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## Inclusive Growth: Public Policy Implications in India

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### Abstract

Inequalities in most part of the world have increased during the last three decades. The global priority is now moving towards growth inclusiveness, even by international organizations such as the OECD, World Bank and IMF. Some reasons can be attributed to rapid upgrade in technology, improvement in production processes, greater share of service sector in the GDP, rapid growth of GDP, public debt, unfavorable policies etc.

Inclusive growth implies participation and benefit-sharing ensuring everyone's participation in the growth process (both in decision-making and in participating in growth) and benefits of growth are shared equally.

There is inequality with respect to gender, employment opportunity, poverty, income etc., and inclusiveness and sustainable development are the most sought-after areas for poverty reduction motto of any developing, including India. India is focusing continuously on inclusive, equitable growth and to bridge income inequalities through various schemes and policies.

Inclusive and sustainable growth conditions include social, economic, environmental and development aspects. Gender equality is a very important aspect of inclusiveness and sustainability. Another important aspect to discuss is employment generation to reduce unemployment and create sustainable jobs.

This paper tries to find out the policy implications on inclusive sustainable growth of Indian economy. Based on the secondary data, authors also try to frame a conceptual model on sustainable growth through inclusion.

### Keywords

Inclusion,  
Sustainable growth,  
Sustainable  
Development Goals,  
Gender equality,  
Government Policies

### Introduction

Inequalities in most part of the world have increased during the last three decades (Alvaredo F. et. al. (2018)). The global priority is now moving towards growth inclusiveness, even by international organizations such as the OECD,

World Bank and IMF. The OECD defines inclusive growth 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". The United Nations Development Programme's (UNDP) perspective is based both on outcome and process. Inclusive growth implies everyone's participation in the growth process and benefits of growth are shared equally.

In 2015 all the United Nations member states adopted the Global Goals or The Sustainable Development Goals (SDG's) with a mission to protect our planet, end poverty and also to ensure peace and prosperity for all by 2030. India is focusing continuously on inclusive, equitable growth and to bridge income inequalities through various schemes and policies.

Inclusive and sustainable growth conditions include social, economic, environmental and development aspects. Gender equality is a very important aspect of inclusiveness and sustainability. Another important aspect to discuss is employment generation to reduce unemployment and create sustainable jobs.

### Objectives

1. To understand and study the relationship between inclusiveness and sustainable growth
2. To study the policy implications on inclusive growth
3. To frame a conceptual model on Inclusive Growth

### Methodology

It is descriptive in nature. It is primarily based on sources such as books, diaries, research papers and web pages.

### Discussion

All over the world, there is a noise for making a progressively comprehensive world. Uneasiness from existing development results particularly tremendous imbalances was apparent in numerous fights beginning with the 'Involve Wall Street Protests' in 2011, which later on spread to

numerous different nations. The ascent of protectionism and against globalization prompting Brexit and comparative conservative estimations in hardly any different nations is maybe the statement of disappointment towards existing development systems being embraced across various nations. This is on the grounds that a portion of these development methodologies have brought about high joblessness and tremendous variations among nations and inside nations.

### Evolution of Inclusive Growth

Developing economics are witnessing a paradigm shift from what is called as the Pro Poor Growth to inclusive growth. *Growth* here is addressed as increase in real per capita income. For decades many countries focused on accelerating the economic growth. If growth accelerates inequality it will by-pass the poor. High inequality will always foster macro-economic instability in the economy and growth will be impeded. (PPG) Pro Poor Growth is identified as that one which reduces the income poverty. Kakwani (2000) defines pro-poor growth (PPG) as the increase in the income share of the poor. Ravallion (2004) focused on the absolute improvement of the living standards of the poor, regardless of change s in inequality.

### Inclusiveness and sustainable growth

The OECD defines inclusive growth 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". The United Nations Development Programme's (UNDP) perspective is based both on outcome and process.

*Vasudhaiva Kutumbakam*, an antiquated Indian expression signifying "THE WORLD IS ONE FAMILY", is the soul of India's way to deal with all parts of life including monetary advancement. The Sustainable Development Goals (SDGs) are, along these lines, an integral part of the nation's longstanding custom and legacy.

As a fast-developing significant economy of the world, today, India is remarkably put to convey on its duties to comprehensive and reasonable advancement. Remotely the nation has assumed a key job in molding the SDGs and guaranteeing the equalization among its three columns - financial, social and natural. Inside, it has propelled numerous projects to gain ground towards these objectives.

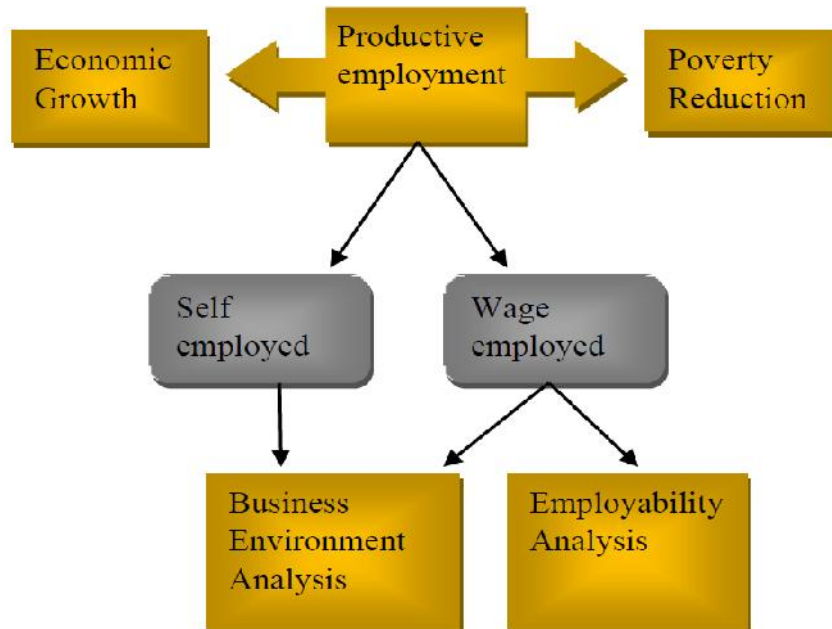
***Policy implications on inclusive growth***

