

Discourses on Growth and Inequality: Indian Experience

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Abstract

The growth of India's knowledge based economy, the entertainment and the news industry, and the people to people links established by the Indian Diaspora Community have shaped India's global profile and prospect. By the end of 20th Century two dominant factors seem to have shaped a new thinking about India in the Western hemisphere, first, the India's economic performance and policy shift in the last decade of the century, and second, India's declared 'nuclear power' status. Moreover, there were several factors other than economic growth that contributed to India's self-image as a major power. For example, civilizational history, contribution to religion and philosophy, the intellectual (particularly scientific and mathematical) achievements, demographic size and composition, geographical size and location, military strength and capability.

Key words: Inclusive Growth; Economic Reform; Indian Diaspora; Liberalisation, PMJDY

1. Introduction

The 1990s makes the rupture in the evolution of the political economy of India. In this context Liberalization and Globalization have become synonymous with policies of economic reforms. The new economic reforms were seen as panacea of all economic evils which were continued by the state. Till 1991, India was largely a closed economy with high tariffs and strict controls on foreign investment. Indian businesses were plagued by 'License Raj' with a government permit needed before a company could engage in any kind of individual activities. Since then India's knowledge based business captured a higher share of services and business overseas.

The academic debate on India's economic reform were argued by Indian scholars like Jayati Ghosh, Prabhat Patnaik, Amit Bhaduri, Pranab Bardhan, Deepak Nayyar who often said that economic reform in India is only 'crisis centric' not a 'strategic developmental centric'. On the other hand, the radical economist of Nehruvian era K. N. Raj and left scholar Shukmoy Chakravorty had supported the economic reform process in India.

The factors that resulted in the paradigmatic shift of Indian economy includes the collapse of Soviet Union and the Communist regimes in East European Countries, the external debt crisis during Rajib Gandhi era, loss of confidence in social and political viability and the withdrawal of the NRI (Non-Resident of India) deposits, rise of consumerism indulged by the rising middle class, increased defence imports, inadequate resource mobilization, competitive politics of populism were some of the immediate factors of economic reform in

India. In international factors included the conditionalities from above by the international monetary institutions like IMF and World Bank.

According to Deaton and Dreze (2002), three broad phases are identified in the development of the Indian economy like (i) during 1951-63 the rate of growth of GDP was low. The industrial economy was in its infancy and feudal structures such as the *Zamindari* were being dismantled, (ii) slightly higher economic growth was typical in 1964-90, primarily because of the boost in agriculture consequent upon the Green Revolution and a more mature industrial base, and (iii) post-1991 period has been characterized by much higher growth rates, though this growth is not propelled by the agricultural sector.

2. Conceptual Understanding

The importance of equal access to opportunities for all lies in its intrinsic value as well as instrumental role. The intrinsic value is based on the belief that equal access to opportunity is a basic right of a human being and that it is unethical and immoral to treat individuals differently in access to opportunities. The instrumental role comes from the recognition that equal access to opportunities increases growth potential, while inequality in access to opportunities diminishes it, and makes growth unsustainable, because it leads to inefficient utilization of human and physical resources, lowers the quality of institutions and policies, erodes social cohesion, and increases social conflict (Ali 2007).

The differentiation of inequalities arising from efforts from those arising from circumstances leads to an important distinction between ‘inequalities of outcomes’ and ‘inequalities of opportunities’ (Ali 2007). Inequalities of opportunities are arisen mostly due to differences in individual circumstances, while inequalities of outcomes such as incomes reflect some combination of differences in efforts and in circumstances. If policy interventions succeed in ensuring full equality of access to opportunities, inequalities in outcomes would then only reflect differences in efforts, hence could be viewed as ‘good inequalities’ (Chaudhuri & Ravallion 2007). On the other hand, if all individuals exert the same level of efforts while policy interventions cannot fully compensate for the disadvantages of circumstances, the resulting inequalities in outcomes are ‘bad inequalities’. While these two extreme cases are useful for analytical purposes, in reality, inequalities in outcomes would consist of both good or desirable, and bad or undesirable inequalities. Equalities in opportunities that emphasize eliminating circumstance-related bad inequalities so as to alleviate inequalities in outcomes are at the core of inclusiveness and at the heart of an inclusive growth strategy.

