India’s pledge to planned economic development is a sign of our Government’s determination to improve the economic conditions of our people through a variety of social, economic, and institutional means. The Eleventh Five Year Plan, which was approved by the National Development Council, reaffirms this commitment. It provides a Comprehensive policy for inclusive development, building on the growing strength of the economy. At the same time it also aims to deal with the weaknesses that have been noticed in achieving this path. The strength of the economy is evident from the remarkable transition to a high growth path, which has been achieved in recent years. The average growth rate in Tenth Plan period (2002–03 to 2006–07) was 7.7% as a whole which is the highest ever achieved in any plan period. In the last four years of plan growth rate has averaged 8.9% making India one of the fastest growing economies in the world. The Eleventh Plan aims at achieving a radical transformation in this aspect of our development had set a target for 9% growth in the five year period (2007–08 to 2011–12) with acceleration during the period to reach 10% by the end of the Plan. It also identified 26 other measurable indices of performance relating to poverty, education, health and children, infrastructure, and environment and sets monitorable targets in each of these.

The transition to high growth is an inspiring but growth is not the only measure of development. To achieve the objectives of improvement in the living standards of all our people rapid growth is essential as it improves the income and employment level and also provides the resources needed to finance social welfare programmes. However, Government policies must be well designed to ensure that growth is widely spread so that its benefits in terms of income and employment are adequately shared by the poor and weaker sections of our society, especially the Scheduled Castes (SCs) and the Scheduled Tribes (STs), Other Backward Classes (OBCs), women and
minorities. In other words, economic growth must generate sufficient resources for the upliftment of large number of our population from the low income and low quality of life.

The strategy for achieving faster growth with greater inclusiveness involves several interrelated components. These are: (i) a continuation of the policies of economic reform, (ii) revival in agricultural growth which is the most important single factor affecting rural prosperity, (iii) improved access to essential services in health and education (including skill development) especially for the poor, to ensure inclusiveness, (iv) a special thrust on infrastructure development which is a critical area for accelerating growth, (v) environmental sustainability which is becoming increasingly important, (vi) special attention to the needs of disadvantaged groups, and (vii) good governance at all levels, Central, state, and local.²

The economy has posted an average growth rate of more than 7% in the decade since 1997, reducing poverty by about 10 percentage points. The Gross Domestic Product (GDP) in India expanded 5.3 percent in the first quarter of 2012 over the same quarter of the previous year. Historically, from 2000 until 2012, India’s GDP Growth Rate averaged 7.3 Percent reaching an all time high of 11.8 Percent in December of 2003 and a record low of 1.6 Percent in December of 2002. According to theory economic growth there is an inverse relationship between inequality and income per capita. It suggests that at the very low levels of income per capita, income inequality is low. Along with the growth of per capita income, income inequality steeply increases and, after reaching a maximum, it decreases as countries achieve higher levels of income per capita. It is because at the initial stages of economic growth elite classes enjoy greater benefits of growth. As a result demand for goods and services by this class grows and benefits the poor class too as many of them are associated with the production of these goods and services. For example demand for full time domestic services, personalized services and unskilled labour for various domestic jobs, full-time car driver, full time domestic cook, laundry services etc. by the elite class increases. Further, improvement in the income level of these workers will add to the demand for essential goods and services consumed by them adding to improvement in the quality of their consumption. Government spending over time increases due to development of infrastructural facilities and also gives rise to demand for unskilled labour. Thus Rapid growth rate and increasing demand for skilled labour will lead to rise in the wages of
unskilled labour resulting in decline of income gap between low middle class and poor class and between low middle class and high middle class. Thus higher economic growth will give rise to inelastic demand for unskilled labour resulting in rise in their wages and standard of living. In Mumbai city working couples are already finding the dearth of domestic help. Demand for domestic help has become inelastic for the working couples. The wages for this category of workers have gone up somewhere between 5000-10,000 p.m. Similarly increased use of four wheelers by middle class has pushed the wages of car driver nearly three fold during 2008-12. Inelastic demand for these types of workers has lead to the improvement of their working conditions. They are given facilities like weekly off and yearly leave with bonus, educational expenses of their children, medical expenses etc. These workers also get the privilege of foreign and domestic tours while performing their duty as a caretaker of their employer’s children while their employers are on holidaying with their family. Thus, it leads to improvement in the living standards of poor classes narrowing the gap between the middle class and poor class to some extent.

Findings: A survey conducted (Malad, Western suburb in Mumbai) for this paper for 50 households earning less than 20 thousand per month revealed that the second generation of these households is acquiring good education (19 cases found to be doing their under graduation, 10 children were graduates, 7 children schooling at secondary level) and employed in white collar jobs (14 children were employed in private companies and BPOs. Among 14 employed children 5 were girls who were working as telephone operators in private company). They are either supported by their employer (80%) or Religious trusts or the government or political agencies for the education of their children. One of the contributing factors in case of employer supported financial assistance was inelastic demand for domestic help. The Indian middle class will continue to expand significantly in the coming years provided the current level of economic growth is sustained. Thus, growth of middle class population which is at present nearly about 60% of the population will continue generating employment and welfare for poor population who depend for their livelihood on middle class.

