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Inclusive Growth and XII - Five Year Plan

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Introduction:

The First Five Year Plan was initiated in India in April, 1951. Since then, the country has completed eleven five year plans and now, we have embarked on our 12th Five Year Plan, (2012-13 to 2017-18). This planning period must be divided into two parts, viz. 1951 to 1991; and 1991-2011. Between 1951 and 1991 Indian economy was mostly a closed economy; with objectives like "socialistic Pattern of society"; reduction in regional disparities and emphasis on full employment. But, between 1991 and 2011, we have adopted what is known as New Economic Policy (NEP), with the LPG Model (i.e. Liberalization Privatization and Globalization). The Indian economy is now considered as an open economy, integrated with the Global economy. In this article, an attempt is made to examine as to what extent the growth process in India has been "inclusive", especially during the post reform period, i.e. 1991 onwards. The XI Plan also talked about "inclusive growth" in its approach to planning; while the recent 12th Plan, in its Approach Paper has given importance to "inclusive growth " in our planning process.

The Growth Strategy:

Between 1950 and 1980, the Indian economy had achieved a long term growth rate of 3.5% per annum; Prof. Raj Krishna, termed it as the "Hindu Rate of Growth ". In 1991, the Govt. announced its Now Economic Policy, along with its New Industrial Policy and opened the economy to foreign investors. During the post reform period, the country received substantial amount of Foreign Direct Investments (FDI), as well as port folio investments by foreign institutional investors (FII). These investments along with new technology, gave big impetus to our industrial as well as services sectors. The average growth rate of the GDP merged between 8% and 9.5% in recent years. India became the second country in the world, only after China, with such a high growth rate. See table1

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Table No- 1

GDP Growth Rate

Year	GR%
2003-04	8.5
2004-05	7.5
2005-06	9.5
2006-07	9.7
2007-08	9.0
2008-09	6.7
2009-10	7.2

During the last 3 years (2008), however, the Indian economy is facing the impact of the U.S. meltdown as well as the Euro-zone Debt-crisis, affecting its exports negatively, and falling external value of the Rupee. The foreign direct investors are withdrawing their investments due to slow down of the growth rate to about 5.8% p.a. Even this lower growth rate is one of the best in the world only after China.

It may be noted that the neo-liberal policy adopted by the Govt. of India in recent years, has considerably improved the growth rate of the Indian economy, even then this policy or model, does not include the policy of re-distribution of income and wealth among various sections of the Indian Society. Therefore, in the height of this high growth strategy we have to examine whether this growth Strategy has been "inclusive "or not.

Economic Growth Poverty Reduction:

Poverty reduction is one of the characteristics of "inclusive growth" To what extent have we been able to achieve this objective?

Reducing the poverty head count ratio to half of the 1990 level by the year 2015 is the most important Millennium Development Goal enshrined in the Millennium Declaration of the United Nations. In the case of India it implies that the poverty head count ratio should come down to 18.6 per cent by the year 2015. According to the Planning Commission (2008), considering the historical rate of decline in poverty during, 1990 to 2005, which was 0.8% per annum, the target set for 2015 is achievable.

Trend in Poverty Reduction

The incidence of poverty in India came down from 55 percent in 1973-74 to 27.5 percent (Usual Recall period) in 2004-05. But, during this period the absolute number of poor came down from 320 million to 300 million which was quite negligible. However, by using the Monthly Recall Period (MRP) at two point of time, i.e. 2004-05 and 2007-08, there is considerable reduction in proportion of people below the poverty line, which declined from 22% to 15% during this period.

Table No-2

Incidence of Poverty in Rural and Urban areas (URP)

Year	Rural % of poor	No. of poor million	Urban % of poor	No. of poor million
1983	45.7	252	40.8	71
1993-94	37.3	244	32.4	76
2004.05	28.3	221	25.7	81
Indian Human Development Report 2011, p. 114				

Table -2 shows that between 1983 and 2004-05, the percentage of rural poor has declined from 45.7 to 28.3; while in urban areas it declined from 40.8% to 25.7% during the same period.

Considering the International poverty line of US$ 1.25 per person per day, the incidence of poverty in India was quite high at 42% in 2005.