Inclusive growth with its simultaneous focus on rapidly expanding opportunities and ensuring equal access to these opportunities results in an inherent tension. The tension arises from the co-existence of effort-based or good inequality and circumstance-based or bad inequality. An increase in effort-based inequality could swamp out the decline in circumstance-based inequality resulting from equalizing access to opportunities, leading to an overall increase in inequality outcomes. It needs to be recognized that with and without counterfactual would suggest that inequality would be lower with an inclusive growth strategy as compared to the without an inclusive growth strategy scenario. As a consequence, inclusive growth is a necessary but not a sufficient condition for lower inequality (Ali 2007).

The distinguishing feature of the inclusive growth process is that it focuses attention on understanding the causal factors behind inequality outcomes and then addresses the causal factors. Inclusive growth depends on average opportunities available to the population and how opportunities are shared among the population (Ali 2007). Whether growth is inclusive depends on the contribution of increasing average opportunities in society with distribution of opportunities constant, and the contribution of changes in distribution when average opportunities do not change. As long as the combined effect is positive, growth would be inclusive. With inclusive growth, there would be improvements in social welfare.

Moreover, inequality is an outcome and it can be addressed with identifying the drivers of inequality. Inequalities can be associated with efforts that respond to market incentives. Inequalities also arise from lack of access to social services, geography, and social exclusion that are related to circumstances. An individual's circumstances such as religious background, parental education, geographical location, and caste (in India) are exogenous to, and outside the control of the individual, for which he or she should not be held responsible. Inequalities due to differences in circumstances often reflect social exclusion arising from weaknesses of the existing systems of property and civil rights, and thus should be addressed through public policy interventions. On the other hand, an individual's efforts represent actions that are under the control of the individual, for which he or she should be held responsible. Inequalities due to differences in efforts reflect and reinforce market-based incentives needed to foster innovation, entrepreneurship and growth (Ali 2007).

The inequality that results from differences in efforts are acceptable and even desirable to the extent that they reflect the motivations that an economy provides to its citizens for working harder, looking out for new opportunities and taking the risks entailed in seizing them. However, inequalities resulting from differences in circumstances are not only ethically unacceptable; they result in wasted productive potential and misallocation of resources. Disadvantages of circumstances are doubly undesirable. In addition to the

disadvantages that they create as when access to education, health care and job opportunities is unevenly distributed. They can create additional disadvantages by negatively influencing the amount of effort that an individual in unfortunate circumstances is willing to make.

The distinction between inequality outcomes resulting from efforts and circumstances provides the basis for the definition and rationale for inclusive growth. Inclusive growth is a growth that not only creates new economic opportunities but also ensures equal access to the opportunities created for all segments of society, including the disadvantaged and the marginalized. Growth is inclusive when it allows all members of a society to participate in, and contribute to, the growth process on an equal footing regardless of their individual circumstances (Ali 2007).

Hence, Amartya Sen (2005) in his discourse '*Three R's of Reform*' highlights three factors of reform process such as: 'Reach, Range and Reason'. According to him people have to be concerned with Reach in all its diverse forms, including economic reach and political reach which are individually important and jointly momentous. Regarding Range he refers education, health care, building of infrastructure and land reforms as well as intelligent use of domestic and global markets. Moreover, regarding Reason he refers nothing ultimately, is as important for reformers as a constant willingness to ask why exactly they are doing what they are doing (Sen 2005).

3. Economic Reform and Growth in India

India, desires a sustained economic growth which would be able to address the 4D Challenges such as: Development, Defence, Diplomacy and Diaspora (Baru 2006). Economic development within the framework of a decentralised democracy is the biggest challenge for India. The growth process of the past two decades has enabled India to address many of the challenges of development. India's ability to play the role of a regional peace keeper and stabilizer, ensuring the security and the free flow of energy from the region to the global markets, and facing the threat from the militant organisations critically depends on its ability to generate the resources required for the requisite defence capability. Diplomacy is even more directly related to the economic performance because international relations have increasingly come to be shaped by economic relations. To make globalisation work for India, it makes productive use of the diverse and talented community of 'People of Indian Origin' world wide (over 25 million) is also called as Indian Diaspora. This community has emerged as an important strategic asset in India's relations with rest of the world (Baru 2006).