Economic development is fundamentally a sequential and uneven process. Instead of everybody benefiting at the same time, the process appears to pull up certain groups first and leave the other
groups to catch up later. In the initial phase, inequality widens. Later, as everybody else catches up, inequality falls. This sort of reasoning drove Oshima (1962) and Kuznets (1955, 1963) to suggest a broad hypothesis of development: that economic progress, measured by per capita income, is initially accompanied by rising inequality, but that these disparities ultimately go away as the benefits of development permeate more widely.

In the initial stages of economic development, agricultural growth is faster and leads to modernization for better productivity. Rapid modernization of agriculture leads to technological progress in agriculture resulting in rapid growth of industrial sector. Thus, development of agricultural sector proceeds by a transfer of individuals from agriculture to industry. In this process scarcity of labour in agricultural sector will raise the wages. Thus disparities between industrial and agricultural wages may reduce or disappear with rapid growth. However, India’s growth is service sector and knowledge driven. Since 1990, share of industry has stabilized and the subsequent decline in the share of agriculture has been cornered by the services sector. The average annual growth rate of agriculture during Tenth Plan period (2002-07) was only 2.5%. Although the agriculture commodity prices have increased in recent times, the production has actually seen a decline. High income elasticity of demand for services in the service sector leads to faster growth of demand for goods and services as income rises. Consequently, service sector grows proportionately faster than other sectors widening the income gap in the economy.

Case Study: Vanar Vihir village in Selutaluka in Vidarbha can be taken as perfect example to prove that economic growth has created shortage of agricultural labour due to rapid growth of industries in the neighboring areas. Most of the workers in this village are migrating to work in the industries which require unskilled labour for various types of work at a better wages of Rs.300-400 per day along with the subsidized food available in the canteens at the site. It was also revealed that there is a shortage of labour to run MGNREGA that came into force in 2006. MGNREGA is the flagship programme of the Government that directly touches lives of the poor and promotes inclusive growth. It guarantees 100 days minimum wage job to all rural households in the districts of India. However, this programme was widely criticised as no more
effective than any other poverty reduction programs in India. Despite its best intentions, MGNREGA is engulfed with controversy about corrupt officials, adding to the deficit financing, poor quality of infrastructure built under this programme and unintended destructive effect on poverty. Adani village in Bhandara reflects different side of Inclusion where demonstration effect is more apparent due to the rapid economic growth. Due to rising cost of agricultural land farmers prefer to sell their land and are earning very huge amount of money without basking in hot sun. This has brought drastic change in the standard of living of the people giving rise to conspicuous consumption expenditure on liquor, two wheelers, four wheelers and several other luxuries. Thus, the poor farmers are forced to sell out their productive assets to get rid of deprivation which they faced despite hard work on their farms. Consequently, lop-sided growth is resulting into poor agricultural growth and rise in imports of agricultural products in India raising the cost of agricultural products. At the same time rise in wasteful consumption expenditure will result into poor investments in agriculture resulting into vicious circle of low production, low employment and further low growth.

India has displayed a lot of dynamism and achieved rapid growth over the past decade. The growth since 2003 has been significant indicating that inclusive growth has been placed in the topmost priority in policy formulation. Rapid growth is essential, since it is only in a rapidly growing economy that we can sufficiently raise the incomes of the major part of the population to bring about a general improvement in living conditions. Further, the resources needed to provide basic services to all can be generated through rapid growth. Growth rate of population at 1.5 per cent per year and 9 per cent growth in GDP would double the real per capita income in 10 years. However, there is a need for effective government schemes – in agricultural and rural development, in industry and urban development, in infrastructure and services, in education and health care to promote growth.

Since last three decades the major objective of policy makers is to remove poverty from India. Many programmes and policies were started at the grass root level. But results were not very encouraging. After liberalization India’s GDP growth witnessed an encouraging change. It was hoped that it will be a solution for the problem. But due to some basic reasons at grass root level, results were not very overwhelming. It has also been realized by the policymakers that increase
in GDP alone is not the solution of the deep rooted problem of poverty. Growth is necessary but not sufficient for the poverty eradication. Inclusive growth can be a solution for poverty removal. In the 1990s government of India started many programmes which were specially made for enhancing the income level of the poor masses. Consequently, all the major initiatives of 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 that is necessary for sustainable development and equitable distribution of wealth and prosperity. However, success of poverty alleviation programmes can be achieved in real sense, when common man is also a part of growth. Rapid economic growth over the past decade in India was the main driver of poverty reduction, but; poor face several deprivations due to existing economic, political and social environments. Beyond the lack of income, the multidimensional concept of poverty refers to inconveniences that those distressed are subjected to vulnerability, powerlessness as well as social exclusion while trying to access productive resources such as basic services like health, education and basic resources such as land and credit.