One may conclude from this analysis, that between 1983 and 2005, the incidence of poverty in India has no doubt, declined, but, this reduction is very slow and small. The impact of high growth rate has not been "very inclusive ".

Inequality among Social groups:

The following table shows the inequality of asset ownership among various social groups in India, with the help of "asset index".

Table No -3

Distribution of Households and Assets by Social Groups (2002-03)

Sector	Social group	% of household	% of assets owned	Access Index
Rural	SC	22.0	10.4	0.47
	ST	10.2	5.2	0.51
	OBC	41.0	41.1	1.00
	Other	26.7	43.1	1.60
Urban	SC	14.6	6.4	0.44
	ST	2.9	1.7	0.57
	OBC	34.7	27.8	0.80
	Other	47.7	64.1	1.34

Source: India HPR 2011 p. 108

This table shows that Access to asset holding is very poor both among SC and ST households in rural as well as in urban areas. (i.e. – 47 and 0.51): The position of OBC group is much better than that of SC, ST groups. Hence, for "inclusive growth "The Govt. will have to implement programmes like land reforms to improve the asset holding position f SC/ST in India.

Employment and Inclusive Growth:

Employment has a very important role to play in enhancing human capabilities, income and standard of living of the common people. It expected that with rising GDP growth the rate of unemployment goes down. But, our experience in India during the last 20years is quite different "One of the biggest challenges facing the country today is to productively and gainfully employ its growing labour force, which is necessary for attaining the objective of inclusive growth" (India HPR 2011)

In the earlier period of our post-reform period (1991), although we had a high growth rate of the GDP, even then there was no reduction in the rate of unemployment. This situation termed as "jobless growth" This had happened mainly because of high technology adopted by the industrial sector and rationalization of workforce by various enterprises i.e. between 1999-2000 and 2007-2008.

The unemployment rate in India (Current daily status) increased from 7.3% in 1991-2000, to 8.3 % in 2004-05. According to the Usual Principal Status, the rate of unemployment was 5.31 in 2004-05.

Table - 6

Labour force participation rate by usual Principal and subsiding status 1993-4 and 2009-10 (%)

Sector	Males		Female	
	1993-4	2009-10	1993-4	2009-10
Rural	87.6	82.5	49.0	37.8
Urban	80.1	76.2	23.8	19.4

Source: Ibid

Table 5 Shows that the decline in the Labour Force participation rate (LFRR) in both rural and urban areas during the period 1993-04 and 2009-10, for both males and Females. But, the female LFPR is very low in urban as well as in rural areas, i.e. 37.8% and 19.4% when compared to male LFPR, in both period. This has happened mainly because of two reasons. (i) In rural areas the access to education for females is very low, and (ii) females, both in rural and urban areas have the responsibility of domestic work. Hence access to education as well as skill development for females can make them gainfully employable.

Gender Disparities and Human Development Index (2010)

According to the latest Human Development Report (2010) published by the UNDP, India ranks 119th among 169 countries of the Work, with an HDI value of 0.519. A small country like Norway ranks first with an HDI value of 0.938 hence, we have to go a long way to attain a high level of human development or to achieve the HDI value of 0.800 or above. In fact the HDI value of a country is the average value of (1) Per capita income (ii) Education, and (iii) Health. India appears to be on the lower side of all these variables.

Recently, the UNDP has developed a new concept of Human Development Index, which has been adjusted to the inequalities in each of the above three variables. Hence, this new concept is known as In-equality Adjusted Human Development Index or IHDI. We shall discuss briefly the impact of inequalities in India on the value of HDI.

(i) In 2010, the value of HDI for India was 0.519. But, due to inequalities in the country this value has been reduced to 0.365 or a loss of 29.6% .

(ii) Due to inequalities in life expectancy at birth the loss has been 31.3%.

(iii) Due to inequalities in education sector the loss of HDI, is 40.6%

(iv) Due to inequalities in per capita income, the loss has been estimated at 14.7%.

The Gini Coefficient of income was very high at 36.8%

All these inequalities are of serious nature and work against our objective of "inclusive growth".