The idea that economic growth has a favourable impact on poverty is based on the income mobility concept of Kuznets¹ (1963). High economic

growth creates opportunities for more work and increased income. The demands for unskilled labour are also magnified with such growth. A dynamic economy, where technological change is rampant causing continuous changes in the composition of technologically upgrading and stagnant industries, generates as well as destroys productive employment opportunities. In the process, some people move into lower income groups relative to where they were at the beginning of the growth process (downward income mobility) and some people move into higher income-groups (upward income mobility). In the rapid growth process, as is usually argued, opportunities for upward mobility far outweigh the downward mobility. Rapid economic growth, therefore, is pro-poor on the balance. However, if the poor cannot access the opportunities for upward mobility generated through the growth process, the potential favourable impact on poverty is far from realized².

The growth of India's knowledge based economy, the entertainment and the news industry, and the people to people links established by the Indian Diaspora Community have shaped India's global profile and prospect. By the end of 20th Century two dominant factors seem to have shaped a new thinking about India in the Western hemisphere, first, the India's economic performance and policy shift in the last decade of the century, and second, India's declared 'nuclear power' status (Baru 2006). Moreover, there were several factors other than economic growth that contributed to India's self-image as a major power. For example, civilizational history, contribution to religion and philosophy, the intellectual (particularly scientific and mathematical) achievements, demographic size and composition, geographical size and location, military strength and capability.

India's accelerated economic growth of trade and investment liberalisation has made its impact upon its political, diplomatic relations with nations near and far ranging from the US and European Union to ASEAN. Among developing countries India was late in shifting gears from 'inward-oriented industrial development' to an 'outward-oriented development'. Unlike most of the developing countries India has the potential of making Globalisation work in a more positive way through its large and diverse Indian Diaspora as a new network of overseas businesses. The Information Technology (IT) Revolution at home has enabled India to impart a strategic relevance to its economic policies during 1990's. Moreover, these capabilities have helped to create new relationship of economic inter-dependence with other growing economies of the world (Baru 2006).

The economic liberalization hurt the interest of the underprivileged in material sense: hence, there is a need of imaginative strategies to surmount the cleavages of deprivation and inequality between classes, caste, communities, gender and regions. India's booming information technology sector development, the high demand of 'Made in India' IT professionals unlike the

‘Made in India’ manufacturing items in global level is interesting. The earlier notion of ‘*Roti, Kapra and Maakan*’, has also transformed towards ‘Bijli, Pani, Sarak as well as Health and Education’.

Unlike the Pakistan’s three A’s notion like ‘*Allah, America and Army*’, the Indian version is still secular and democratic. India is now ‘rising and shining’ together (Baru 2006). The investment inflow and outflow as well as the new transition from an inward oriented economy to a moderately outward oriented economy have occurred. The strategic capability and the fast growing economy have shaped India as re-emerging great power.

Hence, India’s rise as major economy is determined by two factors such as: (a) the economic changes affected in political climate, and (b) the quality of political leadership (Baru 2006). The earlier notion of traditional orthodox variety of state security has also shifted towards non-traditional security aspects like human security, food security, energy security environmental security and the like. No doubt, the globalization and the more open economy, the trade liberalization, the WTO negotiations, the bi-lateral and the multi-lateral agreements and the policy of privatization in public sector, investment inflow in India has created a new dimension.

4. Problems of Inequality in India

The key factor responsible for increase in inequality appears to be unevenness in growth. Three dimensions of uneven growth seem especially pertinent in accounting for increases in inequality in many parts of the region. First, growth has been uneven across sub-national locations (i.e., across provinces, regions, or states). Second, growth has been uneven across the rural and urban sectors. Finally, growth has been uneven across households, such that incomes at the top of the distribution have grown faster than those in the middle and/or the bottom. In particular, the growth of incomes has tended to be the highest for the best educated (Ali 2007).

One can ask what policy factors are behind these patterns of uneven growth. The policy factors are complex. However, some broad themes emerge. First, there has been a relative neglect of the agriculture sector by policymakers. While economic development entails a move off the farm to industry and services, deficiencies in public investments in agriculture, and the rural economy more generally, has been problematic precisely because the productivity of agriculture determines the standards of living of so many people in Asia. Even today, a majority of the labor force of many Asian countries, especially its largest ones, is to be found engaged in agriculture. Second, the interplay between market-oriented reforms, globalization and technology has played a role in unequal growth. In several countries, for example, dismantling state-owned enterprises has been part and parcel of market-oriented reforms.

