longer.”

A constructive public-private partnership for socially responsible growth is imperative and must occupy a larger space in the future business strategies of India’s corporate sector, adds Deveshwar.

Vice-President Hamid Ansari wants the government to accept ‘wealth accumulation’ and ‘poverty reduction’ as two sides of the same coin. He calls for a sharp increase in public expenditure on education (from 3.3 per cent of GDP) and on health (1.2 per cent).

Ultimately, the benefits of rapid economic growth has to percolate down to the lowest strata of society. As Minister Kamal Nath points out, a growth rate of nine per cent does not mean anything to the poor unless they too feel its impact.

And Prime Minister Singh best summed it up at his historic speech at the CII annual general meeting: “If those who are better off do not act in a more socially responsible manner, our growth process may be at risk, our polity may become anarchic and our society may get further divided. We cannot afford these luxuries.”