In spite of the fact that inclusion is a term that is coined recently, financial strategy in India continuously had a pledge to advancement. The thoughts of the time turned into a national objective. Organizations for example, the huge advancement banks were set up. The early push towards comprehensive monetary deepening incorporated the extension of bank offices after nationalization, with accentuation on branches and using a credit card to agribusiness. The RBI additionally progressed in the direction of bigger estimated monetarily practical country cooperatives that could have disposed of the go between. However, the administration decided to stress town level cooperatives. In setting up the RBI, governing rules were placed in to give a level of opportunity from political impact.

***An Inclusive Growth Analytical Framework***

The pace of economic growth and economic development attracted the attention of global researchers in doing complex interpretations to arrive at prudent policy framework which guided development agenda for many underdeveloped and developing economies including India. If the economic growth causes inequitable distribution of opportunities then it results in imbalanced and lop-sided development. Therefore, different development strategies and models were evolved over a period of time.

The World Bank (2009) research recommends an analytical framework for further exploring the theoretical base of inclusive growth model. Accordingly, the economic growth should cause productive employment which should be capable of reducing income poverty. The World Bank study designed the following framework in which the economic growth is considered as an engine of inclusive growth. However, the Economic Growth should produce Productive Employment which can generate income capable of poverty reduction.



***Source: Elena & Susana, 2009***

Productive employment will lead to either self-employment or wage employment which will in turn have an effect of the economy in Poverty Reduction or Economic Growth, self-employment and wage employment both need PESTLE analysis, Political, Economic, Social, Technological, Legal and Ecological analysis to set up a business or to take up a job, which is also

known as Business Environment Analysis. Additionally, wage employment requires employability analysis for better understanding to take up any employment. This will lead to Inclusive growth and economic development in the country. This works practically as per the below given theoretical model of inclusive economic growth.

**Theoretical Model for Inclusive Economic Growth**



The above model exhibits the key drivers of inclusive growth in a country. The economic growth should be sustainable and faster as a pre-requisite for inclusive growth. Perhaps, this is one of the reasons why the emerging economies like Brazil, China, India, etc. are focusing more on faster economic growth in the last few decades. *Economic Growth* always has to provide basic socio- economic facilities (necessities) like food for all, health for all, education for all, electricity for all, good roads and also safe drinking water.

The key drivers to inclusive growth explained:

**Economic Growth:** Sustainable and faster economic growth is pre requisite for achieving the goal of inclusive growth. While the Approach

Paper to 11th Five Year Plan, Government of India (2007-12) focused on faster and more inclusive growth, the Approach Paper to 12th Five Year Plan (2012-17) focused on faster, sustainable and more inclusive growth.

**Productive Employment:** Growth to be inclusive needs to be employment-oriented. The concept of productive employment as a fundamental element of inclusive growth was explained by Bhalla (2007). Many developing countries have faced the economic crisis of 2008 very well and economic growth rates have remained quite high resorting to productive employment. The inclusive growth approach takes a long term perspective as the focus is on productive employment rather than on direct income distribution (Growth Report, 2010).

**Poverty Reduction:** If growth has to be inclusive, it needs to be pro-poor. There is a shift from a calorie determined poverty line to a food expenditure determined poverty line (Tendulkar Committee Report). We need to focus on Poverty Alleviation Programmes.

**Gender Equity:** If growth has to be inclusive it needs to ensure gender equity. Achieving greater gender equity is an important aspect of nurturing greater inclusiveness of growth. Both Economic growth and equity are importance to advance the inclusive growth in an economy (Anand et al, 2013)

**Socio-Economic Facilities:** Economic Growth to be inclusive needs to develop Socio-economic infrastructure so that all sections of the society will have access to facilities like housing, safe drinking water, electricity, toilet, transport etc. It also includes financial inclusion. Inclusive growth results in a wider access to a large number of people covering all the regions.

## Conclusion

In the long run India has to be more aggressive in its inclusive growth policies for the long-term sustainable development goals. All the policies and programmes on inclusiveness discuss the need for social, economic, political and gender inclusiveness and slowly we are more aware of the scenario and strategy for inclusiveness. The SDG's also are a reality check for the sustainability along with the inclusiveness. The world today is discussing the need for Economic Sustainable Development through Inclusiveness.

The inclusive growth theoretical model covers the whole macro-economic scenario which attempts to reduce the inequality, poverty, human development, investment in human capital and all these need to be addressed through proper policy mix. Hence, it is important to enhance the human capacity which is indeed the main objective of inclusive economic growth. The policy makers have to understand the tinge of different

dimensions of inclusive growth while framing an appropriate policy mix for achieving the objective of inclusive growth.

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