Typically, state-owned enterprises have had fairly compressed wage distributions. As the importance of the private sector has grown, it would be natural to find increases in wage inequality. And finally, new technologies display a bias in favour of skills. The same is true of Foreign Direct Investment (FDI) also. Moreover, the demand for skilled workers has increased faster than the demand for unskilled workers (Ali 2007).

Turning to inequalities in access to public services, a major issue is the rapid decline in the effective delivery of these services. A deterioration of public ethics, public institutions and public administration has together resulted in significant leakages of public expenditures that do not reach the target groups. As a result, schools with errant teachers, measles immunization that never reach rural areas, and child nutrition programmes that are not delivered are commonplace in many Asian countries including India. A lack of accountability on the parts of governments to deliver public social services is widespread (Ali 2007).

Land reforms that never took place are at the root cause of inequality in land or access to it. Lack of political will and/or elite captures of political institutions make meaningful land reform exceedingly difficult in India. Related to inequality in land or access to it is the lack of access to credit that compounds the problem. Debts, penury, pauperisation all go together (Ali 2007).

The rise in inequality has been the result of three factors such as (Deaton and Dreze 2002): (i) a shift in earnings from labour to capital income, (ii) the rapid growth of the services sector, with a consequent explosion in demand for skilled workers, and (iii) a drop in the rate of labour absorption during the reform period. There has also been an increase in regional inequality, especially in the incidence of rural poverty. This rise in inequality has implied that, despite better growth, poverty reduction has been sluggish.

Economic equality is an essential component of a just society. One of the basic objectives of the policy makers since the inception of planning has been to achieve growth with justice. The economic reforms have led to a period of jobless growth. It creates job opportunities only for the highly trained manpower like the graduates from IITs and IIMs. Similarly the Call Centers provide jobs to those having good command over English. People coming from upper middle classes and urban background have a clear advantage in getting such type of jobs. The standard of public sector education system that is available to the weaker section is falling in India. At the same time the private education is becoming more and more expensive and out of reach of the people belonging to the disadvantaged sections of the society. This process has marginalized a large section of the population, as they do not have the education or skill to take the advantage of the growth. Indeed, economic inequality is a very complex phenomenon. On a narrower interpretation, it may mean disparities in personal income and wealth at any point of time.

It is commonly alleged that Globalization in developing countries is nothing but a policy imposition of International Monetary Fund and World Bank for economic exploitation without physical existence. Unlike the supporters of reform, the disappointed sections of people argue that it had created a vast gap between rich and the poor. The poor become poorer and the rich become richer. Several studies have validated that lack of education creates an asymmetry both in ability and skills leading to people being less employable or more employable. This enables those better skilled to earn better. But there is hardly any move to institutionalise skills training. India has only 12,000 vocational training institutes against 5,00,000 in China. Industry chambers offered to take over industrial training institutes and modernise the courses. But despite the support of the Ministries of Commerce and Finance, the Labour Ministry blocked it. As the Asian Development Bank report says, India illustrates best the impact of globalisation on income distribution. While wages for English-speaking graduates are rising fast as information technology sector thrives, salaries for unskilled labourers are stagnating.

Another important factor is physical infrastructure. India has had to struggle to add 45,000 MW in five years while China adds nearly 70,000 MW every year. Consider the road connectivity figures: states like Madhya Pradesh and Chhattisgarh have barely 15 per cent road connectivity. This leads to income disparity between those living in urban areas and those in rural areas. Lack of connectivity from, production place to market place, prevents farmers from getting better returns. Again, regarding power sector every year close to Rs 30,000 crore worth of electricity is lost to leakage and theft. Yet, the entrenched have ensured no real reforms are allowed in transmission and theft control.

The cause of inequality is simply the lack of good governance and asymmetry of opportunity. The governance deficit is startling if one looks at the levels of literacy and primary health care. The wide disparity in literacy levels across states, say Bihar which has a literacy level of 46 per cent and Mizoram of 89 per cent, illustrates this best.

India, which has had poverty reduction as the central goal of policy over the last 68 years of independence, has recently switched to a new development strategy focusing on two basic goals such as: (a) raising economic growth, and (b) making growth more inclusive (Government of India 2006). The central focus of the 2006 World Development Report (World Bank 2006) is the pursuit of equality of opportunity while avoiding extreme deprivation. The Millennium Development Goals were derived from the United Nations Millennium Declaration, which were adopted by 189 nations in the year 2000. Most of the goals and targets were set to be achieved by the year 2015 on the basis of the global situation during the 1990s. The baseline for the assessment of progress towards achieving the MDG's is therefore 1990s.