Determinants such as housing conditions, access to electricity, telephones and road connectivity are crucial inputs in the development process. Supporting human development, infrastructure is a source of positive externalities and a stimulant to economic growth. There have been improvements in housing conditions over the past decade. Around 66% of Indians now reside in pucca houses compared to less than 50% at the beginning of the decade. However, compared to all –India average of 66% only 58% of Scheduled caste and 38% of Scheduled Tribes reside in pucca houses (NSS 2008-09) and the gap with the national average has been widening over time. According to NSS estimates, there was an overall increase in households with electricity connections for domestic use from 64% in 2002 to 75% in 2008-09. However, there has been wide disparity in the availability of sanitation facilities. The national data on electricity may appear rosy but in reality most of the states like Andhra Pradesh, Tamil Nadu, Maharashtra, Punjab, Haryana and several other states have severe scarcity of electricity supply in most of the cities and villages. Thane district of Maharashtra close to metropolitan city Mumbai also faces severe shortage of electricity supply. Thus, the electricity connectivity has shown drastic improvement over the year but there is no significant improvement in the power supply.
Irregular and scarce power supply in these places has affected the growth of agriculture and other industries and it is a clear evidence of uneven distribution of benefits of Economic growth and regional economic exclusion. A survey conducted in Shahpur in Thane district in Maharashtra does not receive electricity on an average for 3 to four hours per day. Whereas Mumbai only 80 kilometers away from this place has uninterrupted power supply. Thus, there is wide disparity in the distribution of power supply which is very important for efficient functioning of agriculture, industry, service sector and also the household’s consumption.

World Bank study published in Times of India dated 19th September 2009 (Nirmala M. Nagraj) reveals that in North Eastern states (Assam, Arunachal, Bihar and J&K) only 20% households have an access to sanitation facilities. In Manipur only 1% households have access to sanitation facilities. In Manipur only 7% households have sanitation facilities. On the other hand in Kerala, Haryana, Sikkim, Mizoram and Tripura 90% of the households have sanitation facilities. This shows the clear evidence of India’s ineffective implementation of Central Rural Sanitation Programme (CRSP) launched in 1986 and evolved into the Total Sanitation Campaign in 1999 with the resources over $1 billion. Yet 55% of rural households are still without toilets and rural sanitation coverage was limited to 21.9% in 2001. One of the main objectives of National Rural Health Mission has been to provide access to sanitation and water. According to this report the national sanitation and hygiene programme neglects schools though the Sarva Shiksha Abhiyan has shown that it will lower dropout rates by 64% and absenteeism by 3% and improve enrolment by 48%. Due to poor implementation of this programme most states are yet to have a Village Health Sanitation Committee (VHSC). If government can spend money on 7 star toilets for Olympic Games, why should we deprive big section of our population of basic sanitation? In Delhi more than three hundred, 7-star toilet blocks were constructed within a span of one year for Olympic Games but for the slums in big cities like Mumbai Toilets are still a dream. Field survey conducted in Premnagar slum in Goregaon (Western suburb in Mumbai) revealed that out of every ten persons two persons including women have to find open space to relieve themselves. Conclusion: There is an absolute requirement for high and sustainable growth and the benefits of rapid economic growth and its percolation down to the lowest strata of society. The Government has recognized the necessity of building potentials at the local levels for planning, implementation and monitoring of development programmes. For effective delivery system we
need transparency in the operation of schemes. There also ought to be greater accountability for politicians, panchayats, local bodies, NGOs and civil servants to make all the government schemes for deprived classes. The Central Government including the Planning Commission should provide sufficient investments in infrastructure and social sectors in poorer states. There is a need to have more decentralization of finance, functions and powers to Panchyats to improve accountability and development. The combine and inclusive efforts of all can solve the problem of poverty which is the root cause of all the problems. So the lesson is not to lose sight of the role of the economic inclusion in the economic growth and development. Apart from the government schemes for poor, need of the hour is to have anti-money laundering laws so as to encourage productive use of money essential for economic growth. In rural areas where 74% Indian population resides small and tiny manufacturing units should be encouraged to solve the problem of unemployment and prevent the migration of rural population to urban areas. This will also help in preserving the environment.

Despite several hurdles in the implementation of Government schemes, in 2011-12, total rural consumption grew at 19% between 2010-11 and 2011-12 as against the urban consumption at 17% due to employment generating government schemes for poor rural population. Overall 27% of the households benefited from MGNREGA. More than 50% of the country’s T.V. sets, fans, mobiles and two wheelers are in rural areas. Market for two wheelers, second hand cars and FMCG goods is rising faster in rural areas. Therefore, effective implementation of employment generation in rural areas is the best solution. Private sectors and corporate should be encouraged to generate employment and skill training programmes in rural areas. This will reduce the deficit burden of the government.

References:

2. ibid
8. Times of India dated 19th September 2009