Gender Inequalities in India:

According to the UNDP report (2010), India's rank is 122nd among the 167 countries of the World in terms of Gender Inequality Index. The value of this Index for India is 0.748(in 2008). A country like Iceland ranks first with Gender Index of 0.344.

The following are major indicators of gender inequality index. We shall discuss this with reference to India.

(i) Maternal mortality ratio is 450.

(ii) Secondary education among females is 26.6%

(iii) Births by skilled health personnel is 47%

(iv) Seats for females in Parliament is 9.2%

Regional Disparities

During the post-reform period (1991 onwards), there has been huge investments from foreign investors in India in the form of Foreign Direct Investments (FDI) and portfolio investments by Foreign Institutional Investors. These investments have led to high growth rate of GDP, especially during the last decade, ranging from 8% to 9.5%. But these investments have created regional disparities among the various states of the Indian Union. This has happened mainly because; these investments have gone mostly to developed states of the Indian Union. For example, between 1991 and 2010, the total no. of FDI proposals in India was 20436; with an investments of Rs. 379443 crores of these total investments 22.4% investments were Maharashtra alone; other states receiving FDI investments were as follows: Tamilnadu (7.5%), Andhra Pradesh (5.5%) Gujarat (6.2%) and U.P.(1.5%).See, Economic survey of Maharashtra 2011-12).

This kind of investments has led to serious type of inter-state regional disparities in India during the post reform period. The per capita income of Bihar State (at current prices was Rs. 20708 (or lowest among all states while that of Goa State was Rs. 168572. (or highest in India). The ratio between Lowest and highest per capita income among all states comes 1:8, which is quite high. The all India per capita income during this year was Rs. 53331.

In terms of Human Development Index also, there appears to be a big disparity among Indian States. For example in Chhattisgarh among the value of HDI was 0.368, while in Kerala State it was 0.790; or almost more than twice of Chhattisgarh State. These data reflect upon the quality of life in these states, which is a kind of exclusion "from the process of development (Indian HDR 2011) in 2007.

Sagged Measures for inclusive growth:

1) **Governance and Administration**

   To make the XII Plan more inclusive the efficiency of the administration has to be improved considerably by stricter governance. Unless the delivery mechanism of the services from top to the bottom is strengthened the benefits of various Central and State Govt. may not reach the target groups.

2) **Awareness**

   Awareness among the deprived groups needs to be created, so than they can reap the benefits of planning.

3) **SSA**

   Schemes like Sarva Shiksha Abhyan are like to create 100% literacy among all citizens of India within a decade. This scheme would immensely benefit female literacy as well as their access to education. This scheme may improve the employability of women in labor force.

4) **National Health Scheme**

Proper implementation of this scheme may improve the health of the common people in India over the next 10 years. The IMR, MMR has to come down considerably through effective implementation of National Health Scheme.

5) **Mahatma Gandhi National Rural Employment Guarantee Scheme** :

Govt. of India is the most important Scheme creating gainful employment in rural areas. There are huge funds at the disposal of this scheme. This is huge funds at the disposal of this scheme. This scheme should create durable assets in rural areas for the benefit of the poor masses.

But, the Scheme has not been properly implemented in parts of the country. A social audit of the Scheme at village level would check the malpractices in scheme.

A similar scheme for urban areas is need of the hour. This will create employment opportunities for the educated unemployed in the urban sector. The present schemes for this purpose are not very effective.

6) **Strengthening Panchayat Raj Institutions**

With the passing of the 73rd and 74th Amendment to the Constitution in 1992-93, the powers & functions of the Panchayat Raj have been considerably improved.

1) The State Election Commission
2) The State Finance Commissions

These commissions have been created for holding regular elections and for devolution of funds among Panchat at all the functions under Schedule XI (29) and schedule XII (18) are expected to be transferred to the Panchay Raj institutions. The Plan funds along with the necessary staff have to be transferred to the Panchayat Raj Institutions.

But, unfortunately, most of the State Govts have not implemented all provisions of the article 73rd and 74th of the constitution in letter & spint.

The process of micro planning (Planning from below) is yet to start in many states. This process will ensure "inclusive growth" in rural areas.

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