It is remarkable that the rural people have also suffered from income insecurity as their jobs tend to be seasonal. This disadvantage hinders political participation. Poverty, unemployment, poor health care, sanitation and nutrition and lack of literacy are some of the barriers that hinder the lower economic class from participating in local decision making processes and rural power structure. Women's visibility in the public services has also been negligible. Female heads in India also does not ensure women's empowerment because of their insignificant representation in national administration.

Generic inequality has clear spatial attributes. Spatial inequality occurs when core locations become privileged sites for capital accumulation. In India, urban-rural and regional disparities institutionalised long before in 1980s and became rapidly worse after 1990s. The post-reform growth favoured Southern and Western States, while distressing Northern and North-Eastern States that had been disadvantaged by public and private investment decisions.

Moreover, the child labour issue, the street vendors, (mostly in metropolitan cities), the unequal resource sharing and distribution, the discriminatory public private collaborations, the rural development schemes, the Panchayati Raj Institution, the role of Information Communication Technology, Education and Health facilities are important, that are still going on Indian states, but the corruption processes have collapsed the whole issue of comprehensive development. Pranab Bardhan often argued that the corrupt and inefficient state level bureaucracy remains incompetent to carry out the reform. Patronage, corruption and nepotism continue unabated in India.

Again, Jayati Ghosh's³ field study on the Cotton farmers in Andhra Pradesh has brought a new picture of new tragedy. The farmer's suicide cases brought lack of caring people towards the old and child in the suicide farmer's families. Most importantly the process of development displacement, the SEZs issue regarding Singur and Nandigram, the killings of innocent human being are notable. The problems of development displacement, rehabilitations and illegal land occupation on the name of economic development is not fair, but instead of that there needs some people's friendly policy orientations. India's weakness stems from its internal political economy-lack of cohesive polity and the consequent rise of regionalism over any notion of national interest-to a point where it is gradually losing its 'infrastructural capacity'. Hence, different types of inequality that are increased in India after 1991 period arise in between: (a) states of the union, (b) economic sectors, (c) castes, (d) genders, (e) rural and urban areas, and (f) rich and the poor people.

5. Public-Private Initiatives (PPP Model)

In India, the economic growth rates of all states are not same. India's various states differ significantly in terms of employment generation, poverty reduction and policy processes. Over the past few decades, India has allocated 6

to 7 per cent of budgetary expenditures, or 1 per cent of Gross Domestic Product (GDP), to its anti-poverty programmes, mainly supporting food subsidies, subsidized credit, improvement of rural infrastructure and rural employment schemes. The targets of the Government of India's Eleventh National Development Plan (2007-2012) include (IFAD 2008):

- Improving access to and the quality of essential public services for poor rural people, including health and education, by implementing and improving specific programmes and involving the voluntary sector,
- Creating a broader base for income growth by doubling the agricultural growth rate to 4 per cent,
- Harmonizing the government's various self-employment schemes and implementing an integrated self-employment programme, and
- Giving special attention to scheduled castes, tribes and minorities, and especially to the economic empowerment of women in those groups.

The Eleventh Plan provides an opportunity to restructure policies according to a new vision of growth that will be more broadly based and inclusive, to achieve a faster reduction in poverty.

Inequality was an important issue for the United Progressive Alliance (UPA) Government. For instance, the Approach Paper to the 11th Five-Year Plan (2007-12) adopted in December 2006, mentions 'inclusive growth' in the title itself⁴. There is a specific chapter on bridging divides. The strategy of inclusive growth proposed in this paper can command broad based support only if growth is seen to demonstrably bridge divides and avoid exclusion or marginalization of large segments of our population. These divides manifest themselves in various forms: between the haves and the have-nots; between rural and urban areas; between the employed and the under/unemployed; between different states, districts and communities; and finally between genders.

Vice-President of India, Hamid Ansari (Ansari 2008) in his keynote speech delivered in the Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) Conference held in New Delhi, said that the redistribution of economic and political power, inclusion of rural areas and rural poor in development, enhancing access to resources and employment in rural areas, focus on non-farm rural activities, education and training activities and agrarian reforms continue to be important areas for public policy. According to him, in Asia in general, and in India in particular, poverty has a rural face. According to him rural development and poverty alleviation are thus two sides of the same coin. He also added that the world is facing an unprecedented global hike in the prices of agricultural commodities, with concomitant impact and food security for the poor and vulnerable. While macro-economic and

Globalisation issues have been debated, these remain the penumbra of the shadow of this agrarian crisis.

Indeed, the agrarian reform and rural development issues are inherently political in nature. While economic and social interventions are necessary, they are not enough to bring about the desired outcomes. It is therefore, the duty of policy makers to ensure that the interaction of politics with policy is constructive and synergistic. As important personalities influencing policy formulation and implementation, sharing best practices and benefiting from the experiences of each other would contribute to our common goal of promoting rural development and regional cooperation, he added (Ansari 2008).

In India too, the government approaches to these two issues have significantly changed in the past two decades. Given the federal structure, land reform legislation is a state subject and has not been pursued in a uniform pattern. Civil society movements like '*Janadesh*' have therefore sought to mobilize opinion for a national land reform policy and a national land reform commission (Ansari 2008).

On the other hand, the Government of India has developed a noticeably sharper focus on poverty alleviation and rural development programmes and significantly enhanced its expenditure manifold - from Rs. 76 billion in 1993-94 to Rs. 340 billion in 2003-04 and Rs. 1200 billion in 2008-09. The Government's strategy has focused on five dimensions for targeted poverty alleviation and rural development (Ansari 2008):

- Institute guaranteed wage-employment covering the entire country,
- Promote self-employment,
- Ensure rural connectivity and infrastructure augmentation,
- Facilitate basic amenities such as housing, and
- Provide social security especially for the aged, sick and other vulnerable sections of the society.

The World Bank (World Bank 2000b) has laudably blueprinted the vision of the social protection of the poor or vulnerable so that they can manage risks better mainly through the mechanism of safety nets. But the fiscal crisis of the state and the absence of donor support undermine the realism of such vision. In fact, Sachs (2001) held that IMF and the World Bank were accomplices in 'grossly under funded and insufficient strategies' of poverty reduction. But even under the existing constraints there is scope for new and innovative programmes such as health insurance and disaster insurance for NGO clients, which can be funded from the savings of the poor themselves. There can be GO-NGO collaboration in protecting the poorest of the poor.

According to the *Human Development Report, 2007/2008* of the United Nations Development Programme (UNDP), measured in terms of the Human Development Index among South Asia, India ranked as 128, compared with 140 for Bangladesh, 133 for Bhutan, 100 for Maldives, 142 for Nepal, 136 for Pakistan and 99 for Sri Lanka (UNDP 2007). But question arises why India sticks somewhere in the 120s on the UN Human Development Index. In 1994, India stood 134th on the UN Human Development Index (HDI). Ten years later, as the NDA government yielded, India had inched up to just the 126th position. On the UN HDI for the year 2005, India actually sank from 126th to 128th position. Again UNDP 2014 *Human Development Report* measured in terms of Human Development Index India ranked 135th compared with Bangladesh at 142nd, Bhutan at 136th, the Maldives at 103rd, Nepal at 145th, Pakistan at 146th and Sri Lanka at 73rd (UNDP 2014).

The UPA government has produced a report to the people⁵ where the key components of the strategy of 'inclusive growth' have been to: (a) step up investment in rural areas, in rural infrastructure and agriculture, (b) increase credit availability to farmers and offer them remunerative prices for their crops, (c) increase rural employment, providing a unique social safety net in the shape of the National Rural Employment Guarantee Programme, (d) increase public spending on education and health care, including strengthening the mid-day meal programme and offering scholarships to the needy, (e) invest in urban renewal, improving the quality of life for the urban poor, (f) socially, economically and educationally empower Scheduled Castes, Scheduled Tribes, Other Backward Classes, Minorities, Women and Children, and (g) ensure that, through public investment, the growth process spreads to backward regions and districts. This strategy of 'inclusive growth' combines empowerment with entitlement and investment. Education empowers, improved health care empowers, employment guarantee entitles, fulfilling quota obligations entitles. Through a combination of offering entitlement, ensuring empowerment and stepping up public investment, Government has sought to make the growth process more inclusive. This is fine as a statement of intent. But for all practical purposes, the UPA government's initiatives are on the side of entitlement, rather than empowerment. There is an attempt to cast everything into an employer-employee mould, be it through the national rural employment guarantee, reservations or social security legislation.

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is a National Mission for Financial Inclusion to ensure access to financial services, namely Banking Savings and Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. This financial inclusion campaign was launched by the Prime Minister Narendra Modi on 28 August 2014. He had announced this scheme on his first Independence Day speech on 15th August 2014. The PMJDY is run by Department of Financial Services, Ministry of Finance. On the inauguration day, 1.5 crore (15 million) bank accounts were opened under

this scheme. By May 2016, the scheme had opened 21.74 crore accounts, with Rs. 37,445 crore in deposits.

The scheme has been started with a target to provide ‘universal and clear access to banking facilities’ starting with ‘Basic Banking Accounts’ with overdraft facility of Rs. 5,000. Under the scheme:

- Account holders will be provided zero-balance bank account with RuPay debit card, in addition to accidental insurance cover of Rs. 1 lakh (to be given by ‘HDFC Ergo’),
- Those who open accounts by 26 January 2015 over and above the Rs. 1 lakh accident claim will also be given life insurance cover of Rs. 30,000 (to be given by LIC),
- After Six months of opening of the bank account, holders can avail Rs. 5,000 overdraft from the bank,
- With the introduction of new technology introduced by National Payments Corporation of India (NPCI), a person can transfer funds, check balance through a normal phone which was earlier limited only to smart phones so far,
- Mobile banking for the poor would be available through National Unified USSD Platform (NUUP) for which all banks and mobile companies have come together.

The scheme has been criticized by saying as an effort to please voters that has created unnecessary work-burden on the public-sector banks. It has been claimed that the poor deserves food more than bank accounts and financial security. Further, these accounts have not yet added considerable profits to PSU banks. Offers like zero balance, free insurance and overdraft facility would result in duplication. Many individuals who already have bank accounts may have had accounts created for themselves, lured by the insurance covers and overdraft facilities. As per the scheme, a very few people are eligible to get the life insurance worth Rs. 30,000 with a validity of just five years.

6. Issues of Concern

Economic Liberalisation however is not working as a panacea for everytime. It is limited in both conception and design. At one level, it is concerned with the economic problems of the government such as the balance of payment situation, the rate of inflation and the fiscal crisis of India. At another level, it is concerned with the efficiency of industrialisation. But it is not concerned with the economic priorities of the people such as employment and poverty, agriculture and rural sector or physical and social infrastructure. Long term development objectives, such as education and human resource development or the acquisition of technological and managerial capabilities, are

simply neglected. What is more, the reform process stresses the need to eliminate weakness or what went wrong but neglects the possibilities of building on strengths or what turned out right. This, too, is a serious shortcoming. Moreover, the simple fact of life is that those who do not have incomes cannot buy goods and services in the market. Thus, when the paradise of consumerism is unrealisable or unattainable, which is the case for the common people; it only creates frustration or alienation (Nayyar 1998).

The discussion on the nature and drivers of inequalities points three significant issues. First, rising inequalities could be an inherent by-product of the growth process, and knee-jerk reactions to eliminate increases in inequalities may stifle the growth process itself. Second, lack of access to basic public services, credit, and risk-mitigating instruments perpetuate the lack of capabilities and opportunities for the large sections of the society. Third, the marginalization and bypassing of significant sections of society could undermine the sustainability of growth (Deaton and Dreze 2002).

Globalization and trade liberalization affect poverty and income inequality in two ways. First are the changes in wages and other factor returns through changes in production pattern and, therefore, composition of output. This is the short run effect. There is also the indirect or long run effect on wages that work through the impact on growth of output, both sectoral and aggregate. However, free trade is not necessarily a pro-poor strategy. Trade creates both winners and losers in the short run, and sometimes that may be quite unfavourable for the lower income groups. That is, in the short run, trade liberalization acts more like an (indirect) income-redistribution policy than a poverty-alleviating policy. Rather, the long run or growth impact of trade liberalization is more important for poverty alleviation. With acceleration of growth of output, opportunities for upward income mobility for the lower income groups gets stronger⁶.

The key areas in which the general public and more particularly the 836 million people who are poor and vulnerable, desperately need efficient and rightful access to public goods and services are precisely the 29 areas set out illustratively in the eleventh schedule to the constitution for the devolution of powers-Functions, Finances and Functionaries-to the elected local bodies. These cover primary and secondary education; dispensaries and primary health care centres; pure drinking water; sanitation; rural housing; women and child development; public distribution outlets, rural infrastructure including roads, bridges and culverts and others elements of rural connectivity; veterinary centres; the maintenance of community assets; rural industrialisation and off course, everything to do with minor irrigation and agriculture, and above all agricultural extension. Unlike the bureaucratic development, there is a need of grassroot development through grassroot democracy (Aiyar 2008).

The whole population should also have equitable opportunities of access to public services such as education health protection and housing. A few comments are in order here. Education is essential to development due to its intensive values, in so far as it contributes to cultural awakening, conscientisation, understanding of human rights, enhancing of adaptiveness and growing sense of autonomy, self-reliance and self-confidence. Of course, it has also an instrumental value with respect to employability. But education is a necessary, but not a sufficient condition for access to decent work. It must come in a package of development policies, while some would like to present it as a panacea. One of the paradoxes of the situation prevailing today is mass unemployment of adults, going hand in hand with intolerable child labour. In order to send all the children to schools, fellowships are required for those coming from poor families, whose survival depends on the money they bring home (Sach 2004).

7. Concluding Remarks

The question of economic growth is not simply a matter of increasing the aggregate of income, but is a matter of the kind of growth, the composition of it and whom it has benefited. According to Baru (2006), the two most important challenges before India in 21st century are like: (a) mass poverty and degradation (b) defining India's status in global economy and society. However, the UPA regime has tried to evolve its own brand of inclusive growth. It has boosted spending in education through the *Sarva Shiksha Abhiyan* (SSA), increased credit to agriculture and tried to improve physical infrastructure through *Bharat Nirman*.

In the words of *New York Times* columnist David Brookes, 'today's rich don't exploit the poor; they just out-compete them'. In this view, more productive people earn more by merit and inequality increases because markets do not provide unproductive people what they need to compete successfully in the market. Such logic induces major development agencies to promote 'pro-poor growth' policies, which rely on governments, NGOs' and businesses to provide loans, education, health, housing and jobs that poor people need to compete. Yet despite pro-poor initiatives, inequality is increasing in most countries.

According to Robb, the issue of Participatory Poverty Assessments (PPAs) uses participatory research methods to understand poverty from the perspective of the poor by focusing on their realities, needs and priorities. A participatory poverty assessment is a method to include poor in the analysis of poverty with the objective of influencing policy. The findings are transmitted to policy makers, thereby enabling the poor to influence public policy choices (Robb 2002).

One important phenomenon of the use of government waste land by the landless poor or by the self-help groups for production process is though new, it has tremendous output value. This is practiced in Tamil Nadu and got tremendous influence from the disadvantaged section of the people (Vidyanathan *et al.* 2007). Again in Rajasthan, RUDA is playing a vital role in organising and employing rural people in income generation activities and got international recognition for its growth performance record.

However, people often questioned on India as it a superpower of poverty (Das 2008) or a paper tiger (Baru 2006). The real growth will only happen if the partner states of Indian Union will grow equally. The rural non-farm sector is an alternative way of livelihood process when agricultural farming fails in India to engage all the rural poor. Concepts such as e-governance, social auditing, Public Interest Litigation (PIL), and Right to Information Act (2005) are gaining importance nowadays in India. It is the right time that the government servants pay enough attention to these Acts and tools to ensure efficiency and transparency of service delivery to the citizens of India.

Hence it is to be said that time has come to: (a) clarify the mind set of general masses on the one hand and the policy makers on the other, (b) reduce trust deficit among and within States, (c) enhance interdependency ratio unlike the one way of dependence, and (d) fight against common enemy i.e. poverty and terrorism for comprehensive human development and social welfare.

Notes

- ¹ Rajat Acharya, "*International Trade, Poverty and Income Inequality: The Indian experience during the Reform Period*", for more information see pdf available at Internet
- ² Rajat Acharya, "*International Trade, Poverty and Income Inequality: The Indian experience during the Reform Period*", for more information see pdf available at Internet
- ³ Professpr Jayati Ghosh had disclosed it in a post dinner public talk at Kaveri Hostel Mess of Jawaharlal Nehru University on 9th of September, 2006
- ⁴ Bibek Dev Roy and Laveesh Bhandari, "Exclusive Growth and Inclusive Inequality", for more information see pdf available at Internet
- ⁵ Bibek Dev Roy and Laveesh Bhandari, "Exclusive Growth and Inclusive Inequality", for more information see pdf available at Internet
- ⁶ *Ibid* 2

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